

ANNUAL REPORT

2007-08

**WEB
SERVICES**

**INTERNET
ACCESS SERVICES**



**NETWORK
INTEGRATION**

**VOIP
SOLUTIONS**



OUR SPIRIT

We at Net4 commit to our quest of empowering our customer's business and be their preferred business partner. We shall take pride in team work and value performance achieved with integrity. We will tirelessly strive to attain success as a global knowledge leader, powered by innovation and passion. Our spirit will guide us, keep us focused and enable us to reach beyond.

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2007 - 08

BOARD OF DIRECTORS**CHAIRMAN AND MANAGING DIRECTOR****Jasjit Singh Sawhney****WHOLE-TIME DIRECTOR****Amarjit Singh Sawhney****NON-EXECUTIVE DIRECTORS****Sandip K. Ghosh
Bharat Chawla
Manish Wadhavan****Desi S. Valli
Brijesh Mathur
Biba Sawhney****AUDITORS****M/s Sandy Associates
Chartered Accountants****LEGAL ADVISOR****K.K Lahiri, Advocate****COMPANY SECRETARY****Krishan Kumar****BANKERS****State Bank of India,
South Extn. Part-I,
New Delhi-110049**

REGISTERED OFFICE

**AB-11,
Community Centre,
1st & IInd Floor,
Safdarjung Enclave,
New Delhi-110029**

REGISTRAR AND TRANSFER AGENTS

**MCS Limited
Sri Venkatesh Bhavan,
W-40, Okhla Industrial Area,
Phase-II, New Delhi-110020
Tel.: 011-41406149, 51, 52
Fax: 011-41709881
Email: admin@mcsdel.com
mcscomplaintsdel@mcsdel.com
URL: www.mcsdel.com**

OUR CORPORATE OFFICE

Sector 3, Noida, U.P.

MD'S NOTE

Dear Shareholders,

It gives me immense pleasure to share with you that your Company continues to march on with continually high growth rates as over the last few years. I attribute this year's growth leveraging and building further on the strong foundation of our people, infrastructure and unique yet vast spread of Internet Protocol based services.

It is with great pride that I am reporting the 9th consecutive year of profitable growth. Your company reported a consolidated total income of Rs 137.63cr, representing an increase of 33% from the previous year. Sticking to our policy of "growth but not without profit" our PAT grew by 27% to Rs 9.48 Cr. from Rs. 7.49 Cr. the previous year.

This year we achieved what will be pivotal for your company in the coming years and that is the listing on Bombay Stock Exchange. Whilst the stock markets across the world witnessed significant weakness in the last quarter of this year, being listed on BSE will give your company significant medium and long term advantages. Amongst the most vital of these will be our ability to reward and retain our best talent by introducing a stock option scheme, which we aim to do this year.

Your company continued to enhance its range of services through strategic partnerships. This year we introduced Hosted Microsoft Exchange services targeted at the sub 250 member companies. This has been done with a view of providing unified communication services in the near future. We also entered into an agreement with VeriSign Inc, to deliver secure e-commerce solutions to businesses in India by way of providing customers with all VeriSign Secure Sockets Layer (SSL) solutions, including standard and Extended Validation SSL Certificates. We aim to tightly integrate the same with our wide range of web services, especially for hosting and messaging services.

The government policy, although carrying a dual effect for us, seems to be moving in a direction that will benefit players well positioned in our range of services. TRAI has held consultation sessions on allowing Unrestricted Internet Telephony, which will surely benefit us given our dominant position in the Enterprise VoIP space. TRAI is also of the view that ILD/NLD operators be allowed two stage dialling, i.e; Sell calling cards to subscriber of any mobile or land line network. Given our expertise in VoIP, a nationwide network of distributors and resellers and the impending acquisition of ILD&NLD licences, your company is ideally poised to capitalize on this upcoming opportunity.

The worldwide economic and financial outlook is surely something to be concerned about. However, we feel that we remain insulated from a lot of the problems as we are primarily concentrated on providing services to the mid market segment in India, with most of our services at low or medium price points and having significant uptake still to happen. Further the market for most of the services have already rationalized in the last few years and there is little or no price elasticity left beyond this point. Keeping all risks and bonuses in mind, I am confident that your company will at the very least deliver the kind of growth it has achieved in the last 3 years for the next 3 years to follow.

Your Company is progressing well and is suitably placed for the future growth.

Sincerely,



Jasjit Singh Sawhney
CMD



■ ■ ■ DIRECTORS' REPORT

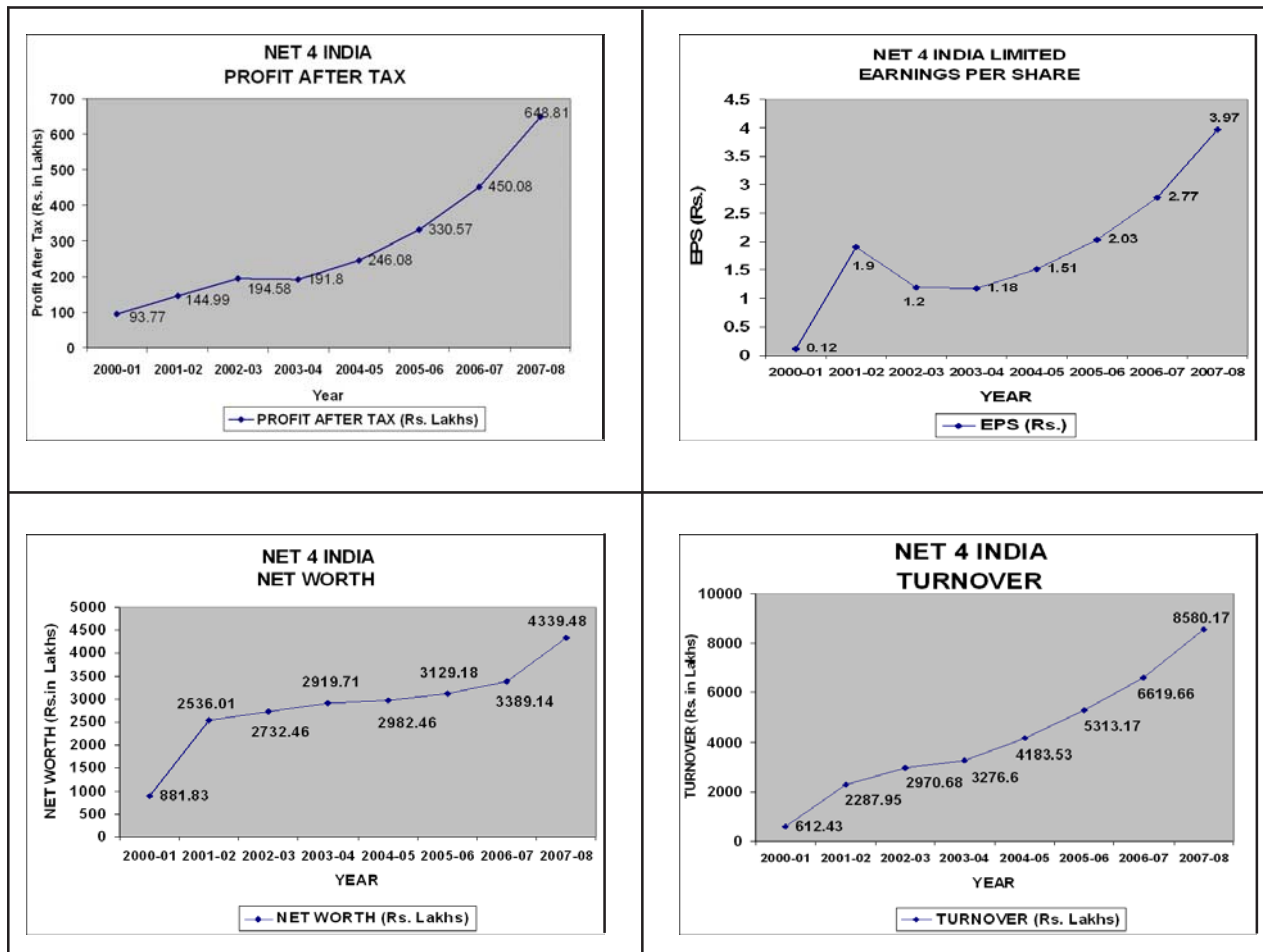
Dear Members,

On behalf of the Board of Directors of your Company, it is my privilege to present the 22nd Annual Report along with Audited Statement of Accounts for the financial year ended March 31, 2008 and Auditor's Report thereon.

Results of Operation

(Rs. In lacs, except per share data)

Year Ended March 31	2008		2007	
	Consolidated	Standalone	Consolidated	Standalone
Total Income	13763.10	8962.81	10,366.44	6,763.27
Depreciation & Amortization	1435.03	780.89	1,366.02	640.67
Interest & Finance Charges	520.74	327.54	362.84	221.11
Other Expenditure	10395.89	6855.03	7,518.46	5,180.90
Net Profit before Tax	1411.44	999.35	1,119.12	720.59
Provision for Taxation (including Deferred Tax)	463.35	350.54	370.30	270.51
Net Profit After Tax	948.09	648.81	748.82	450.08
Dividend	167.50	167.50	162.50	162.50
Tax on Dividend	38.00	28.47	33.97	27.62
Amount Transferred to General Reserve	41.20	16.20	32.20	11.30
Balance retained in Profit & Loss A/c	701.39	436.64	520.15	248.66
Earning Per Share-Basic & Diluted	5.80	3.97	4.61	2.77



Performance

The year under review witnessed an improved performance of the Company on all parameters and as a result the Company's overall financials showed healthy growth. A brief comparison year on year (YoY) is as under:

Consolidated Results

Total income for the year ended March 31, 2008 was Rs.13763.10 lacs as compared to Rs. 10366.44 lacs recorded during the previous fiscal, an increase of 33%. **Profit after Tax** grew to Rs. 948.09 lacs against Rs. 748.82 lacs in the previous year; a substantial 27% YOY growth. **Earnings per share** grew to Rs. 5.80, 26% higher as compared to last year's Rs. 4.61

Standalone Results

Total income has increased from Rs. 6763.27 lacs for the year ended March 31, 2007 to Rs. 8962.81 lacs for the year ended March 31 2008, an increase of 33%. **Profit after Tax** grew by 44% to Rs. 648.81 lacs for the year ended March 31, 2008 as compared to Rs. 450.08 lacs for the year ended March 31, 2007. **Earnings per share** grew by 43%, from Rs 2.77 to Rs 3.97.

The Company has been declared winner in the "Deloitte Technology Fast 500 Asia Pacific Program" which denotes the rapid growth of your Company.

Business Overview

The Year 2007-2008 has been a year of laying strong foundations for future services whilst remaining focused on our core strengths and adding value to our customers. The company focused on new product and service launches, innovative service plans, technical collaborations and continued investments in research & development to inject further value to our service portfolio for our customers. The company has commenced our foray into Security Services Space with Net4 Secure and also acquired the Service Based Operator (SBO) license, under our wholly owned subsidiary-Net4 Singapore Pte Ltd. First of its kind in India, "Net4Secure" is an automated security auditing service for websites and online applications to counter hacking incidents and cyber security threats. With the grant of SBO license, Net4 becomes the first Indian company to acquire this license. Net4 also plan to establish PoP (Point of Presence) in Singapore for VoIP related services that includes International Calling Card Service (ICC), Toll Free Services, IP Telephony Services. This adds further value to the strong product portfolio that Net4 carries already. The PoP will be interconnected to various local and International carriers who have presence in Singapore, which will help Net4 provide an enhanced service quality to all its client base. Net4 will leverage the multiple cable systems like Network i2i, SeMeWe4, Asia America Gateway, APCN2, EAC and C2C that aggregates at Singapore which is the defacto Asia-International hub for many carriers.

During the year under review your Company, in alliance with Google, commenced the services (AdSense) of integration for monetization of parked domains as an added revenue model. Your Company, first time in Asia, in partnership with "Verisign" shall make available the SSL certificates via an online portal.

Having made and planned significant ongoing investments in bolstering our Network and Applications infrastructure, we aim to significantly add to our range of Network and Application services this year and these services to be significant revenue drivers in the coming 2-3 years. As we look ahead, we remain confident that we shall continue to gain traction across multiple vertical markets, based on the strengths of our people, our ongoing brand building and marketing efforts, the diverse yet highly integrated range of services and technological innovations that put the customer first.

Subsidiaries

Your Company has two wholly owned subsidiaries namely Net 4 Singapore Pte Ltd and Net 4 Communications Limited.

Net 4 Singapore Pte Limited

Net 4 Singapore Pte Ltd. was incorporated in 2006 primarily to manage the International wholesale VoIP business and VPN Voice/data network services. The Company has been awarded with the Service Based Operator (SBO) license in Singapore. Under the license, the Company will now be able to provide a range of enhanced retail and wholesale VoIP (Voice over Internet Protocol) services. There was no business activity in the year 2007 but in the current year it has started operations and hopeful to get good business accounts. The Company has entered into "Reciprocal Telecommunication Services Agreement" with M/s. Bharti Airtel Ltd. for VoIP based Telecommunications services.

Net 4 Communications Limited

Net 4 Communications Limited was incorporated in the year 2005 having its Registered Office at Kolkata. During the year under review, total income for the year ended March 31st, 2008 was Rs. 50.62 Cr as compared to Rs. 37.82 Cr recorded during the previous fiscal, an increase of 34%. The Profit after Tax grew to Rs. 332.72 lacs against Rs. 278.12 lacs at a growth rate of 20%. The company plans to enter into the various telecommunications & allied services and therefore has applied for the license of National Long Distance (NLD) & International Long Distance (ILD) and same are under consideration with Department of Telecommunication (DOT).

Particulars Under Section 212 Of The Companies Act, 1956

As per Section 212 of the Companies Act, 1956, we are required to attach the Directors' Report, Balance Sheet, and Profit and Loss Account of subsidiaries to the Balance Sheet of the Company. We believe that the consolidated accounts present a full and fair picture of the state of affairs and the financial condition, and are accepted globally. Therefore, we had applied to the Government of India to seek exemption from presenting detailed financial statements for each subsidiary as we present the audited consolidated financial statements in the Annual Report. The Government of India has granted us exemption from complying with the provisions of Section 212(1) of the Companies Act, 1956. Accordingly, the Annual Report does not contain the financial statements of these subsidiaries. In compliance with the terms of exemption we have presented a summary of the financial information for each subsidiary and we will make available the audited annual accounts and related information of subsidiaries, where applicable, upon request by any of our investors. These documents will also be available for inspection during business hours at our registered office and also at the registered office of the concerned subsidiary.

Consolidated Financial Statements

In accordance with the Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for Investments in Associates, the audited Consolidated Financial Statements are provided in the Annual Report.

Dividend

The Board of Directors of your Company have recommended dividend @ 10% (Rupee 1 per Share) for the year 2007-2008 (previous year 10%) subject to approval of members in their ensuing Annual General Meeting. The amount of dividend and the tax thereon aggregates to Rs. 195.97 lakhs.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Amarjit Singh Sawhney and Ms. Biba Sawhney, Directors will retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Mr. Brijesh Mathur was co-opted as an Additional Director on the Board of the Company with effect from 31st, July 2007. His tenure expired on 24th September, 2007. He was again appointed as additional director on September 25, 2007 and holds office as such upto the ensuing Annual General Meeting. Notice from a shareholder together with necessary deposit proposing his name as a Director has been received. A brief profile of Mr. Brijesh Mathur is given in the Notice convening the Annual General Meeting.

The tenure of Mr. Desi S. Valli as an Executive Director ended on 30th September 2007. He was appointed as a Non Executive Director of the Company w.e.f. 1st October 2007.

During the year, the remuneration of Mr. Jasjit Singh Sawhney, Chairman & Managing Director of the Company was restructured as per the recommendations of the Remuneration Committee, by the Board of Directors. The restructured remuneration of the Chairman & Managing Director w.e.f. 1st October 2007 is as detailed below:

Components of Salary	In Rs., per month	In Rs., per annum
Basic Salary	1,99,000	23,88,000
House Rent Allowance	50,000	6,00,000
Medical Allowance	1,250	15,000
Company's Contribution to Provident Fund	23,880	2,86,560
TOTAL	2,74,130	32,89,560

The other terms and conditions of appointment of Mr. Jasjit Singh Sawhney shall remain the same as approved by the shareholders in the Annual General Meeting held on 30th September 2006. The restructured remuneration of Mr. Jasjit Singh Sawhney is within the limits of Schedule XIII of the Companies Act, 1956 and as approved by the shareholders in the aforesaid Annual General Meeting.

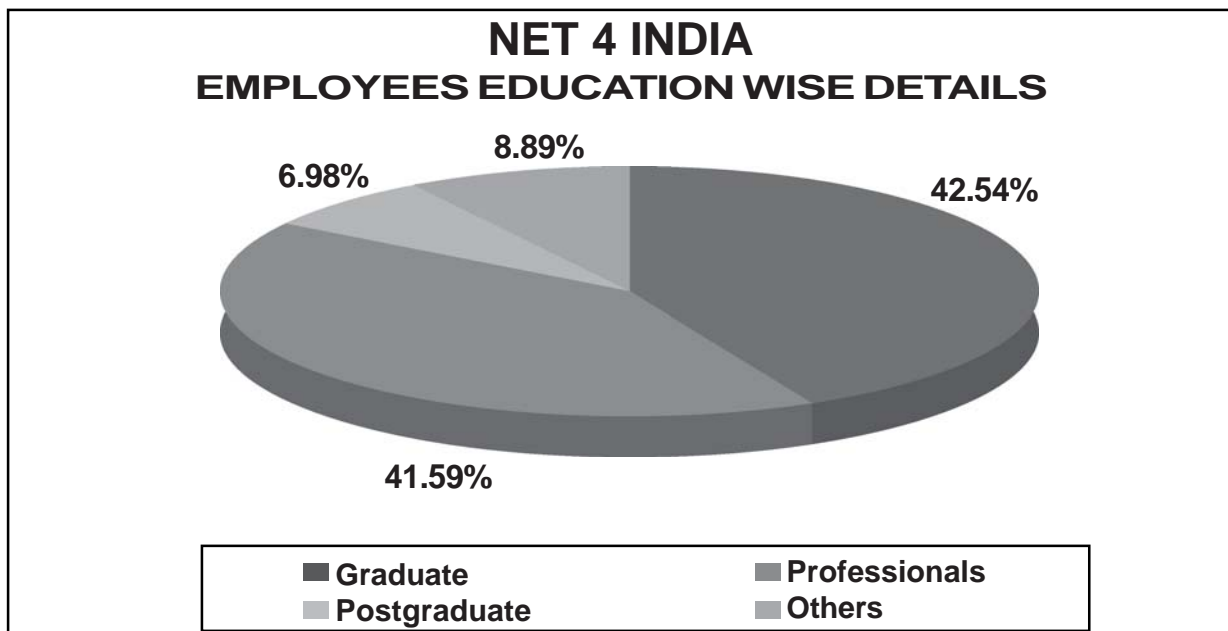
Directors Responsibility Statement

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

- (i) In the preparation of the Annual Accounts, the applicable accounting standards had been followed and wherever required, proper explanations relating to material departures have been given;
- (ii) The Directors have 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 as at 31st March 2008 and of the profit of the Company for the year ended on that date;
- (iii) The Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) The Directors have prepared the annual accounts of the Company on a "going concern" basis.

Human Resource

Employees are vital to the Company. We have created a favorable work environment that encourages innovation and meritocracy. Every employee is encouraged to optimize his/her full potential by availing of opportunities that exist across multiple functions, disciplines as well as geographies. We have also set up a scalable recruitment and human resources management process, which enables us to attract and retain high caliber employees. Our attrition rate stands at 13.4% compared to 13.7% for the previous year. Attrition, excluding involuntary separations, stood at 12.1% compared to 12.2% in the previous year.



Increase in Share Capital

During the year, Company issued 5,00,000 fully paid equity shares of Rs. 10 each at premium of Rs. 90 per share on preferential basis and due to this, the issued, subscribed and paid-up equity share capital increased from Rs.16,25,00,000 to Rs.16,75,00,000 as of March 31, 2008.

The Authorised Capital of the Company has been increased from Rs. 20 crores to Rs. 25 crores in the Extraordinary General Meeting of the members held on 8th February 2008.

Fixed Deposit

Your Company has not accepted any deposits within the meaning of Section 58 A of the Companies Act, 1956. As such, no amount of principal or interest was outstanding as on the Balance Sheet date.

Corporate Governance

Your Company is committed to maintain the highest standards of Corporate Governance. The Company adheres to the requirements set out by the Securities and Exchange Board of India's Corporate Governance practices and the requirements of the Listing Agreement and have implemented all mandatory stipulations prescribed thereunder. Report on Corporate Governance for the year ended 31st March 2008 in terms of Clause 49 of the Listing Agreement entered into with the Stock Exchanges in India forms part of the Annual Report. Certificate from the Auditors of the Company, M/s. Sandy Associates, confirming compliance of conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed to this Report.

Management Discussion and Analysis Statement

Management Discussion and Analysis Statement on the Company's performance, industry trends and other material changes with respect to the Company and its subsidiaries, wherever applicable is attached to this report.

Code of Conduct

In terms of Clause 49 of the Listing Agreement, the Company has formulated a Code of Conduct for the Directors and Senior Managerial Personnel. All the Board members and Senior Managerial Persons have given their consent to adhere to the Code of Conduct to the Compliance Officer. As per requirement of Listing Agreement, the Code of Conduct is also available on Company's website www.net4.in

The Company has also formulated a 'Code of Internal Procedures and Conduct for prevention of Insider Trading in shares of the Company as per the provisions of SEBI (Prevention of Insider Trading Regulations) 2000, as amended from time to time, providing guidelines to the designated employees while dealing in shares of the Company.

Listing Information

The shares of the Company were admitted to trading under the Direct Listing Norms of the Bombay Stock Exchange in 'B1 Group' on 2nd November 2007 (Scrip ID -NET4 INDIA & BSE code-532912).

Apart from the above, the shares of your Company are also listed at Delhi Stock Exchange.

The listing fee for the year 2008-2009 has been paid to the Bombay Stock Exchange and Delhi Stock Exchange.

Auditors and Auditors' Report

M/s. Sandy Associates, Chartered Accountants, Statutory Auditors, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed. The Notes on Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

Energy Conservation, Technology Absorption and Foreign Exchange Earnings & Outgo

Information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 in respect of energy conservation, technology absorption and foreign exchange earnings and outgo is given in Annexure-I to this report.

Particulars of the Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are required to be set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1) (b) (iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Any member who is interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company. Mr. Jasjit Singh Sawhney, Chairman & Managing Director, Mr. Amarjit Singh Sawhney, Whole-time Director and Ms. Biba Sawhney, Director are relatives, particulars thereof are given in Corporate Governance Report. None of other employee is relative of any of the Directors.

Acknowledgements

Your Directors would like to express their grateful appreciation for assistance and co-operation received from the Banks, Government Authorities, Customers, Vendors and Members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services of all the employees of the Company.

For and on behalf of the Board of Directors

Sd/-

JASJIT SINGH SAWHNEY
Chairman & Managing Director

Place: New Delhi
Dated: 31st July, 08

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

The Statement pursuant to Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is as under:

A. Conservation of Energy

The operations of your Company are not energy conservative. We have a focused strategy to optimize energy consumption. We purchase PCs and laptops that meet environmental standards, replace old hardware with latest and more energy-efficient hardware, and are decreasing the amount of equipment to further reduce our energy consumption. The Company is on a constant look out for efficient energy conservation technologies and introduce them at required places.

B. Research and Development (R & D)

1. Specific areas in which R & D is carried out by the Company are as under:

The core business of the Company i.e. Internet and Related Services require continuous research and development, adoption of new and more efficient technologies and innovation. Your Company has been making sincere efforts to build competence and improve its services in its area of operations by carrying out continuous research and development activities.

2. Benefits derived as a result of the above R & D:

Your Company has been able to develop processes and methodologies that have resulted in constant improvement in quality of the products and services and overall productivity of the Company

3. Future plan of action:

The Company intends to develop its own R & D division in near future.

4. Expenditure on R & D

- (a) Capital
- (b) Recurring
- (c) Total
- (d) Total R & D expenditure as a percentage of total turnover.

Since there is no separate R & D division, as such and no separate allocation of funds being made for R & D, therefore, the exact amount spent on research and development is not ascertainable.

C. Technology Absorption, Adaptation and Innovation

1. Efforts in brief, made towards technology absorption, adaptation and innovation.

Since the core business of the Company requires adoption and absorption of emerging technologies the Company is making continuous efforts in absorbing and deploying the new technologies.

2. Benefits derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution, etc.

The adoption and development of new technologies has resulted in the improvement in quality of its products and services and productivity of the Company.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

- (a) Technology imported-NIL
- (b) Year of import-N.A
- (c) Has technology been fully absorbed-N.A
- (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action-N.A

D. Foreign Exchange Earnings & Outgo

Your Company has taken various initiatives to increase exports, developments of new export markets for the services. Establishment of overseas subsidiary at Singapore and making arrangements with International call carriers are some of the steps taken to increase the Exports in the near future. The particulars regarding foreign exchange earnings during the period under review of Rs. 1,14,26,000 are appearing in the Note No. v of the Notes to the Accounts (Schedule 'S'). The particulars regarding foreign exchange expenditure of Rs. 3,92,03,000 during the period are appearing in Note No. vi of the Notes to the Accounts.

For and on behalf of the Board of Directors

Place: New Delhi
Dated: 31st July, 2008

Sd/-
JASJIT SINGH SAWHNEY
Chairman & Managing Director

■ ■ ■ REPORT ON CORPORATE GOVERNANCE

STATEMENT OF CORPORATE GOVERNANCE PHILOSOPHY

Corporate governance encompasses the internal policies and practices by which Net 4 is operated and controlled on behalf of its shareholders. The advantages of sound corporate governance include having a strong Board of Directors that is accountable to the Company and its owners. A good system of corporate governance also helps Net 4 maintain the confidence of investors, which allows the Company to raise capital efficiently.

Net 4 is committed to establish good governance practices and there is a constant endeavour to follow the spirit of good governance than mere compliance with the conditions specified by regulatory authorities and in line with domestic and international developments. Net 4 understands and respects its fiduciary role and responsibility to shareholders and strive hard to meet their expectations. Net 4 believes that best board practices, transparent disclosures and shareholder empowerment are necessary for creating shareholder value.

Net 4's philosophy on Corporate Governance is based on the universally recognised principles of transparency, disclosures and fairness in corporate actions.

In our commitment to practice sound governance principles, we are guided by the following core principles:

Transparency

To maintain utmost transparency in our interactions, dealings and day to day affairs.

Disclosures

To ensure timely dissemination of price sensitive information and other matters concerning our stakeholders.

Stakeholders' interests

To promote the interests of all stakeholders including customers, shareholders, employees, lenders, vendors and the community.

Compliances

To comply with all the laws and regulations as applicable to the Company.

1. Company's Philosophy on Code of Governance

The Company endeavors to comply corporate governance by adherence with utmost transparency, disclosures and fairness in the business operations. Good corporate governance is ongoing process. Corporate governance entails and ensures accountability of the persons in charge of the company on the one hand and develops benefits to investors, customers, vendors and the society at large on the other hand. The Company believes that good corporate governance practice is an excellent tool to secure the corporate excellence. The Company has and will continue to focus its resources, strengths and strategies, in order to achieve this Vision, while upholding the core values of transparency, integrity, honesty and accountability.

2. Board of Directors

The role of the Board of Directors is to effectively govern the affairs of the Company for the benefit of its shareholders. The Board strives to ensure the success and continuity of the Company's business through the election of qualified management. It is also responsible for ensuring that the Company's activities are conducted in a responsible and ethical manner.

A. Composition of Board

The Board of Directors consists of an optimum combination of Executive, Non-Executive and Independent Directors. The functional (Whole time) Directors have core expertise in their functional area of operations in the Company and have enriched and varied experience.

The back ground of Non-Executive/Independent Directors is similar to the Whole Time Directors but nevertheless they are also in a position to view the transactions from a different perspective thus adding value to the decisions taken and thereby contributing to the overall growth of the organisation.

The Board of Directors consists of 8 Directors, comprising 2 Whole-Time Directors including the Chairman and Managing Director and 6 Non-Executive Directors out of which 4 are Independent Directors. The composition of the Board of Directors is as follow:

Director	Category of Director	No. of other Directorships (*)	No. of Memberships/ Chairmanships of Other Board/ Committees (**)
Executive Directors			
Mr. Jasjit Singh Sawhney	Promoter Director/ Chairman & Managing Director	1	2
Mr. Amarjit Singh Sawhney	Promoter Director/ Whole Time Director	1	2
Non Executive Directors			
Ms. Biba Sawhney	Promoter /Non-Executive Director	-	-
Mr. Sandip K. Ghosh	Non-Executive Independent Director	2	5
Mr. Bharat Chawla	Non-Executive Independent Director	-	3
Mr. Manish Wadhavan	Non –Executive Independent Director	1	3
Mr. Desi S. Valli	Non-Executive Director	1	1
Mr. Brijesh Chand Mathur	Non –Executive Independent Director	-	-

*Excludes Directorships in Indian Private Limited Companies, Foreign Companies, Companies of Section 25 of the Companies Act, 1956, memberships of Managing Committees of various Chambers/Bodies and Alternate Directorships.

**Represents Memberships / Chairmanships of Audit Committee, Shareholders & Investors Grievance Committee, Remuneration Committee and Management Committee of all Indian Public Limited Companies.

B. Attendance of the Directors at Board Meeting, last Annual General Meeting and Extra Ordinary General Meetings held during the year

(i) Board Meetings

In the year 2007-2008, 7 meetings of the Board were held on 17.04.2007, 20.06.2007, 30.07.2007, 25.09.2007, 30.10.2007, 13.11.2007 and 14.01.2008. The periodicity between two Board Meetings was within the maximum time gap as prescribed in the Listing Agreement / Companies Act, 1956.

Attendance of Directors in the aforesaid meetings is as under:

Name of Director	No of Board Meetings Attended
Mr. Jasjit Singh Sawhney	5
Mr. Amarjit Singh Sawhney	4
Mr. Desi S. Valli	6*
Ms. Biba Sawhney	6**
Mr. Sandip K. Ghosh	5
Mr. Manish Wadhavan	6
Mr. Bharat Chawla	6
Mr. Brijesh Chand Mathur	3***

* Mr. Desi S. Valli was appointed as Non Executive Director w.e.f. 01.10.2007.

** Ms. Biba Sawhney attended 6 meetings through Video/ Teleconferencing.

*** Mr. Brijesh Mathur was co-opted as an Additional Director on the Board of the Company with effect from 31st, July 2007. His tenure expired on 24th September, 2007. He was again appointed as additional director on September 25, 2007 and holds office as such upto the ensuing Annual General Meeting.

(ii) Annual General Meeting

The Last Annual General Meeting was held on 24.09.2007. Attendance of Directors in the aforesaid meeting is as under:

Name of Director	Attendance of last AGM Held on 24.09.2007
Mr. Jasjit Singh Sawhney	Present
Mr. Amarjit Singh Sawhney	Present
Mr. Desi S. Valli	Present
Ms. Biba Sawhney	Absent
Mr. Sandip K. Ghosh	Present
Mr. Manish Wadhavan	Absent
Mr. Bharat Chawla	Absent
Mr. Brijesh Chand Mathur	Absent

(iii) Extra Ordinary General Meetings:

During the year, two Extra Ordinary General Meetings (EGM) were held detailed as under:

Date / Place of Meeting	Nature of Business Transacted	Special Resolution Passed
10.12.2007/ Noida (U.P.)	Allotment of shares on preferential basis	Yes
08.02.2008/ Noida (U.P.)	(i) Increase in authorised share capital and consequential change in the Memorandum of Association. (ii) Consequential change in Articles of Association. (iii) Allotment of shares / warrants on a preferential basis.	N.A Yes Was proposed to be passed as a special resolution but was not passed.

Attendance of Directors in the aforesaid meetings is as under:

Name of Director	Attendance of EGM Held on 10.12.2007	Attendance of EGM Held on 08.02.2008
Mr. Jasjit Singh Sawhney	Present	Present
Mr. Amarjit Singh Sawhney	Present	Present
Mr. Desi S. Valli	Absent	Absent
Mr. Sandip K. Ghosh	Present	Present
Mr. Manish Wadhawan	Absent	Absent
Mr. Bharat Chawla	Absent	Absent
Mr. Brijesh Chand Mathur	Absent	Absent
Ms. Biba Sawhney	Absent	Absent

C. Retirement / Appointment and Re-appointment of Directors

Mr. Amarjit Singh Sawhney and Ms. Biba Sawhney, Directors, liable to retire by rotation and being eligible offer themselves for reappointment.

Mr. Brijesh Mathur was co-opted as an Additional Director on the Board of the Company with effect from 31st, July 2007. His tenure expired on 24th September, 2007. He was again appointed as additional director on September 25, 2007 and holds office as such upto the ensuing Annual General Meeting. Notice from a shareholder together with necessary deposit proposing his name as a Director has been received. The Board recommends the appointment of Mr. Mathur as the Director of the Company.

D. Relationship amongst Directors and their Relatives

Mr. Jasjit Singh Sawhney, Chairman & Managing Director is the son of Mr. Amarjit Singh Sawhney, Whole Time Director and Ms. Biba Sawhney, Non Executive Director, is the daughter of Mr. Amarjit Singh Sawhney. Apart from the above relation, none of the other directors have any of their relatives in employment of the Company or on the Board.

E. Loans to Directors

No loans have been given to/or outstanding from any of the Directors of the Company.

3. Board Committees

To give utmost priority to important functional areas which require specialized attention, various committees of the Board are constituted.

Name of the Committee	Name of Director	Chairman/ Member
Audit Committee	Mr. Sandip K. Ghosh Mr. Manish Wadhawan Mr. Bharat Chawla	Chairman Member Member
Shareholders'/Investors' Grievance Committee	Mr. Sandip K. Ghosh Mr. Manish Wadhawan Mr. Bharat Chawla	Chairman Member Member
Remuneration Committee	Mr. Sandip K. Ghosh Mr. Manish Wadhawan Mr. Bharat Chawla	Chairman Member Member
Management Committee	Mr. Jasjit Singh Sawhney Mr. Amarjit Singh Sawhney Mr. Desi S. Valli Mr. Sandip K. Ghosh	Member Member Member Member

Committees of the Board are constituted in compliance with the provisions of the Companies Act, 1956 and Listing Agreement entered into with the Stock Exchanges.

The Board may, from time to time, constitute one or more functional committees delegating thereto powers and duties with respect to specific purposes. Meetings of such committees are held as and when the need arises. Time schedule for holding the meetings of such functional committees are finalised in consultation with the committee members. The committee(s) so constituted act in accordance with their terms of reference and / or with respect to the functions assigned or the powers delegated by the Board of Directors.

The minutes of all the committee meetings, approved and signed by the Chairmen of respective committees are placed in the next meeting of the Board of Directors for noting.

Any decision taken in the committee meeting which is outside its scope / powers and/ or its terms of reference may be subsequently ratified by the Board of Directors and shall have effect as if they were originally decided by the committee within their terms of reference / powers and scope and the decision shall have effect accordingly.

A brief on the terms of reference, meetings held during the year and attendance of members in these meetings is as under:

A. Audit Committee

The main function of the committee is to continuously monitor and effectively supervise the Company's financial reporting process with a view to provide accurate, timely and proper disclosures and to maintain the integrity and quality of the financial reporting. The terms of reference of the audit committee are in accordance with Section 292A of the Companies Act, 1956 and the guidelines set out in the Listing Agreement.

The committee is headed under the stewardship of Mr. Sandip K. Ghosh, an independent, non- executive Director. Mr. Sandip K. Ghosh, a Chartered Accountant by profession has vast, varied and multifarious experience in financial management, corporate affairs and accounting matters.

The committee during the year 2007-2008 met 5 times and Mr. Sandip Ghosh attended 3 meetings and Mr. Bharat Chawla and Mr. Manish Wadhavan attended all the meetings. Representative of the Statutory Auditors and Financial Controller, were invited to be present at the meetings. All the members of the committee are independent directors.

B. Shareholders' & Investors' Grievance Committee

The terms of reference include giving approval for issue of duplicate certificates, to oversee and review all matters connected with transfer of securities of the Company, to continuously monitor and give directions for prompt resolution of Shareholders'/Investors' complaints like transfer of shares, non-receipt of the balance sheet, non-receipt of dividend, etc. The committee also supervises the working of Registrar and Share Transfer Agents of the Company and recommends measures for overall improvement in the quality of investor services. The committee during the year 2007-2008 met 11 times and all the members have attended all the meetings. In order to expedite the process of share transfers, the committee has delegated the power of share transfer to Company Secretary who shall attend to share transfer formalities at least once in a fortnight. The Company has received 2 complaints for split of shares, 3 complaints for non- receipt of Annual Report and 2 complaints for non – receipt of Dividend warrant for the year 2006-07 and all the complaints have been resolved promptly. Outstanding complaints as on 31.3.2008 were nil.

C. Remuneration Committee

The terms of reference include to consider, recommend and review the remuneration of Executive Directors and Senior Management based on their performance and defined assessment criteria. The committee during the year 2007-2008 met once and all the members attended the meeting.

The Non-Executive Directors have no pecuniary relationship or transactions with the Company in their personal capacity except sitting fees (as mentioned below). The Company has not granted any stock option to its Directors.

D. Management Committee

The terms of reference include (i) deciding on borrowing, loan, advances, overdrafts from banks, financial institutions, individuals, foreign institutions, etc, (ii) to decide investment to be made in the joint venture, acquisition, collaboration, and/or incorporation of a new company and other tasks entrusted, delegated by the Board of Directors from time to time.

The committee during the year 2007-08 met once and all the members except Mr. Desi S. Valli attended the meeting.

4. Remuneration of Directors:

Details of remuneration of the Directors for the financial year ended 31st March, 2008 are as under:

(Amount in Rs.)

Director	Relationship with other Director	Salary#	Perquisites and Other benefits##	Sitting Fees	Total
Mr. Amarjit Singh Sawhney	Father of Mr. Jasjit Singh Sawhney & Ms. Biba Sawhney	20,40,600/-	2,41,920/-	–	22,82,520/-
Mr. Jasjit Singh Sawhney	Son of Mr. Amarjit Singh Sawhney and Brother of Ms. Biba Sawhney	32,91,000/-	2,86,560/-	–	35,77,560
Mr. Desi S. Valli*	–	7,62,300/-	90,000/-	500/-	8,52,800/-
Ms. Biba Sawhney	Daughter of Mr. Amarjit Singh Sawhney and sister of Mr. Jasjit Singh Sawhney	–	–	1,500/-	1,500/-
Mr. Sandip K. Ghosh	–	–	–	5,250/-	5,250/-
Mr. Manish Wadhavan	–	–	–	5,750/-	5,750/-
Mr. Bharat Chawla	–	–	–	5,750/-	5,750/-
Mr. Brijesh Mathur**	–	–	–	750/-	750/-
Total					67,31,880/-

Salary also includes Performance Pay.

Perquisites and other benefits include allowances, contribution to Provident and other funds but exclude company's contribution to Gratuity Fund.

The appointment of Whole Time/ Executive Directors is subject to termination by three months notice in writing by either side and is guided by the standard terms and conditions of the appointment as applicable to employees.

* Mr. Desi S. Valli was appointed as Non Executive Director w.e.f. 01.10.2007.

** Mr. Brijesh Mathur was co-opted as an Additional Director on the Board of the Company with effect from 31st, July 2007. His tenure expired on 24th September, 2007. He was again appointed as additional director on September 25, 2007 and holds office as such upto the ensuing Annual General Meeting.

5. Management Discussion and Analysis Statement

“Management Discussion and Analysis Statement” is appended with this report.

6. Brief Profile of the Directors proposed to be re-appointed

As a matter of good corporate practice your Board has decided that at the time of introduction of the Directors to the Shareholders, a brief profile of the Director shall be given:

(i) Mr. Amarjit Singh Sawhney

Mr. Amarjit Singh Sawhney is an entrepreneur with more than 40 years of experience in business operations. He had established and operated businesses in Iran and United Kingdom across several industries including appare manufacturing, realty and steel trading. The Company benefits from his rich experience in business and finance. He was appointed to the Board on 5th March, 2000 and was appointed as Whole Time Director on 21st March, 2003 for three years and further re-appointed as Whole Time Director w.e.f. 1st April, 2006. He holds directorship in M/s Net 4 Communications Limited.

Your Company has benefited a lot by the knowledge and experience of Mr. Amarjit Singh Sawhney being eligible offer himself for re-appointment. Your approval is being sought for the above, the Board of Directors has already recommended his appointment.

(ii) Ms. Biba Sawhney

Ms. Biba Sawhney is an entrepreneur and operated apparel retailing in United Kingdom. She is a highly talented executive with experience in several industries. She helps the Company selectively with international sales. She does not hold directorship in any other Indian Company.

Your Company has benefited a lot by the knowledge and experience of Ms. Biba Sawhney being eligible offers herself for re-appointment. Your approval is being sought for the above; the Board of Directors has already recommended her appointment.

7. Brief Profile of the Director proposed to be appointed (u/s 257 of the Companies Act, 1956)

(i) Mr. Brijesh Chand Mathur

Mr. Brijesh Chand Mathur is a Chartered Accountant by profession. He has more than 30 years of experience in the field of Accounts, Taxation and Finance.

The Board highly appreciates the contribution of Mr. Mathur as an Additional Director and recommends his appointment as a Director of the Company under Section 257 of the Companies Act, 1956.

8. Chairman

Mr. Sandip K. Ghosh acted as Chairman from 1st April, 2007 till 31st July, 2007 and w.e.f. 1st August, 2007 Mr. Jasjit Singh Sawhney has been appointed as Chairman of the Board of Directors of the Company.

9. Related Party Transactions

There have been no significant material related party transactions. Disclosure in relation to all material, financial and commercial transactions, where directors have personal interest have been reported and those transactions are disclosed in Note No. S (xvi) to the Accounts in Annual Report.

10. Code of Conduct

As a part of Net4's constant endeavour to set a high standard of conduct for its employees, it has formulated 'The Code of Conduct for Board Members and Senior Management Personnel' in compliance with the provisions of Clause 49 of the Listing Agreement. The code lays down guidelines and advises the Board and Senior Managerial Persons on procedures to be followed, disclosures to be made and to follow ethics as per rules of the Company. The purpose of this Code is to ensure an ethical and transparent process in managing the affairs of the Company and promote ethical conduct. The Code has been circulated to all the members of the Board and Senior Management Personnel and the compliance of the same is affirmed by them annually. The Chairman and Managing Director has confirmed compliance of provisions of the Code. The Company Secretary has been appointed as the Compliance Officer under this Code. The Code of Conduct is also available on Company's website www.net4.in.

11. Insider Trading Regulations

In terms of the provisions of SEBI (Prevention of Insider Trading Regulations) 2000, as amended, the Company has formulated a "Code of Internal Procedures and Conduct for Prevention of Insider Trading in shares of the Company". The objective of the Code is to prevent misuse of Price Sensitive Information and purchase and/or sale of shares of the Company by an insider on the basis of Unpublished Price Sensitive Information. The Code lays down guidelines and advises the Directors, Officers and Designated Employees on procedures to be followed and disclosures to be made, while dealing in the shares of the Company.

12. Publication of Unaudited/Audited Financial Results

The Unaudited/ Audited Financial Results have been published in a Hindi national newspaper and an English national newspaper. The results were sent to Stock Exchanges on quarterly basis. Detail of publication of Financial Results is given below:

Period	Name of Newspaper
Audited Financial Results for the Year Ended 31.3.2008	Navbharat Times (Hindi), Economic Times (English)
Unaudited Financial Results for the Qtr. Ended 30.6.2007	Rashtriya Sahara (Hindi), Business Standard (English), Economic Times (English)
Unaudited Financial Results for the Qtr. Ended 30.9.2007	Navbharat Times & Vir Arjun (Hindi), Economic Times (English)
Unaudited Financial Results for the Qtr. Ended 31.12.2007	Navbharat Times (Hindi), Economic Times (English)

The audited yearly / unaudited quarterly results of the Company are also displayed on the Website of the Company i.e. www.net4.in.

13. General Body Meetings

(a) Location and time where last three Annual General Meetings were held:

Year	Date	Time	Venue
2005	30.9.2005	2.30 P.M.	AB-11, Community Centre, Safdarjung Enclave, New Delhi – 110 029
2006	30.9.2006	2.30 P.M.	AB-11, Community Centre, Safdarjung Enclave, New Delhi – 110 029
2007	24.9.2007	11.00 A.M.	AB-11, Community Centre, Safdarjung Enclave, New Delhi – 110 029

(b) Resolutions passed through Postal Ballot

During the year 2007-08, no resolution was passed by the Company's shareholders' through postal ballot. At the ensuing Annual General Meeting, there is no resolution proposed to be passed by postal ballot.

14a. Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.

The Board has received disclosures from the key managerial personnel relating to the transactions entered into with Companies where they and/or their relatives have interest.

The Company's major related party transactions are generally with its subsidiaries and associate companies and were in the normal course of business. During the year ended 31st March 2008, there were no materially significant related party transactions with its promoters, the directors or the management, their subsidiaries or relatives etc. which may have potential conflict with the interests of the Company at large.

The Related Party Transactions during the year are disclosed at point no. (xvi) to the Notes to Accounts of the Annual Report for the year ended 31st March 2008

b. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI, or any statutory authority, on any matter related to capital markets, during the last three years.

During the last three years, there have been no instances of non compliance by the Company, no penalties or strictures were imposed on the Company by any Stock Exchange, Securities and Exchange Board of India (SEBI) or any other statutory authority on any matter relating to the capital markets.

c. Whistle Blower policy and affirmation that no personnel have been denied access to the audit committee.

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. Employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor or the Company Secretary. The reports received from any employee will be reviewed by the Audit Committee. The Directors and management personnel are obligated to maintain confidentiality of such reportings and ensure that the whistle blowers are not subjected to any discriminatory practices. Any employee, if he/she so desires, have free access to meet Senior Level Management and report any matter of concern. No employee of the Company is denied access to the audit committee to make any representation. During the year, no personnel had approached the audit committee.

d. Compliance with Code of Corporate Governance

The Company is regularly complying with the mandatory requirements of Code of Corporate Governance as indicated in Clause 49 of Listing Agreement.

Clause 49 further states that the non-mandatory requirements may be implemented as per the discretion of the Company. The Company has implemented the following non-mandatory requirement:

(i) Remuneration Committee

The Company has set up a Remuneration Committee to approve specific aspects of the remuneration of Directors and Senior Management Persons.

(ii) Audit Qualification

The Company is in the regime of unqualified financial statements.

(iii) Training of Board Members

New members on the Board of Directors are apprised about the operations, policies and procedures of the Company. They are further informed about the duties and liabilities of a Director in the course of discharging his duties on the Board and are also apprised about the laws, rules and regulations which they should be aware of as a Director. Executive Brief of relevant statutory changes and landmark pronouncements encompassing important laws such as the Companies Act, 1956, SEBI Act, FEMA etc. is circulated to all the Directors of the Company, every quarter.

e. Accounting Standards

The Company has been following Accounting Standards laid down by the Institute of Chartered Accountants of India in the preparation of the financial statements of the Company.

f. Subsidiary Company

The Company has two wholly owned subsidiaries viz. Net 4 Communications Limited and Net 4 Singapore Pte. Ltd.

The subsidiary companies are Board managed with their Boards having the rights and obligations to manage such companies. All minutes of the meetings of the unlisted subsidiary companies are placed before the Company's Board regularly.

g. Risk Management

The Audit Committee and the management regularly review the risk management strategy of the company to ensure the effectiveness of risk management policies and procedures.

h. Certification

Chairman & Managing Director and the Financial Controller of the Company have furnished the requisite certificates to the Board of Directors under clause 49V of the Listing Agreement with the stock exchanges certifying that:

- a. They have reviewed the financial statements and the cash flow statement for the year ended 31.3.2008 and the same does not contain any materially untrue statement or omit any material fact or contain any misleading statement.
- b. The financial statements present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations and no transactions entered into by the company during the year were fraudulent, illegal or violative of company's code of conduct.
- c. They accepted the responsibility for establishing and maintaining internal controls and their effectiveness, and they have disclosed the deficiencies, if any in the design and operation of internal controls, significant changes in the accounting policies or in the internal control or the instances of significant fraud, if any of which they have aware to the auditors and the audit committee and the steps they have taken to rectify those deficiencies.

15. Means of Communication

Quarterly Results: Quarterly Results published in leading financial dailies in English and Hindi

News Release, Presentation etc.: Official news, releases, are displayed on the Company website.

Annual Report: Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditor's Report, and other important information is circulated to members and others entitled thereto.

Designated E-mail ID: The Company has designated the following E-mail ID exclusively for investor servicing: secretarial@net4.in

16. General Information

(a) Annual General Meeting

Day, Date & Time: Tuesday the 30th day of September, 2008 at 10:30 AM.

Venue: Hotel Centrum, D-984 New Friends Colony, New Delhi -110065

Book Closure: 25th September, 2008 to 29th September, 2008 (both days inclusive)

(b) Dividend Payment History

The Company has paid dividend in the last three years. The details of the dividend paid are as follows:

S. No.	Year ended	Rate of Dividend	Total Amount (Rs. Thousands)	Date of AGM in which dividend was declared
1	31.03.2005	10%	16250	30.09.2005
2	31.03.2006	10%	16250	30.09.2006
3	31.03.2007	10%	16250	24.09.2007

(c) Registrar & Transfer Agent

As per the provisions of Listing Agreements entered with the Stock Exchanges, the Company has appointed M/s MCS Limited, as the Common Registrar and Share Transfer Agents for the shares of the Company held in both physical and electronic modes. All correspondence with regard to share transfers and matters related therewith may directly be addressed to the Share Registrar and Transfer Agents at the address given below:

MCS Ltd.

Sri Venkatesh Bhavan, W-40, Okhla Industrial Area, Phase-II, New Delhi-110020, Tel: (011) 41406149 ; 51 ; 52, Fax: (011) 41709881, Email: admin@mcsdel.com ; mcscomplaintsdel.com

(d) Share Transfer System

The Share Transfer System of the Company in the physical segment consists of activities like receipt of share certificates along with transfer deeds, its verification and approval of transfers by Shareholders and Investors Grievance Committee and dispatch of certificates to respective transferees. To expedite the process of Share Transfers the Board has delegated the authority for transfer/transmission of shares to the Shareholders' and Investors' Grievance Committee.

Majority of share transfer requests are processed and the share certificates are returned within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

Shares held in the dematerialised form are electronically traded in the Depository and R & T Agent periodically receive from the depository the beneficiary holdings so as to enable them to update their records.

The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with the Stock Exchanges and files a copy of the certificate with the Stock Exchanges.

(e) Outstanding GDRs/ADRs/Warrants or any convertible instruments

There are no outstanding ADR/ GDR/Warrants or any convertible instruments as at 31st March, 2008

(f) Financial Calendar: 1st April to 31st March

Financial reporting for the quarter ending

-	June 2007	: July, 2007
-	September 2007	: October, 2007
-	December 2007	: January, 2007
-	March 2008	: Latest by June, 2008

(g) Listing on Stock Exchanges and Stock Code

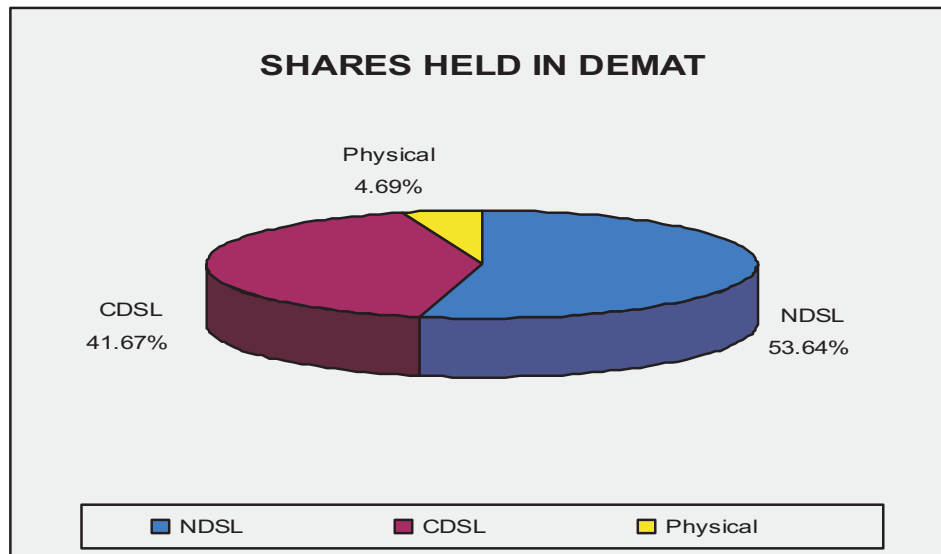
The Shares of the Company were admitted to trading under the Direct Listing Norms of the Bombay Stock Exchange in B1 Group on 2nd November 2007. The shares of the Company are also listed at Delhi Stock Exchange. The details regarding the Stock Exchanges and stock codes are as follows:

Name of Stock Exchange	Stock Code
1. The Bombay Stock Exchange Limited (BSE) P.J. Towers, Dalal Street, Mumbai-400001	532912
2. The Delhi Stock Exchange Association Ltd. (DSE) 3/1, Asaf Ali Road, New Delhi-110 003	113089

(h) Demat ISIN Number in NSDL & CDSL for Equity Shares: INE553E01012

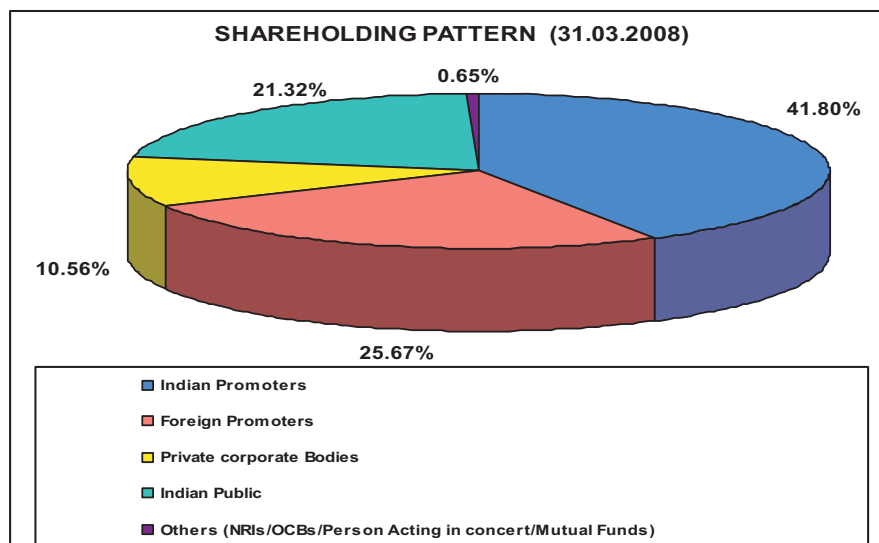
Capital structure as on 31.3.2008	No. of shares	Percentage
Issued capital	16750000	100.00
Listed capital with DSE & BSE	16250000*	97.01
Held in demat form in NSDL & CDSL	15964195	95.31
Held in physical form	785805	4.69

* 5,00,000 Shares issued during the year were admitted to trading in the Bombay Stock Exchange on 7th April 2008 and listed and admitted to dealings on Delhi Stock Exchange w.e.f. 08th May, 2008.



(i) Shareholding Pattern as on 31st March 2008

Sr. No	Category	No. of Shares	% of holding
A.	Promoter's Holding		
1	Promoters		
	- Indian Promoters	70,00,700	41.80
	- Foreign Promoters	43,00,000	25.67
2	Persons acting in concert	5000	0.03
	Sub-Total	1,13,05,700	67.50
B.	Non-Promoter holding		
a.	- Private Corporate Bodies	17,68,826	10.56
b.	- Indian Public	35,72,059	21.32
c.	- NRIs / OCBs	81,435	0.49
d.	- Any Other	21,980	0.13
	Sub-Total	54,44,300	32.50
	GRAND TOTAL	1,67,50,000	100.00

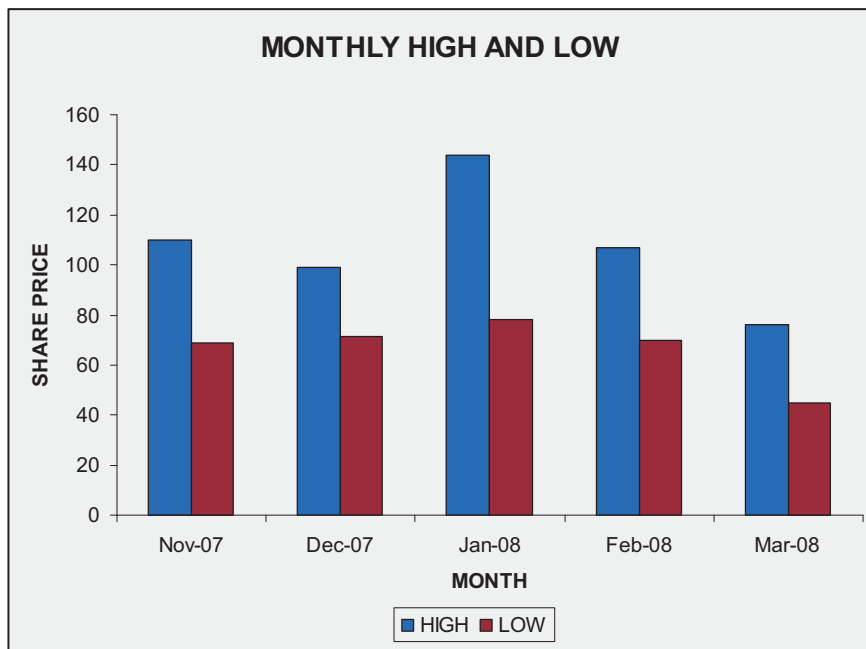


(j) Market Price data

The Equity Shares of the Company were admitted to trading at the Bombay Stock Exchange w.e.f. 2nd November 2007. The High, low and Closing Price of the market share price of the Company on the Bombay Stock Exchange (BSE), vis-à-vis BSE Sensex, No. of shares traded and Net turnover, during the period from November 2007 to March 2008 are as under:

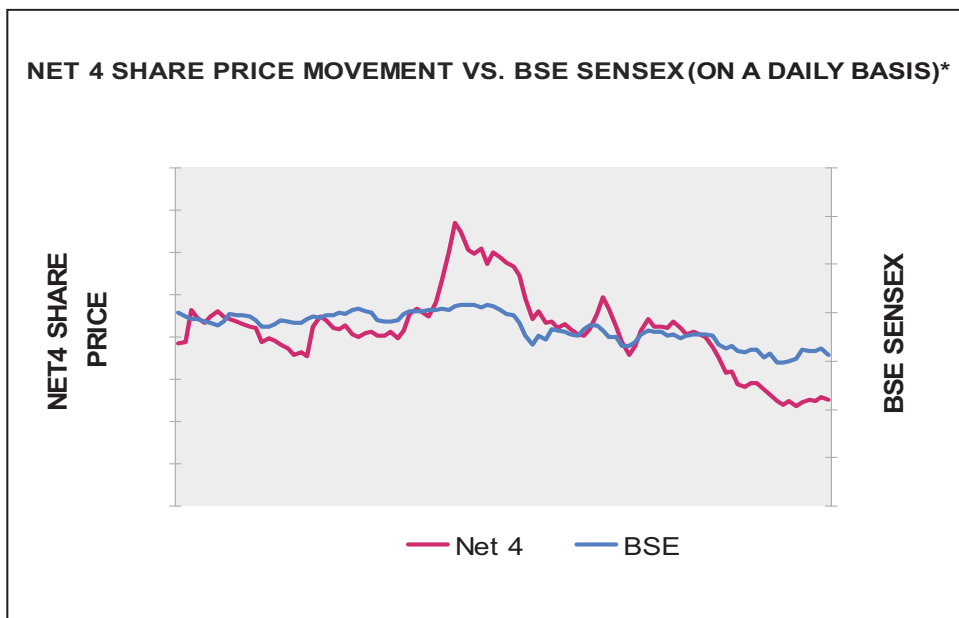
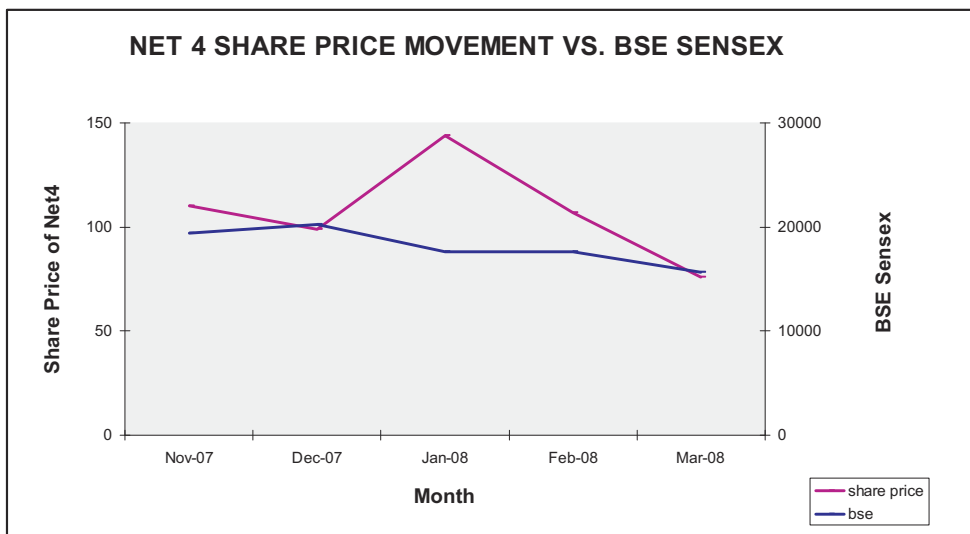
Month	Share Prices		BSE Sensex		No. of shares traded	Net turnover (Rs. in thousands)
	High	Low	High	Low		
November 2007	110.00	69.00	20,204.21	18,182.83	1434410	120,425.67
December 2007	98.90	71.25	20,498.11	18,886.40	1050325	93,205.74
January 2008	144.00	78.20	21,206.77	15,332.42	2320562	273,478.20
February 2008	106.90	70.00	18,895.34	16,457.74	919126	79,182.09
March 2008	76.10	44.90	17,227.56	14,677.24	484963	27,207.25

*Source: www.bseindia.com



The monthly market data relating to the closing price of the shares of the Company vis-à-vis BSE Sensex is as under:

Month	Closing Share Price of Net 4	Closing BSE Sensex
November 2007	71.10	19363.19
December 2007	89.75	20286.99
January 2008	81.45	17648.71
February 2008	75.25	17578.22
March 2008	50.50	15644.44



* From 2nd November 2007 to 31st March 2008

(k) Dematerialisation of shares and liquidity

In accordance with the directions of the Securities & Exchange Board of India (SEBI) trading in the shares of the Company by all categories of investors in demat form has been made compulsory w.e.f. 5th April 1999. Company has executed agreement with both the depositories of the country i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for admission of its securities under demat mode. As on 31st March, 2008, around 95% of the total equity share capital of the Company has been dematerialised by the shareholders and held in the name of the NSDL / CDSL. The Company submits the Secretarial Audit Report for reconciliation of share capital of the Company obtained from a Practising Company Secretary to the Stock Exchanges within the prescribed period.

(I) Address for Correspondence

The shareholders may address their communication/ suggestions/ grievances/ queries to the Registrar and Share Transfer Agents at their address mentioned above or to:

The Company Secretary,
Net 4 India Ltd.

Registered Office: AB-11, Community Centre, 1st & 2nd Floor, Safdarjung Enclave, New Delhi- 110 029,

Corporate Office: D-25, Sector 3, NOIDA-201301, (U.P.), E-Mail: secretarial@net4.in

for and on behalf of Board of Directors

Sd/-

JASJIT SINGH SAWHNEY
Chairman & Managing Director

Place: New Delhi
Dated: 31st July 2008

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

CERTIFICATE

To the Members of
M/s. Net 4 India Limited

We have examined the compliance of conditions of corporate governance by Net 4 India Limited ("the Company"), for the year ended on March 31, 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange and Delhi Stock Exchange.

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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders'/ Investors' Grievance Committee.

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 Sandy Associates
Chartered Accountants**

**PLACE: New Delhi
DATE: July 31, 2008**

**Sd/-
(SANDEEP GUPTA)
PROPRIETOR
(Membership No: 86069)**

■ ■ ■ MANAGEMENT DISCUSSION AND ANALYSIS

The Business philosophy at Net4 India Ltd hinges on the vision to build Net4 as a globally trusted brand in the IP Communications Services and Solutions domain. The last few years have witnessed significant advances in network, revenue and customers. This exponential growth, coupled with various strategic steps will enable the Company to position itself as a complete Network and Application services provider in the near future. The growth across all our service areas as outlined below corroborates to our future roadmap.

Web Services

Data Center Services

We continue to grow our Data centre business, driven by inherent growth in the internet industry in India, which naturally leads to the growth of the amount of hosted content across all industry verticals. Whilst Managed Services have begun to take off in the Indian market, the market for vanilla space and backup services is likely to remain much larger for a while yet. The company took a call on not finalising a land deal in Chennai for our new Data Centre as we felt that prices had run up far too much. Instead, we chose to expand our Chennai and Mumbai Data Centres to cater for another 12-18 months of growth and acquire the land once prices had softened. This decision taken in Jan'08 turned out to be real winner and now the company intends to acquire a land in Q3 or Q4 of the financial year. The Data Centre market is likely to witness significant growth in the coming years, with more and more content from India, abroad and also the use of Indian Data centres as a default choice for a Disaster Recovery location.

Corporate Messaging Solutions

Whilst we continue to witness growth in revenues and customers on our own messaging platform, adding the management of other platforms and moving towards a hosted messaging model has already begun to pay dividends. It is also helping us to work with software vendors at an early stage of Unified Communications deployment.

We are working closely with Microsoft and earlier this year launched Hosted MS Exchange services targeted at small enterprises. Given the large chunk of enterprise bandwidth that is used for messaging, it places us in a very good position to cross sell enterprise access services as the messaging infrastructure would be at our local Data Centre.

We are nearing a position where we would have service provisioning capabilities for customers of any size and practically any operating platform. We are setting up our backend to begin providing and managing services on the Lotus Domino platform, which has a decent part of the large enterprise market. Customers will begin to move to hosted messaging services in a big way in the very near future, owing primarily to ease of manageability and far lower upfront infrastructure costs.

Web Hosting & Domain Registration

We saw significant improvements in the conversions from domain registration to our web hosting services. The Online Business Unit has really come into its element and delivering continually improving results sales, conversion, retention and renewals. This has happened along with a consistent increase in new domain registrations on a month on month basis. On the web application front, we successfully implemented the CRN (Customer Relationship Number). This allows us to uniquely identify a customer across multiple services and allows the customer to view Net4 as a unified IP solutions provider.

The depreciation of the Rupee has a negative impact on our margins for International domain names, as our direct cost is in USD. If this negative environment persists for much longer, the company can consider reviewing its prices for direct customers as we are clear market leader in the direct business customer segment. It may not be very easy to do the same in the reseller segment. However, the company has the ability to use its hosting and messaging services in bundled formats that would soften the impact of reduction in margins.

There are exciting opportunities ahead with ICANNs new policy for allowing anyone to bid for a domain extension. The company is actively looking at this space and eagerly awaiting the finalisation of the draft policy. We would also gain an additional revenue from the impending launch of .me and .tel domain extensions this year.



Given our highly dominant position in the Indian Web Hosting industry we shall find it increasingly difficult to increase our market share in the future. We shall therefore, be looking at key international growth markets for organic and inorganic growth in the coming year.

Security Solutions

This is an area we felt could be easily integrated and complimentary to our line of services. We launched, in association with Appin Technologies (an IIT Delhi incubated company) an automated website security monitoring tool – Net4Secure.

We also signed an Agreement with Verisign Inc to deliver comprehensive secure e-commerce solutions to businesses in India. The Company will now provide customers across India with all VeriSign Secure Sockets Layer (SSL) solutions, including standard and Extended Validation SSL Certificates. These solutions would enable secure e-commerce, communications and interactions for Web sites, intranets and extranets.

Enterprise Access Services

We had another great year in this segment, adding higher bandwidth and a quite a few multi-location customers. Our ISP associate company doubled their capacity to the Internet backbone, upgrading from an STM4 to an STM8 capacity, thus making it one of the top 5 Internet networks in terms of capacity.

This segment is fast approaching a stage where the provision of VPN (both IP & MPLS) are becoming crucial for winning business in the Network services space. We have thus recently applied for an NLD and ILD license to the Department of Telecom. We are confident of securing this license by the end of the calendar year and commencing services by the JFM quarter. This would add significant revenue and profit from the network services segment that was hitherto not accounted for in the consolidated entity.

Prices in the bandwidth space have already fallen significantly in the last few years and will probably fall by a further 15-20% in the next 2 years. What we are witnessing though is that customers are increasingly using more and more bandwidth, therefore, not leading to fall in total revenues or ARPUs. Rather, the expansion of the network capacity leads to significant savings in the per unit acquisition cost and as we sell even 25% of the added capacity we begin to see margin expansion.

We did not take on any expansion on the WiMAX network as the Govt policy has been highly unclear constantly going back and forth. We are working with other service providers to approach the WPC with a unanimously agreed formula for rationalization of spectrum in the 3.3GHZ range. This may see us getting adequate spectrum to invest in the infrastructure for the long term and we would then continue with our original plan .

VoIP Solutions

Enterprise VoIP services

We continued to grow in terms of customers, locations and minutes per customer this year. We remain very confident that Enterprise VoIP will take off in India sooner rather than later. The current economic environment with businesses looking to cut costs across the board may just be the catalyst that VoIP services need to become truly main stream in the enterprise space. As more and more medium sized enterprises expand their bandwidth capacity and move towards broad band from narrow band(in the small enterprise space), quality VoIP services will also be in their reach.

The TRAI has initiated the consultation process with a will to allow completely unrestricted Internet telephony. Whilst we don't anticipate too much of boost in terms of incremental retail business, it is likely to be a significant tipping point for business customers to adopt usage of VoIP for any long distance call, whether international or domestic. Whilst the margins will be very low for the domestic long distance calls, the volumes will contribute the absolute bottom line.

Call Shops/PCOs

As we had mentioned last year, we do not anticipate any significant growth in this particular form of delivering this service. The reasons are evident from the growth and huge drop in costs of broadband services and VoIP adapters/devices. So whilst it was vital for us to make a mark in this segment using PCO's a few years ago, there is a significant move towards using existing distributors and PCO owners to provide services directly to their user base at their homes/offices as opposed to the PCO shop.

The brand – Phonewala, and the distribution network will also be leveraged in the near future for the two stage dialling based calling card business.

Network Equipment and Integration

The Indian economy witnessed robust growth in the previous financial year, across sectors and geographies. Most enterprises scaled up their business by expanding to multiple locations. There was also wide spread adoption of enterprise solutions. This necessitated large scale additional and intelligent networking infrastructure in order to connect all offices at multiple locations, 24x7 seamless integration with dealers and partners, get full leverage from new ERP applications and maximize returns from already sunk investments. Companies now recognize communication and networking as a lifeline and are ready to invest in fresh rounds of network infrastructure.

With the Indian growth story continuing and networking infrastructure providing the extra edge in corporate success, the network equipment business surely has sunny days ahead.

VoIP Solutions

Enterprise VoIP services

We continued to grow in terms of customers, locations and minutes per customer this year. We remain very confident that Enterprise VoIP will take off in India sooner rather than later. The current economic environment with businesses looking to cut costs across the board may just be the catalyst that VoIP services need to become truly main stream in the enterprise space. As more and more medium sized enterprises expand their bandwidth capacity and move towards broad band from narrow band (in the small enterprise space), quality VoIP services will also be in their reach.

The TRAI has initiated the consultation process with a will to allow completely unrestricted Internet telephony. Whilst we don't anticipate too much of boost in terms of incremental retail business, it is likely to be a significant tipping point for business customers to adopt usage of VoIP for any long distance call, whether international or domestic. Whilst the margins will be very low for the domestic long distance calls, the volumes will contribute the absolute bottom line.

AUDITORS' REPORT

The Members
M/s. NET 4 INDIA LTD.

1. We have audited the attached Balance Sheet of M/s. NET 4 INDIA LTD. as at March 31, 2008, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;
 - (iii) The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the Directors, as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on March 31, 2008 from being appointed as a 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, 2008; and
 - (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date.
 - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For Sandy Associates
Chartered Accountants**

**Sd/-
(SANDEEP GUPTA)
Proprietor
Membership No : 86069**

**Place: New Delhi
Date: May 13, 2008**



■ ■ ■ **ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT TO THE MEMBERS OF M/S NET 4 INDIA LTD. ON THEIR ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008.**

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.

In our opinion, a substantial part of fixed assets have not been disposed off during the year.

2. As explained to us, inventory at all locations have been physically verified by the management at regular intervals during the year and at the year-end. In our opinion, the frequency of verification is reasonable having regard to the size of the Company and the nature of its business.

In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

The company is maintaining proper records of inventory. No material discrepancies have been noticed by the management on verification between the physical stocks and the book records.

In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

3. The Company has taken interest free unsecured loan from director listed in the register maintained under section 301 of the Companies Act, 1956, (maximum amount Rs. 295 lakhs) the terms and conditions of which are prima facie not prejudicial to the interests of the Company.

The Company has given an interest free unsecured loan to a party listed in the register maintained under Section 301 of the Companies Act, 1956, (maximum amount Rs. 5.14 lakhs) the terms and conditions of which are prima facie not prejudicial to the interests of the Company.

In our opinion and according to the information and explanations given to us, there is no overdue amount of loans granted by the Company to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

The company has given interest free advances in the nature of loans to the employees of the company, the repayment in respect of which is regular and as stipulated, where such stipulations exist.

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of finished goods, fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls system in respect of these areas.

5. In our opinion, and according to the information and explanations given to us, the transactions that need to be entered in the register in pursuance of section 301 of the Act have been entered, and the transactions have been made at prices which are reasonable with regard to the prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India, the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder are not applicable.

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government has not prescribed maintenance of Cost records under section 209(1) (d) of the Companies Act, 1956 in respect to the company.
9. According to the information and explanations given to us, and on the basis of our examination of the books of account, the Company has generally been regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income Tax, Wealth tax, Sales-tax, Customs duty, Investor Education and Protection Fund and any other material statutory dues applicable to it. Interest has been deposited wherever applicable.

According to the information and explanations given to us, no undisputed dues payable in respect of Provident Fund, Investor Education and Protection Fund, Income tax, Wealth tax, Sales tax, Customs duty, Cess and other material statutory dues were outstanding at March 31, 2008 for a period of more than six months from the date they become payable.

According to the information and explanations given to us, there are no dues in respect of Sales tax, Income tax, Wealth tax, Customs duty and Cess which have not been deposited with the appropriate authorities on account of any dispute.

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the financial year immediately preceding such financial year. Accordingly, clause 4(x) of the order is not applicable.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank or financial institution. The Company has not issued any debentures.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the order is not applicable.
13. The Company is not a chit fund, mutual benefit fund or a society. Accordingly, clause 4(xiii) of the order is not applicable.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the order is not applicable.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not prima-facie prejudicial to the interests of the Company.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. According to the Cash Flow Statement and records examined by us and according to the information and explanations given to us, on overall basis, funds raised on short term basis have not been used during the year for long term investment and vice versa.
18. The Company has not made any preferential allotment to parties and companies covered in the register maintained under section 301 of the Act. Accordingly, clause 4(xviii) of the order is not applicable.
19. The Company has not issued any debentures. Accordingly, clause 4(xix) of the order is not applicable.

20. The Company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the order is not applicable.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

**For Sandy Associates
Chartered Accountants**

**Sd/-
Sandeep Gupta
Proprietor
Membership No : 86069**

**Place: New Delhi
Date: May 13, 2008**

NET4 INDIA LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2008

Sources of Funds:	Schedule	March 31, 2008	(In Rs.'000)	
Shareholders' Fund			March 31, 2007	
Share Capital	A	167,500	162,500	
Reserves & Surplus	B	266,698	176,414	
Loan Funds				
Secured Loans	C	231,122	241,926	
Unsecured Loans	D	46,294	23,073	
DEFERRED TAX LIABILITY		<u>48,021</u>	<u>43,959</u>	
		<u>759,635</u>	<u>647,872</u>	
Application of Funds :				
Fixed Assets	E			
Gross Block		528,128	493,979	
Less: Depreciation And Amortization		228,490	215,462	
Net Block		299,638	278,517	
Add: Capital Work-in-progress		<u>228</u>	299,866	<u>208</u>
Investments	F	210,787	207,849	
Current Assets, Loans & Advances				
Inventories		113,316	95,168	
Sundry Debtors	G	214,655	240,545	
Cash And Bank Balances	H	24,699	22,453	
Other Current Assets	I	18,815	8,825	
Loans And Advances	J	118,617	43,839	
		490,102	410,830	
Less: Current Liabilities & Provisions	K			
Current Liabilities		139,373	173,732	
Provisions		<u>101,997</u>	<u>75,800</u>	
Net Current Assets		<u>241,370</u>	248,732	<u>249,532</u>
				161,298
MISCELLANEOUS EXPENDITURE	L	250	-	
(To the extent not written off or adjusted)				
		<u>759,635</u>	<u>647,872</u>	
Significant Accounting Policies	R			
Notes to Accounts	S			

As per our report of even date attached,

For Sandy Associates
Chartered Accountants

Sd/-
Sandeep Gupta
Proprieter
Membership No : 86069

Place: New Delhi
Date: May 13, 2008

For and on behalf of the Board of Directors

Sd/-
Amarjit S. Sawhney
Director

Sd/-
Jasjit S. Sawhney
CMD

Sd/-
Desi S Valli
Director

Sd/-
Krishan Kumar
Company Secretary

NET4 INDIA LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

	Schedule	2007-08	(In Rs.'000) 2006-07
Income			
Operating Income			
Domestic		846,591	646,299
Overseas		11,426	15,667
		858,017	661,966
Cost of Sales and Services	M	457,859	331,684
Gross Profit		400,158	330,282
Personnel Cost	N	108,063	90,760
General and Administrative Expenses	O	105,913	81,700
Selling and Marketing Expenses	P	13,668	13,946
		227,644	186,406
Operating Profit before interest, depreciation and amortization		172,514	143,876
Interest and Finance Charges		32,754	22,111
Depreciation	E	69,853	55,831
Amortization on intangible assets	E	8,236	8,236
		110,843	86,178
Operating Profit after interest, depreciation and amortization		61,671	57,698
Other Income	Q	38,264	14,361
Net Profit before tax		99,935	72,059
Provision for Taxation			
Income Tax		29,200	19,300
Wealth Tax		-	382
Fringe Benefit Tax		1,792	1,268
Deferred Tax		4,062	6,101
Net Profit after tax		64,881	45,008
Amount available for appropriation		64,881	45,008
Proposed Dividend		16,750	16,250
Tax on Dividend		2,847	2,762
Amount transferred to General Reserve		1,620	1,130
Balance retained in Profit & Loss Account		43,664	24,866
Earning per Equity Share - Basic and Diluted (Rs.)		3.97	2.77
Significant Accounting Policies	R		
Notes to Accounts	S		

As per our report of even date attached,

For Sandy Associates
Chartered Accountants,

Sd/-
Sandeep Gupta
Proprietor
Membership No : 86069

Place: New Delhi
Date: May 13, 2008

For and on behalf of the Board of Directors

Sd/-
Amarjit S. Sawhney
Director

Sd/-
Desi S. Valli
Director

Sd/-
Jasjit S. Sawhney
CMD

Sd/-
Krishan Kumar
Company Secretary

net4

NET4 INDIA LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2008

	2007-08	(In Rs.'000) 2006-07
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary items	99,935	72,059
Adjustments for :		
Depreciation	69,853	55,831
Amortisation of intangible assets	8,236	8,236
Assets Discarded/(Profit) / Loss on sale of fixed assets	2402	44
Bad debts	864	1022
Interest on borrowings	32,754	22,111
Interest and dividend income	(4,589)	(1,432)
Operating Profit before Working Capital Changes	209,455	157,871
Adjustments for :		
Sundry Debtors	25,026	(55,927)
Inventories	(18,148)	(24,954)
Current Assets, Loans and Advances	(67,269)	195,791
Provision for retirement benefits	1820	981
Current Liabilities	(34,359)	(10,495)
Cash generated from Operations	116,525	263,267
Taxes paid	(24,699)	(26,370)
NET CASH GENERATED BY OPERATING ACTIVITIES	91,826	236,897
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets and change in capital work in progress	(101,982)	(110,233)
B. Proceeds on disposal of fixed assets	350	16,507
Investment in subsidiaries	(2,738)	(200,200)
Investments in securities	(200)	(99)
Interest and dividend income	4,589	1,432
NET CASH USED IN INVESTING ACTIVITIES	(99,981)	(292,593)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	5000	-
Proceeds from security premiums	45000	-
C. Proceeds from secured loans	(10,804)	77,181
Proceeds from unsecured loans	23,221	16,685
Dividends paid during the period	(16,250)	(16,250)
Dividend tax paid during the period	(2,762)	(2,279)
Preliminary Expenses on increase in authorised capital	(250)	-
Interest paid	(32,754)	(22,111)
NET CASH USED FROM FINANCING ACTIVITIES	10,401	53,226
D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	2,246	(2,470)
CASH AND CASH EQUIVALENTS , beginning of period (Refer Note)	22,453	24,923
CASH AND CASH EQUIVALENTS , end of the year (Refer Note)	24,699	22,453

Notes : (1) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statement issued by The Institute of Chartered Accountants of India.

(2) Previous year's figures have been regrouped wherever necessary.

For and on behalf of the Board of Directors

Sd/-
Amarjit S. Sawhney
Director

Sd/-
Jasjit S. Sawhney
CMD

Place: New Delhi
Date: May 13, 2008]

Sd/-
Desi S Valli
Director

Sd/-
Kishan Kumar
Company Secretary

AUDITORS' CERTIFICATE

We have verified the above Cash Flow Statement of Net 4 India Ltd derived from the audited financial statements for the year ended March 31, 2008, and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the listing agreement with stock exchange.

For Sandy Associates
Chartered Accountants
Sd/-
Sandeep Gupta
Proprietor
Membership No : 86069

Place: New Delhi
Date: May 13, 2008



NET4 INDIA LIMITED
SCHEDULES TO THE BALANCE SHEET AS AT

	March 31, 2008	(In Rs.'000) March 31, 2007	
SCHEDULE 'A'			
SHARE CAPITAL			
Authorised			
25,000,000 (P.Y.20,000,000) Equity Shares of Rs. 10 each	250,000		200,000
Issued, Subscribed and Paid -up			
16,750,000 (P.Y.16,250,000) Equity Shares of Rs.10 each fully paid up	167,500		162,500
	<u>167,500</u>		<u>162,500</u>
	April 1, 2007	Additions	March 31,2008
SCHEDULE 'B'			
RESERVES & SURPLUS			
Share Premium	85,000	45,000	130,000
General Reserve	40,570	1,620	42,190
Profit & Loss Account	50,844	43,664	94,508
	<u>176,414</u>	<u>90,284</u>	<u>266,698</u>
SCHEDULE 'C'			
SECURED LOANS			
Loans and advances from Banks			
- As Working Capital Loan	165,262		141,174
(Secured against hypothecation of stock, debtors, movable assets and personal guarantee of director)			
- As Term Loan	54,000		90,000
(Secured on first charge on all present and future fixed assets of the company)			
- As Other Loans	11,860		10,752
(Secured against hypothecation of vehicles)	<u>231,122</u>		<u>241,926</u>
SCHEDULE 'D'			
UNSECURED LOANS			
Loans and advances	29,458		21,828
- From Directors	16,836		1,245
- From Others	<u>46,294</u>		<u>23,073</u>

NET4 INDIA LIMITED

Schedules to the Balance Sheet as at 31.03.08

SCHEDULE 'E'

FIXED ASSETS

(In Rs.'000)

	Original Cost			Depreciation and amortization			Net Block Value	
	As at 01.04.07	Additions during the year	Sale/ Adjustments	As at 31.03.08	For the year	Sale/ Adjustments	As at 31.03.08	As at 31.03.07
TANGIBLE								
Land	6,023	-	-	6,023	-	-	6,023	6,023
Building	37,720	231	-	37,951	1,745	-	33,163	34,677
Leasehold Improvements	768	322	-	1,090	145	-	912	735
Computers	267,042	94,203	67,061	294,184	58,891	64,532	157,204	124,421
Office Equipment	28,067	2403	-	30,470	2,784	-	18,139	18,520
Furniture & Fixtures	27,544	521	-	28,065	2,812	-	12,821	15,112
Vehicles	15,016	4,282	752	18,546	3,476	528	11,739	11,157
Sub total	382,180	101,962	67,813	416,329	69,853	65,060	240,001	210,644
INTANGIBLE								
Goodwill	4,549	-	-	4,549	455	-	1669	2,124
Trademarks	75,000	-	-	75,000	3,750	-	51,250	55,000
Hosting Platform	6,500	-	-	6,500	812	-	1,354	2,166
Technology	25,750	-	-	25,750	3,219	-	5,364	8,583
Sub total	111,799	-	-	111,799	8,236	-	59,637	67,873
Capital work in progress	-	-	-	-	-	-	228	208
Grand Total	493,979	101,962	67,813	528,128	78,089	65,060	299,866	278,725
Previous Year	401,590	110,025	17,636	493,979	64,068	1,086	278,725	-

NET4 INDIA LIMITED
SCHEDULES TO THE BALANCE SHEET AS AT

(In Rs.'000)

	March 31, 2008	March 31, 2007
SCHEDULE 'F'		
INVESTMENTS		
(a) LONG TERM, UNQUOTED, AT COST		
Non Trade in Subsidiary Companies		
2,805,000 (P.Y. 1870,000) shares of Rs. 10 each fully paid up of Net 4 Communications Ltd, a wholly owned subsidiary	200,700	200,700
100,000 (P.Y. Nil) shares of SGD. 1 each fully paid up of Net 4 Singapore Pte Ltd, a wholly owned subsidiary	2,738	-
In other companies		
9,900 (P.Y. 9,900) shares of Rs. 10 each fully paid up of Net 4 Technology Ltd	99	99
70,500 (P.Y. 70,500) shares of Rs. 100 each fully paid up of Net 4 Barter Pvt Ltd	7,050	7,050
(b) Current Investments		
SBI Infrastructure Fund-Series 1	200	-
20,000 (P.Y. Nil) Units of Rs. 10 each	<u>210,787</u>	<u>207,849</u>
Market value of Quoted Investment	215	-
SCHEDULE 'G'		
SUNDRY DEBTORS		
(Unsecured)		
Debts Exceeding 6 months (unsecured)		
- Considered Good	538	603
- Considered Doubtful	-	-
	<u>538</u>	<u>603</u>
Less : Provisions for Doubtful Debts	538	603
Other debts (unsecured)	214,117	239,942
	<u>214,655</u>	<u>240,545</u>
SCHEDULE 'H'		
CASH AND BANK BALANCES		
Cash in hand	288	175
Cheques in hand and Remittances in transit	1,981	1,671
With scheduled banks in:		
- Current Accounts	6,776	7,184
- Margin money accounts	15,637	13,406
- Unclaimed dividend accounts	17	17
	<u>24,699</u>	<u>22,453</u>

NET4 INDIA LIMITED
SCHEDULES TO THE BALANCE SHEET AS AT

	March 31, 2008	I(In Rs.'000) March 31, 2007
SCHEDULE 'I'		
OTHER CURRENT ASSETS		
Deposits	14,910	7,163
Prepaid expenses	3,905	1,662
	<u>18,815</u>	<u>8,825</u>
SCHEDULE 'J'		
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advance income tax	53,909	36,936
Advance fringe benefit tax	3,244	2,719
Advances recoverable in cash or in kind or for value to be received *	61,464	4,184
	<u>118,617</u>	<u>43,839</u>
* Includes Rs. 514.29 (P.Y. Rs. 214.32) due from Net 4 Singapore Pte Ltd, as a wholly owned subsidiary		
SCHEDULE 'K'		
CURRENT LIABILITIES AND PROVISIONS		
A) Current Liabilities		
Sundry creditors	106,152	112,043
Advances from customers	6,406	22,390
Accrued salaries and benefits	8,689	6,869
Provision for expenses	5,537	2,622
Withholding and other taxes payable	7,272	16,969
Unearned revenue	2,890	3,327
Unclaimed dividend*	16	16
Other liabilities**	2,411	9,496
	<u>139,373</u>	<u>173,732</u>
* Not due for deposit to Investor Education and Protection fund		
** Includes dues to directors as sitting fees payable		
B) Provisions		
Retirement benefits	6,685	4,866
Income tax	71,000	49,000
Fringe benefit tax	4,333	2,541
Wealth tax (net)	382	382
Dividend	16,750	16,250
Tax on dividend	2,847	2,762
	<u>101,997</u>	<u>75,800</u>
Total (A + B)	241,370	249,532
SCHEDULE 'L'		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Balance brought forward	-	-
Incurred during the Period	250	-
Less: Written off during the period	-	-
	<u>250</u>	<u>-</u>

NET4 INDIA LIMITED
SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

	2007-08	(In Rs.'000) 2006-07
SCHEDULE 'M'		
COST OF SALES AND SERVICES		
(Increase)/decrease in stock	(18,147)	(24,951)
Purchases	457,053	302,674
Other direct Costs	18,953	53,961
	<u>457,859</u>	<u>331,684</u>
SCHEDULE 'N'		
PERSONNEL COST		
Salaries, wages and bonus	96,241	80,051
Contribution to provident and other funds	8,512	7,277
Staff welfare, staff training and recruitment	3,310	3,432
	<u>108,063</u>	<u>90,760</u>
SCHEDULE 'O'		
GENERAL AND ADMINISTRATIVE EXPENSES		
Rent	18,637	11,579
Communication	7,750	7,556
Travelling and conveyance	13,754	15,456
Repair and maintenance	13,544	12,188
Electricity and water charges	17,446	12,326
Legal and professional	7,483	3,853
Bank charges	11,911	7,221
Security charges	2,290	2,299
Lease Rental	1,683	-
Membership and subscription	1,440	781
Printing and stationery	1,420	1,215
Assets discarded	2,529	-
Loss on sale of assets	-	44
Insurance	934	787
Auditors remuneration	183	170
Bad debts written off	864	1,022
Books and periodicals	60	93
Directors' sitting fees	20	13
Other miscellaneous expenses	3,965	5,097
	<u>105,913</u>	<u>81,700</u>
SCHEDULE 'P'		
SELLING AND MARKETING EXPENSES		
Advertising and marketing	9,129	7,938
Entertainment and Business promotion	2,175	2,318
Commission and brokerage	427	661
Exhibition expenses	549	473
Incentives	426	909
Retainership	962	1,647
	<u>13,668</u>	<u>13,946</u>

NET4 INDIA LIMITED
SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

SCHEDULE 'Q' OTHER INCOME	2007-08	(In Rs.'000) 2006-07
Sale of shared services including facilities and personnel	9,924	12,212
Dividend from subsidiary company	3,740	100
Unclaimed balances/ Excess provision written back	613	51
Interest received	849	1,333
Exchange differences	466	595
Profit on sale of fixed assets	127	-
Miscellaneous income	4,545	70
Income from Infrastructure and Support Services	<u>18,000</u>	<u>-</u>
	<u>38,264</u>	<u>14,361</u>

■ ■ SCHEDULE ' R ' - SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of Accounting

The financial statements are prepared in accordance with Indian Generally Accepted Accounting principles ("GAAP") under the historical cost convention on an accrual basis. GAAP comprises mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI"), the provisions of the Companies Act, 1956, and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The Management evaluates all recently issued or revised accounting standards on an ongoing basis.

(ii) Use of Estimates

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets and intangible assets.

The management periodically assesses using, external and internal sources, whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Where no reliable estimate can be made; a disclosure is made as contingent liability. Actual results could differ from those estimates.

(iii) Fixed Assets and Depreciation

a) Tangible Assets:

Fixed assets are stated at cost, less accumulated depreciation. Costs directly attributable to the purchase of fixed assets are capitalized until fixed assets are ready for use. Capital work-in-progress comprises of advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use before the balance sheet date.

All assets discarded/ dismantled are written off assuming that the scrap value for the same is Nil. If and when such discarded assets are disposed off partially or fully, the amounts realized during the year are credited to the profit and loss account of that year.

b) Depreciation:

Depreciation of Fixed Assets is provided on a pro-rata basis on the written down value method at the rates prescribed under Schedule XIV to the Companies Act, 1956, on all assets, except for the following: Leasehold improvements are depreciated over the remaining period of lease or 10 years whichever is lesser.

Individual low cost assets (acquired for less than Rs.5,000/-) are depreciated within a year of acquisition.

c) Intangible Assets and amortization:

Intangible assets are amortized over their respective individual estimated useful lives on a straight line basis, commencing from the date the asset is available to the company for its use. Management, using reasonable and supportable assumptions, has estimated the useful lives for the intangible assets as follows:

Hosting platform	8 years
Technology	8 years
Trademarks	20 years
Goodwill	10 years

Trademarks represent the brand image of the Company and constitute an asset with no limited useful life. Based on advice received by the management and as per the provisions of the Trade Marks and Merchandise Act of 1999, the Company can retain the ownership and registration of the trademarks perpetually by renewing the registration at the end of every ten years, leading to the view that the useful life of its trademarks are unlimited.

However, as a matter of abandon precaution, the cost of the Trademarks is being amortized over a period of 20 years.

(iv) Investments

Trade investments are the investments made to enhance the company's business interests. Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long Term Investments are stated at cost. Provision for diminution in their value is made only if such a decline is other than temporary in the opinion of the management.

(v) Revenue Recognition

The Company recognizes revenue on accrual basis. Revenue from the sale of hardware/software products is recognized when the sale is completed with the passing of title. Revenue from services is recognized in the ratio of period expired over the total agreement period. Revenue from Fixed Price Contracts is recognized proportionately over the period in which services are rendered.

Profit on sale of investments is recorded on transfer of title from the company and is determined as the difference between the sales price and the then carrying value of the investment. Lease rentals are recognized using the time-proportion method, based on rates implicit in the transaction. Dividend income is recognized when the company's right to receive dividend is established.

(vi) Foreign Currency Transactions

Investments in foreign entities are recorded at the exchange rates prevailing on the date of making the investments.

Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred, is converted into Indian Rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise except in respect of liabilities for acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of the respective fixed asset.

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting gain or loss is also recorded in the profit and loss account.

(vii) Inventories

Inventory is valued at lower of cost (determined on First In First Out basis) and estimated net realisable value. Cost is inclusive of all purchase costs and other costs incurred in bringing the inventories to their present location and conditions.

(viii) Retirement Benefits

All employees of the Company are entitled to receive benefits under the Provident Fund, which is a defined contribution plan. Both the employee and the employer make monthly contributions to the plan at a predetermined rate (presently 12.0%) of the employees' basic salary. These contributions are made to the fund administered and managed by the Government of India. In addition, some employees of the Company are covered under the employees' state insurance schemes, which are also defined contribution schemes recognized and administered by the Government of India.

The Company's contributions to both these schemes are expensed in the Profit and Loss Account. The Company has no further obligations under these plans beyond its monthly contributions.

Gratuity has been provided in the Profit and Loss Account as per the provisions of the Payment of Gratuity Act, 1972. A lump sum payment is made to employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment.

Provision for Leave encashment is made on the basis of unutilized leave due to employees at the end of the year.

(ix) Research and development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated over the estimated useful lives of the related assets, where management ascertains that costs incurred will be more than covered by resultant gains over a specific period of time.

(x) Borrowing Cost

Interest and other costs in connection with the borrowing of funds to the extent related/attributed to the acquisition/construction of qualifying fixed assets are capitalized upto the date when such assets are ready for its intended use and other borrowing costs are charged to Profit & Loss Account.

(x) Leases

Lease rentals in respect of assets taken on 'Operating Lease' are charged to the profit & loss Account on straight line basis over the lease term.

(xii) Earning Per Share

Basic earning per share (EPS) is calculated by dividing the net profit after tax for the year (including the post-tax effect of extraordinary items, if any) attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue and share split.

(xiii) Taxation

Tax expense for the year comprises of current tax, deferred tax and fringe benefit tax.

Income tax is computed using the tax effect accounting method, where tax is accrued in the same period the related revenue and expense arises. Provision is made for income tax annually based on the tax liability computed, after considering tax allowances and exemptions.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of the respective carrying values at each balance sheet date. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year.

Consequent to the introduction of Fringe Benefit Tax (FBT) effective April 1, 2005, the Company has made provision for FBT in accordance with applicable Income-tax laws.

(xiv) Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing, and investing activities of the company are segregated.

(xv) Contingent Liabilities

Depending on the facts of each case, and after evaluation of relevant legal aspects, the Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a relevant estimate of the amount of obligation can be made. The disclosure is made for all possible or present obligations that may but probably will not require outflow of resources as contingent liability in the financial statement.

■ ■ ■ SCHEDULE ' S ' – NOTES TO ACCOUNTS

- (i) All amounts in the financial statements are presented in Rupees thousands, except for share data and as otherwise stated.
- (ii) Previous year's figures have been regrouped, rearranged and reclassified, wherever necessary to conform to current year's classification.

(iii) Deferred Tax

Provision for deferred tax for the year ended March 31, 2008 has been made in accordance with the provisions of Accounting Standard 22 on Accounting for Taxes on Income, issued by The Institute of Chartered Accountants of India. The deferred tax charge of Rs. 4062/- (Previous year - Rs. 6101/-), for the current year has been recognized in the Profit & Loss Account and comprises of the following:

	2007-08 (Rs.)	2006-07 (Rs.)
Depreciation claimed as deduction under the Income Tax Act, but chargeable in the financial statements in future years	4,974	7,019
Provisions charged in the financial statements but allowed as a deduction under the Income Tax Act in future years (to the extent considered realizable)	912	918
	4,062	6,101

(iv) Value of Imports on CIF Basis

	2007-08 (Rs.)	2006-07 (Rs.)
Finished Goods	502	2,280
Capital Goods	206	278
	708	<u>2,558</u>

(v) Earnings in Foreign Exchange (on receipt basis)

	2007-08 (Rs.)	2006-07 (Rs.)
Income from sales and services	11,426	15,667

(vi) Expenditure in Foreign Currency (on payment basis)

	2007-08 (Rs.)	2006-07 (Rs.)
Domains	34,742	37,281
Travelling Expenses	261	381
Exhibition Expenses	419	449
Consultancy Charges	2,628	381
Membership and Subscription Charges	236	294
Others	917	—
	39,203	38,786

(vii) Remuneration to Auditors

	2007-08 (Rs.)	2006-07 (Rs.)
Statutory Audit Fees	150	140
Tax Audit Fees	30	28
For certification and consultation in other matters	111	12
Expenses reimbursed	3	2
	294	182

(viii) Managerial Remuneration

	2007-08 (Rs.)	2006-07 (Rs.)
Salary	6,094	7,186
Contributions to Provident and other funds	618	594
Sitting Fees	20	13
Total Remuneration	6,732	7,793

The computation of net profits in accordance with Section 309(5) read with section 349 of the Companies Act, 1956, has not been given as the company does not envisage any payment of commission to directors.

(ix) Provision for Doubtful Debts

Periodically the company evaluates all customer dues to the company for collectibility. The need for provisions is assessed based on various factors including collectibility of specific dues, risk perceptions of the industry in which the customer operates, and general economic factors, which could affect the customer's ability to settle. As at March 31, 2008, the company has provided for doubtful debts of Rs. Nil (as at March 31, 2007 Rs. Nil/-) on dues from customers. The company continues pursuing the parties for recovery of the dues, in part or full.

The company has written off Rs. 864/- (P.Y. Rs. 1,022/-) as bad debts during the year.

- (x)** The company's operations predominantly relate to providing IP Communications sales and services. There is thus only one reportable business segment encompassing a comprehensive range of services, including software development, packaged software integration, colocation, web hosting, web development, web mailing solutions, internet telephony and sales and integration of related networking equipment.

Secondary segmental reporting is performed on the basis of the geographical location of customers.

Geographical Segment

(Rs. in Lacs)

Particulars	Year ended March 31, 2008		Year ended March 31, 2007	
	Domestic	Overseas	Domestic	Overseas
Revenues	8,465.91	114.26	6,462.99	156.67
Net Fixed Assets	2,998.66	-	2,787.25	-
Debtors	2,146.55	-	2,404.50	0.95
Current Assets (Other than Debtors)	2,754.46	-	1,702.85	-

- (xi)** Term Deposits aggregating to Rs. 15,637/- (P.Y.Rs. 13,406/-) have been pledged with Bank as a security towards non-fund based facilities availed from Bank.

(xii) Remittance in Foreign Currency on account of Dividend

The Company has paid dividend in respect of shares held by Non-residents by way of credit to their Non-Resident External Account (NRE A/c) or NRO A/c or otherwise by way of remittance in foreign currency.

The total amount remitted in this respect is given herein below:

a) Number of Non Resident Shareholders	4
b) Number of Equity Shares held by them	43,76,000
c) Amount of Dividend Paid (Rs. '000)	4,376
d) Year to which dividend relates	2006-07
e) Tax deducted at source	Rs. Nil

(xiii) The Company is taking steps to ascertain the actuarial Gratuity liability and necessary adjustments from the calculations done presently will be made on determination thereof. Meanwhile, the Company has established a Gratuity Fund, called the "Net 4 India Ltd Employees Gratuity Fund", under an irrevocable Trust for making provisions of gratuity benefits to the employees of the Company. This is pending approval of the Commissioner of Income-Tax.

(xiv) Sundry Creditors, to the extent to which they could be identified as small scale and ancillary undertakings on the basis of information available with the Company, do not include amounts greater than Rs. One Lakh outstanding for more than thirty days.

(xv) The Company's leasing arrangements are in respect of operating leases for premises (residential, office, stores etc). These leasing arrangements which are not non cancellable range between 11 months and 3 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are shown as Rent under Schedule 'O'.

The Company also has leased facilities under non – cancellable operating leases for equipments for a period of 4 to 5 years. The future lease payments in respect of these leases are as follows:

	March 31, 2008
Obligations on non cancellable leases :	
Not later than one year	4,666
Later than one year but not later than five years	18,251
Later than five years	—
Total	22,917

(xvi) Related Party Disclosures as required by Accounting Standard-18:
List of Related Parties and Relationships

i) Holding Companies:

Nil

ii) Subsidiaries of the Company:

- Net 4 Communications Ltd
- Net 4 Singapore Pte. Limited, Singapore

iii) Entity having Significant Influence

Trak Online Net India Pvt Ltd.
Jiwan Financial Holdings Ltd
Net Four Internet.Com Ltd

iv) Key Management Personnel and relatives of such personnel:

Executive Directors:
Jasjit Singh Sawhney
Amarjit S. Sawhney
Desi S. Valli (Non Executive Director Since October 1, 2007)

Relative of Director
Pawanjot Kaur Sawhney

v) Entity where relative of Key Management Personnel exercises significant influence

Sterling Capital Pvt Ltd

Significant Related Party Transaction

(Rs. in Lacs)

Nature of Transaction	Subsidiary Company	Entity Having Significant Influence	Key Management Personnel & their Relatives	Others*	Total
Capital Transactions					
Sale of assets	—	—	—	—	—
<i>Previous year</i>	165	—	—	—	165
Loans taken	—	—	76	—	76
<i>Previous year</i>	—	—	163	—	163
Revenue Transactions					
Purchase of goods and services	—	583	—	—	583
<i>Previous year</i>	—	1844	—	—	1844
Sale of goods and services	124	2	—	—	126
<i>Previous year</i>	56	4	—	—	60
Sharing of services including facilities and personnel	201	180	—	—	381
<i>Previous year</i>	447	—	—	—	447
Dividend paid	—	110	8	21	139
<i>Previous year</i>	—	110	8	21	139
Dividend received	37	—	—	—	37
<i>Previous year</i>	1	—	—	—	1
Investments	27	—	—	—	27
<i>Previous year</i>	2,002	—	—	—	2,002
Balances at the end of the year					
Unsecured Loans	—	—	295	—	295
Loans and Advances	5	32	—	—	37
Current Liabilities	45	—	—	1	46

. Details of remuneration paid to directors are given in note (viii) above.

* Entity where relative of key management personnel exercises significant influence

(xvii) Basic Earnings Per Share

	2007-2008 (Rs.)	2006-2007 (Rs.)
Numerator for basic earning per share		
Profit before tax and prior period items	999,35	72,059
Adjustment for net earnings		
Prior period adjustment	-	-
Provision for Tax	35,054	27,051
Total	64,881	45,008
Denominator for basic earning per share		
Weighted average number of shares	16,350,000	16,250,000
Basic earnings per share of Rs. 10/- each	3.97	2.77

The Company does not have any outstanding dilutive potential equity shares. Consequently, the basic and diluted earnings per share of the Company remain the same.

(xviii) Contingent Liabilities

Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favour of various government authorities and others amounting to Rs. 21,151/- (Previous year-Rs. 22,756/-) given by the Bankers in favor of various parties.

Guarantees to Banks against credit facilities extended to subsidiary amount to Rs. 274,600/- (Previous year – Rs. 220,000/-)

Claims against the company, not acknowledged as debts amount to Rs. 261/- (Previous year-Rs. Nil)

(xix) Estimated amount of unexecuted capital contracts (net of advance)- Rs.Nil (Previous year-Rs. 1,364/-).

(xx) It is not possible to furnish details of the quantities, due to heterogeneity of the items involved. Also, the Company is primarily engaged in the provision of services related to internet, which cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and certain information as required under paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

(xxi) Schedule 'A' to 'S' form an integral part of the Balance Sheet and Profit and Loss Account.

Signatures to Schedule 'A' to 'S'

**For Sandy Associates
Chartered Accountants**

**Sd/-
Sandeep Gupta
Proprietor
Membership No : 86069**

**Place: New Delhi
Date: May 13, 2008**

For and on behalf of the Board of Directors

**Sd/-
Amarjit S. Sawhney
Director**

**Sd/-
Desi S. Valli
Director**

**Sd/-
Jasjit S. Sawhney
CMD**

**Sd/-
Krishan Kumar
Company Secretary**

NET4 INDIA LIMITED**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**

Registration No. State Code
 Balance-sheet
 Date Date Month Year

II. Capital Raised during the year (Amount in Rs. '000)

Public Issue
 Rights Issue
 Bonus Issue
 Private Placement/ Preferential Issue

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. '000).

Total Liabilities
 Total Assets

Sources of Funds

Paid-up Capital
 Reserves & Surplus
 Secured Loans
 Unsecured Loans
 Deferred Tax Liability

Application of Funds

Net Fixed Assets
 Investments
 Net Current Assets
 Misc. Expenditure
 Accumulated Losses

IV. Performance of Company (Amount in Rs. '000)

Turnover
 Total Expenditure
 + - Profit/Loss Before Tax
 + - Profit/Loss After Tax
 Earning per share in Rs.
 Dividend rate %

V. Generic Names of Three Principal Products/Services of Company

(as per monetary terms)

Item Code No. (ITC Code)

Product Description IP Communications Services Provider

For and on behalf of the Board of Directors

Sd/-
Amarjit S. Sawhney
DirectorSd/-
Jasjit S. Sawhney
CMDSd/-
Krishan Kumar
Company SecretarySd/-
Desi S. Valli
DirectorPlace: New Delhi
Date: May 13,2008

**STATEMENT PURSUANT TO SECTION 212 OF THE
COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES**

1	Name of Subsidiary Company	Net4 Communications Ltd	Net 4 singapore Pte. Ltd
2	Financial year ended	31.03.2008	31.12.2007
3	Date from which it became Subsidiary Company	08.07.2005	08.12.2006
4	a	Shares held by the holding Company in the Subsidiary at the end of the financial year of the Subsidiary	28,05,000 equity shares of Rs.10 each fully paid up
			1,00,000 equity shares of SGD 1 each fully paid up
	b	Capital and Reserves of the Subsidiary at the end of the financial year of the Subsidiary	
		(i) Capital	Rs. 280.50 Lacs
		(ii) Reserves and Surplus	Rs. 2335.67 Lacs
			SGD 1 Lacs
			NIL
	c	Extent of interest of holding Company at the end of the financial year of the Subsidiary companies	100%
			100%
5	The net aggregate amount of profits or losses of the Subsidiary so far as it concern the members of holding Company		
	a	Not dealt with in the holding Company's accounts:	
		i) For the financial year ended 31 st March 2008	Rs. 332.72 Lacs
		ii) For the previous financial years	Rs. 386.98 Lacs
			Loss: Rs. 0.40 Lacs
			Not Applicable
	b	Dealt with in the holding Company's accounts:	
		i) For the financial year ended 31 st March 2008	Nil
		ii) For the previous financial years	Nil

For and on behalf of the Board of Directors

Sd/-
Desi S. Valli
Director

Sd/-
Jasjit S.Sawhney
CMD

Place: New Delhi
Date: May 13, 2008

Sd/-
Amarjit S. Sawhney
Director

Sd/-
Krishan Kumar
Company Secretary



DETAILS OF SUBSIDIARY COMPANIES

(In Rs.'000)

1	Name of Subsidiary Company	Net 4 Communications Ltd	Net 4 Singapore PTE Ltd
2	Capital	28,050	2,738
3	Reserves	233,567	-
4	Total Assets	484,475	2,765
5	Total Liabilities	484,475	2,765
6	Investments	-	-
7	Total Income	506,174	-
8	Profit Before taxation	44,553	(40)
9	Provision for taxation	11,281	-
10	Profit After taxation	33,272	(40)
11	Proposed Dividend	5,610	-
12	Tax on dividend	953	-

For and on behalf of the Board of Directors

Sd/-
Desi S Valli
Director

Sd/-
Jasjit S.Sawhney
CMD

Place: New Delhi
Date: May 13, 2008

Sd/-
Amarjit S. Sawhney
Director

Sd/-
Krishan Kumar
Company Secretary

Consolidated Financial Statements and Notes



NET4 INDIA LTD CONSOLIDATED**Auditor's Report**

To,
The Board of Directors of Net 4 India Ltd

1. We have audited the attached Consolidated Balance Sheet of M/s. Net 4 India Ltd Group, as at March 31, 2008, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of Rs. 4,872.4 lacs as at March 31, 2008 and total revenues of Rs. 5,061.71 lacs and cash inflows amounting to Rs. 108.12 lacs for the year. These financial statements and other financial information have been audited by another auditor whose report has been furnished to us, and our opinion, is based solely on the report of such other auditor.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of the information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India :

- (a) In the case of the Consolidated Balance Sheet, of the state of affairs of the Net 4 India Ltd Group as at 31st March, 2008; and
- (b) In the case of the Consolidated Profit and Loss Account, of the profit of the Net 4 India Group for the year ended on that date.
- (c) In the case of the Consolidated Cash Flow Statement, of the cash flows of the Net 4 India Group for the year ended on that date.

**For Sandy Associates
Chartered Accountants**

**Sd/-
(Sandeep Gupta)
Proprietor
Membership No : 86069**

**Place: New Delhi
Date: May 13, 2008**

NET4 INDIA LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2008

Sources of Funds:	Schedule	March 31, 2008	(In Rs.'000)	
Shareholders' Fund			March 31, 2007	
Share Capital	A	167,500	162,50	
Reserves & Surplus	B	334,902	215,643	
Loan Funds				
Secured Loans	C	371,122	343,826	
Unsecured Loans	D	56,610	24,083	
Deferred tax liability		<u>74,839</u>	<u>68,863</u>	
		<u>1,004,973</u>	<u>814,915</u>	
Application of Funds :				
Fixed Assets	E			
Gross Block		934,137	824,986	
Less: Depreciation And Amortization		<u>446,196</u>	<u>367,753</u>	
Net Block		487,941	457,233	
Add: Capital Work-in-progress		<u>228</u>	488,169	208
Investments	F	7,349	7,149	
Current Assets, Loans & Advances				
Inventories		167,536	127,142	
Sundry Debtors	G	377,649	405,555	
Cash And Bank Balances	H	42,368	29,310	
Other Current Assets	I	19,355	9,235	
Loans And Advances		<u>176,884</u>	<u>46,958</u>	
		<u>783,792</u>	<u>618,200</u>	
Less: Current Liabilities & Provisions	K			
Current Liabilities		153,512	182,801	
Provisions		<u>121,141</u>	<u>85,168</u>	
		<u>274,653</u>	<u>267,969</u>	
Net Current Assets		509,139	350,231	
Miscellaneous Expenditure (to the extent not written off or adjusted)	L	316	94	
		<u>1,004,973</u>	<u>814,915</u>	
Significant Accounting Policies	R			
Notes to Accounts	S			

As per our report of even date attached,

For Sandy Associates
Chartered Accountants

Sd/-
Sandeep Gupta
Proprietor
Membership No : 86069

Place: New Delhi
Date: May 13, 2008

For and on behalf of the Board of Directors

Sd/-
Amarjit S. Sawhney
Director

Sd/-
Desi S Valli
Director

Sd/-
Jasjit S. Sawhney
CMD

Sd/-
Krishan Kumar
Company Secretary

NET4 INDIA LIMITED
CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

	Schedule	2007-08	(In Rs.'000) 2006-07
Income from Sales and Services			
Domestic		1,340,213	1,018,364
Overseas		<u>11,426</u>	<u>15,667</u>
		1,351,639	1,034,031
Cost of Sales and Services	M	795,699	552,298
Gross Profit		555,940	481,733
Personnel Cost	N	114,829	94,571
General and Administrative Expenses	O	114,426	88,897
Selling and Marketing Expenses	P	<u>14,635</u>	<u>16,080</u>
		243,890	199,548
Operating Profit before interest, depreciation and amortization		312,050	282,185
Interest and Finance Charges		52,074	36,284
Depreciation	E	135,267	128,366
Amortization on intangible assets	E	<u>8,236</u>	<u>8,236</u>
		195,577	172,886
Operating Profit after interest, depreciation and amortization		116,473	109,299
Other Income	Q	24,671	2,613
Profit before tax		141,144	111,912
Provision for Taxation			
Income Tax		38,360	24,860
Wealth Tax		-	382
Fringe Benefit Tax		1,999	1,443
Deferred Tax		<u>5,976</u>	<u>10,345</u>
Profit after tax		94,809	74,882
Amount available for appropriation		94,809	74,882
Proposed Dividend		16,750	16,250
Tax on Dividend		3,800	3,397
Transfer to General Reserve		4,120	3,220
Surplus carried forward		70,139	52,015
Earning per Equity Share - Basic and Diluted (Rs.)		5.80	4.61
Significant Accounting Policies	R		
Notes to Accounts	S		

As per our report of even date attached,

For Sandy Associates
Chartered Accountants

Sd/-
Sandeep Gupta
Proprietor
Membership No : 86069

Place: New Delhi
Date: May 13, 2008

For and on behalf of the Board of Directors

Sd/-
Amarjit S. Sawhney
Director

Sd/-
Desi S Valli
Director

Sd/-
Jasjit S. Sawhney
CMD

Sd/-
Krishan Kumar
Company Secretary

NET4 INDIA LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

	2007-08	(In Rs.' 000) 2006-07
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary items	141,144	111,912
Adjustments for :		
Depreciation	135,267	128,366
Amortisation of intangible assets	8,236	8,236
Assets Discarded/(Profit)/Loss on sale of fixed assets	2402	44
Preliminary expenses written off	28	28
Bad debts	864	1,022
Interest and finance charges	52,074	36,284
Interest and dividend income	(926)	(1,572)
Operating Profit before Working Capital Changes	339,089	284,320
Adjustments for :		
Sundry Debtors	27,042	(94,285)
Inventories	(40,394)	(28,742)
Current Assets, Loans and Advances	(115,077)	(4,595)
Provision for retirement benefits	1,912	1,013
Current Liabilities	(29,291)	(1,753)
Cash generated from Operations	183,281	155,958
Direct Tax paid	(32,167)	(29,767)
NET CASH GENERATED BY OPERATING ACTIVITIES	151,114	126,191
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets and change in capital work in progress	(176,984)	(158,761)
Proceeds on disposal of fixed assets	350	27
Investments in securities	(200)	(99)
Interest received	926	1,572
NET CASH USED IN INVESTING ACTIVITIES	(175,908)	(157,261)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	5000	-
Proceeds from Security Premium	45,000	-
Proceeds from secured loans	27,296	71,184
Proceeds from unsecured loans	32,528	17,186
Preliminary expenses on increase in authorised share capital	(250)	-
Dividends paid during the period	(16,250)	(16,250)
Dividend tax paid during the period	(3,398)	(2,293)
Interest and finance charges	(52,074)	(36,284)
NET CASH USED FROM FINANCING ACTIVITIES	37,852	33,543
D. NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	13,058	2,473
CASH AND CASH EQUIVALENTS, beginning of period (Refer Note)	29,310	26,837
CASH AND CASH EQUIVALENTS, end of the year (Refer Note)	42,368	29,310

Notes : (1) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard-3 on Cash Flow Statement issued by The Institute of Chartered Accountants of India.

(2) Previous year's figures have been regrouped wherever necessary.

For and on behalf of the Board of Directors

Sd/- Amarjit S. Sawhney Director	Sd/- Jasjit S. Sawhney CMD
Sd/- Desi S Valli Director	Sd/- Kishan Kumar Company Secretary

Place: New Delhi
Date: May 13, 2008

AUDITORS' CERTIFICATE

We have verified the above Cash Flow Statement of Net 4 India Ltd derived from the audited financial statements for the year ended March 31, 2008, and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the listing agreement with stock exchange.

Place: New Delhi
Date: May 13, 2008



NET4 INDIA LIMITED
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT

	March 31, 2008	(In Rs.'000) March 31, 2007
SCHEDULE 'A'		
SHARE CAPITAL		
Authorised		
25,000,000 (P.Y.20,000,000) Equity Shares of Rs.10 each	<u>250,000</u>	<u>200,000</u>
Issued, Subscribed and Paid -up		
16,750,000 (P.Y.16,250,000) Equity Shares of Rs.10 each fully paid up	167,500	162,500
	<u>167,500</u>	<u>162,500</u>
SCHEDULE 'B'		
RESERVES & SURPLUS		
Share Premium		
As per last Balance Sheet	85,000	85,000
Add: On issue of shares	45,000	-
Less: Utilised for Bonus issue	- 130,000	-
General Reserve	<u>43,485</u>	<u>40,265</u>
As per last Balance Sheet	43,485	40,265
Add : Transfer from Profit and Loss Account	4,120	3,220
Surplus in Profit and Loss Account	<u>47,605</u>	<u>43,485</u>
	<u>157,297</u>	<u>87,158</u>
	<u>334,902</u>	<u>215,643</u>
SCHEDULE 'C'		
SECURED LOANS		
Loans and advances from Banks		
- As Working Capital Loan (Secured against hypothecation of stock, debtors and movable assets and personal guarantee of director)	255,262	192,577
- As Term Loan (Secured by first charge on all present and future fixed assets of the company)	104,000	140,497
- As Other Loans (Secured against hypothecation of vehicles)	11,860	10,752
	<u>371,122</u>	<u>343,826</u>
SCHEDULE 'D'		
UNSECURED LOANS		
Short Term Loans from Banks		
- Temporary overdraft in cash credit account	10,037	-
Other Loans		
- From Directors	29,737	22,838
- From Others	16,836	1,245
	<u>56,610</u>	<u>24,083</u>



NET4 INDIA LIMITED

Schedules to the Consolidated Balance Sheet as at

SCHEDULE 'E' FIXED ASSETS

(In Rs. '000)

Name	Original Cost			Depreciation and amortization			Net Block Value		
	As at 01.04.07	Additions during the year	Sale/ Adjustments	As at 31.03.08	As at 01.04.07	For the year	Sale/ Adjustments	As at 31.03.08	As at 31.03.07
TANGIBLE									
Land	6,023	-	-	6,023	-	-	-	6,023	6,023
Building	55,739	992	-	56,731	4,061	1,927	-	50,743	51,678
Leasehold Improvements	768	322	-	1,090	33	145	-	912	735
Computers	551,631	167,981	67,061	652,551	283,666	121,491	64,532	311,926	267,965
Office Equipment	54,010	2,749	-	56,759	18,951	5,113	-	32,695	35,095
Furniture & Fixtures	30,000	638	-	30,638	13,257	3,115	-	14,266	16,743
Vehicles	15,016	4,282	752	18,546	3,860	3,476	528	11,738	11,156
Sub Total	713,187	176,964	67,813	822,338	323,828	135,267	65,060	428,303	389,359
INTANGIBLE									
Goodwill	4,549	-	-	4,549	2,424	455	-	1,670	2,125
Trademarks	75,000	-	-	75,000	20,000	3,750	-	51,250	55,000
Hosting Platform	6,500	-	-	6,500	4,334	812	-	1,354	2,166
Technology	25,750	-	-	25,750	17,167	3,219	-	5,364	8,583
Sub total	111,799	-	-	111,799	43,925	8,236	-	59,638	67,874
Capital work in progress	-	-	-	-	-	-	-	228	208
Grand Total	824,986	176,964	67,813	934,137	367,753	143,503	65,060	488,169	457,441
Previous Year	666,678	158,553	245	824,986	231,325	136,602	174	457,441	-

NET4 INDIA LIMITED
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT

(In Rs.'000)

March 31, 2008

March 31, 2007

SCHEDULE 'F'
INVESTMENTS

(a) LONG TERM, UNQUOTED, AT COST

Non Trade		
9,900 (P.Y. 9,900) shares of Rs. 10 each fully paid up of Net 4 Technology Ltd	99	99
70,500 (P.Y. 70,500) shares of Rs. 100 each fully paid up of Net4 Barter Pvt Ltd	7,050	7,050

(b) CURRENT INVESTMENTS

SBI infrastructure Fund - Series 1 20,000 (P.Y. Nil) Units of Rs. 10 each	200	-
	<u>7,349</u>	<u>7,149</u>
Market Value of quoted investment	<u>215</u>	

SCHEDULE 'G'
SUNDRY DEBTORS

(Unsecured)

Debts Exceeding 6 months (unsecured)			
- Considered Good	17,692	16,789	
- Considered Doubtful	-	-	
	<u>17,692</u>	<u>16,789</u>	
Less : Provisions for Doubtful Debts	-	-	16,789
Other debts	359,957		388,766
	<u>377,649</u>		<u>405,555</u>

SCHEDULE 'H'
CASH AND BANK BALANCES

Cash in Hand	302	188
Cheques in hand and Remittances in transit	1,981	1,671
With scheduled banks in:		
Current Accounts	17,802	7,589
Margin money accounts	22,266	19,845
Unclaimed dividend accounts	17	17
	<u>42,368</u>	<u>29,310</u>

SCHEDULE 'I'
OTHER CURRENT ASSETS

Deposits	15,381	7,573
Prepaid expenses	3,974	1,662
	<u>19,355</u>	<u>9,235</u>

NET4 INDIA LIMITED
SCHEDULES TO THE CONSOLIDATED BALANCE SHEET AS AT

(In Rs.'000)

	March 31, 2008	March 31, 2007
SCHEDULE 'J'		
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advance income tax	64,261	39,978
Advance fringe benefit tax	3,471	2,786
Advances recoverable in cash or in kind or for value to be received	<u>109,152</u>	<u>4,194</u>
	<u>176,884</u>	<u>46,958</u>
SCHEDULE 'K'		
CURRENT LIABILITIES AND PROVISIONS		
A) Current Liabilities		
Sundry creditors	123,246	115,615
Advances from customers	6,406	22,390
Accrued salaries and benefits	9,343	7,251
Provision for expenses	5,610	2,732
Withholding and other taxes payable	3,581	15,588
Unearned revenue	2,890	3,327
Unclaimed dividend *	16	16
Other liabilities **	<u>2,420</u>	<u>15,882</u>
	<u>153,512</u>	<u>182,801</u>
* Not due for deposit to Investor Education and Protection Fund		
** Includes dues to Directors as sitting fees payable	27	35
B) Provisions		
Retirement Benefits	6,841	4,929
Income tax	88,646	57,486
Fringe Benefit Tax	4,722	2,723
Wealth Tax	382	382
Dividend	16,750	16,250
Tax on Dividend	<u>3,800</u>	<u>3,398</u>
	<u>121,141</u>	<u>85,168</u>
Total (A + B)	274,653	267,969
SCHEDULE 'L'		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Balance brought forward	94	122
Add: Incurred during the period	250	-
Less: Written off during the period	<u>28</u>	<u>28</u>
Balance carried forward	<u>316</u>	<u>94</u>

NET4 INDIA LIMITED**SCHEDULES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED**

	2007-08	(In Rs.'000) 2006-07
SCHEDULE 'M'		
COST OF SALES AND SERVICES		
(Increase)/decrease in stock	(40,393)	(28,738)
Purchases	816,171	515,052
Other direct costs	19,921	65,984
	<u>795,699</u>	<u>552,298</u>
SCHEDULE 'N'		
PERSONNEL COST		
Salaries, wages and bonus	102,200	83,447
Contribution to provident and other funds	8,974	7,518
Staff welfare, staff training and recruitment	3,655	3,606
	<u>114,829</u>	<u>94,571</u>
SCHEDULE 'O'		
GENERAL AND ADMINISTRATIVE EXPENSES		
Rent	19,735	12,293
Communication	8,611	5,872
Travelling and conveyance	15,962	17,841
Repair and maintenance	14,753	14,044
Electricity and water charges	17,908	14,182
Legal and professional	8,579	4,717
Bank charges	11,911	7,221
Security charges	2,450	2,675
Lease Rental	1,683	-
Membership and subscription	1,689	910
Printing and stationery	1,552	1,383
Assets Discarded	2,529	-
Loss on sale of fixed assets	-	44
Insurance	1,241	1,050
Auditors remuneration	233	204
Bad debts Written off	864	1,022
Books and periodicals	69	98
Directors' sitting fees	27	21
Preliminary expenses written off	28	28
Other miscellaneous expenses	4,602	5,292
	<u>114,426</u>	<u>88,897</u>
SCHEDULE 'P'		
SELLING AND MARKETING EXPENSES		
Advertising and marketing	10,090	7,981
Entertainment and Business promotion	2,181	4,374
Retainership	962	1,797
Commission and brokerage	427	686
Exhibition expenses	549	333
Incentives	426	909
	<u>14,635</u>	<u>16,080</u>
SCHEDULE 'Q'		
OTHER INCOME		
Unclaimed balances / Excess provision written back	613	345
Interest received	926	1,572
Exchange differences	426	595
Profit on sale of fixed assets	127	-
Income from Infrastructure and support services	18,000	-
Miscellaneous income	4,579	101
	<u>24,671</u>	<u>2,613</u>

■ ■ ■ SCHEDULE ' R ' - SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of Accounting

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on an accrual basis. GAAP comprises mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI"), the provisions of the Companies Act, 1956, and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The Management evaluates all recently issued or revised accounting standards on an ongoing basis.

(ii) Use of Estimates

The preparation of the financial statements in conformity with GAAP requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes and the useful lives of fixed assets and intangible assets.

The management periodically assesses using external and internal sources, whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Where no reliable estimate can be made; a disclosure is made as contingent liability. Actual results could differ from those estimates.

(iii) Principles of Consolidation

The consolidated financial statements include the financial statements of the Net4 India Ltd and its subsidiary and have been prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under Accounting Standard (AS) 21 - Consolidated Financial Statements issued by The Institute of Chartered Accountants Of India.

The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/ transactions and unrealized profits in full. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by Net4 India Ltd for its separate financial statements.

(iv) Fixed Assets and Depreciation**a) Tangible Assets:**

Fixed assets are stated at cost less accumulated depreciation. Costs directly attributable to the purchase of fixed assets are capitalized until fixed assets are ready for use. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use before the balance sheet date.

All assets discarded or dismantled are written off assuming that the scrap value for the same is nil. If and when such discarded assets are disposed off partially or fully, the amounts realized during the year are credited to the profit and loss account of that year.

b) Depreciation:

Depreciation of Fixed Assets is provided on a pro-rata basis on the written down value method at the rates prescribed under Schedule XIV to the Companies Act, 1956.

Cost of leasehold premises and structured improvements are depreciated over the period of lease. Leasehold improvements are depreciated over the remaining period of lease or 10 years whichever is lesser. Individual low cost assets (acquired for less than Rs.5,000/-) are depreciated within a year of acquisition.

c) Intangible Assets and amortization:

Intangible assets are amortized over their respective individual estimated useful lives on a straight line basis, commencing from the date the asset is available to the Company for its use. Management, using reasonable and supportable assumptions, estimates the useful lives for the intangible assets as follows:

Hosting platform	8 years
Technology	8 years
Trademarks	20 years
Goodwill	10 years

Trademarks represent the brand image of the Company and constitute an asset with no limited useful life. Based on advice received by the management and as per the provisions of the Trade Marks and Merchandise Act of 1999, the company can retain the ownership and registration of the trademarks perpetually by renewing the registration at the end of every ten years, leading to the view that the useful life of its trademarks are unlimited.

However, as a matter of abandon precaution, the cost of the Trademarks is being amortized over a period of 20 years.

(v) Investments

Trade investments are the investments made to enhance the Company's business interests. Investments are either classified as current or long-term based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long Term Investments are stated at cost. Provision for diminution in their value is made only if such a decline is other than temporary in the opinion of the management.

(vi) Revenue Recognition

The Company recognizes revenue on accrual basis. Revenue from the sale of hardware/software products is recognized when the sale is completed with the passing of title. Revenue from services is recognized in the ratio of period expired over the total agreement period. Revenue from Fixed Price Contracts is recognized proportionately over the period in which services are rendered.

Profit on sale of investments is recorded on transfer of title from the Company and is determined as the difference between the sales price and the then carrying value of the investment. Lease rentals are recognized using the time-proportion method, based on rates implicit in the transaction. Dividend income is recognized when the Company's right to receive dividend is established.

(vii) Foreign Currency Transactions

Investments in foreign entities are recorded at the exchange rates prevailing on the date of making the investments.

Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred, is converted into Indian Rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise.

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting gain or loss is also recorded in the Profit and Loss Account.

(viii) Inventories

Inventory is valued at lower of cost (determined on First In First Out basis) and estimated net realisable value.

Cost is inclusive of all purchase costs and other costs incurred in bringing the inventories to their present location and conditions.

(ix) Retirement Benefits

The Company's contributions towards recognized Provident Fund is charged periodically to revenue on an accrual basis.

Gratuity has been provided in the Profit and Loss Account as per the provisions of the Payment of Gratuity Act, 1972. A lump sum payment is made to employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Provision for Leave encashment is made on the basis of unutilized leave due to employees at the end of the year.

(x) Research and Development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated over the estimated useful lives of the related assets, where management ascertains that costs incurred will be more than covered by resultant gains over a specific period of time.

(xi) Borrowing Cost

Interest and other costs in connection with the borrowing of funds to the extent related/attribution to the acquisition/construction of qualifying fixed assets are capitalized upto the date when such assets are ready for its intended use and other borrowing costs are charged to Profit and Loss Account.

(xii) Leases

Lease rentals in respect of assets taken on 'Operating Lease' are charged to the Profit & Loss Account on straight line basis over the lease term.

(xiii) Earning Per Share

Basic earning per share (EPS) is calculated by dividing the net profit after tax for the year (including the post-tax effect of extraordinary items, if any) attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue and share split.

(xiv) Taxation

Tax expense for the year comprises of current tax, deferred tax and fringe benefit tax.

Income tax is computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue and expenses arise. Provision for income tax is made annually, based on the tax liability computed, after considering tax allowances and exemptions.

The differences that result between the profit considered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of the respective carrying values at each balance sheet date. The income tax provision for the interim period is made based on the best estimate of the annual average tax rate expected to be applicable for the full fiscal year.

Consequent to the introduction of Fringe Benefit Tax (FBT) effective April 1, 2005, the Company has made provision for FBT in accordance with applicable Income-tax laws.

(xv) Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing, and investing activities of the Company are segregated.

(xvi) Contingent Liabilities

Depending on the facts of each case, and after evaluation of relevant legal aspects, the Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a relevant estimate of the amount of obligation can be made. The disclosure is made for all possible or present obligations that may but probably will not require outflow of resources as contingent liability in the financial statement.

■ ■ ■ SCHEDULE ' S ' – NOTES TO ACCOUNTS

- (i) All amounts in the financial statements are presented in Rupees Thousands, except for share data and as otherwise stated.
- (ii) Previous year's figures have been regrouped, rearranged and reclassified, wherever necessary to conform to current year's classification.
- (iii) The financial statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of the Company i.e. 31st March, 2008 except for Net 4 Singapore Pte Limited for which financial statements as on reporting date are not available. These have been consolidated based on last available audited financial statements as on 31st December, 2007, after which there have been no significant transactions.

(iv) Deferred Tax

Provision for deferred tax for the year ended March 31, 2008 has been made in accordance with the provisions of Accounting Standard 22 on Accounting for Taxes on Income, issued by The Institute of Chartered Accountants of India. The deferred tax charge of Rs. 5,976/- (Previous year charge - Rs.10,345/-), for the current year has been recognized in the Profit & Loss Account and comprises of the following:

	2007-08	2006-07
	(Rs.)	(Rs.)
Depreciation claimed as deduction under the Income Tax Act, but chargeable in the financial statements in future years	6,941	11,285
Provisions charged in the financial statements but allowed as a deduction under the Income Tax Act in future years (to the extent considered realizable)	965	940
	<u>5,976</u>	<u>10,345</u>

(v) Remuneration to Auditors

	2007-08	2006-07
	(Rs.)	(Rs.)
Statutory Audit Fees	185	163
Tax Audit Fees	45	39
For certification and consultation in other matters	111	12
Expenses reimbursed	3	2
	<u>344</u>	<u>216</u>

(vi) Managerial Remuneration

	2007-08	2006-07
	(Rs.)	(Rs.)
Salary	6,586	7,186
Contributions to Provident and other funds	708	594
Sitting Fees	28	21
Total Remuneration	<u>7,592</u>	<u>7,801</u>

The computation of net profits in accordance with Section 309(5) read with section 349 of the Companies Act, 1956, has not been given as the Company does not envisage any payment of commission to Directors.

(vii) Provision for Doubtful Debts

Periodically the Company evaluates all customer dues to the Company for collectibility. The need for provisions is assessed based on various factors including collectibility of specific dues, risk perceptions of the industry in which the customer operates, and general economic factors, which could effect the customer's ability to settle. As at March 31, 2008, the Company has provided for doubtful debts of Rs. Nil (as at March 31, 2007 Rs. Nil/-) on dues from customers. The Company continues pursuing the parties for recovery of the dues, in part or full.

The Company has written off Rs. 864/- (P.Y. Rs.1,022/-) as bad debts during the year.

- (viii)** The company's operations predominantly relate to providing IP Communications sales and services. There is thus only one reportable business segment encompassing a comprehensive range of services, including software development, packaged software integration, colocation, web hosting, web development, web mailing solutions, internet telephony and sales and integration of related networking equipment. Secondary segmental reporting is performed on the basis of the geographical location of customers.

Geographical Segment

(Rs. in Lacs)

Particulars	Year ended March 31, 2008		Year ended March 31, 2007	
	Domestic	Overseas	Domestic	Overseas
Revenues	13,402.13	114.26	10,183.64	156.67
Net Fixed Assets	4,881.69	-	4,574.41	-
Debtors	3,776.49	-	4,054.60	0.95
Current Assets (Other than Debtors)	4,061.43	-	2,126.45	-

- (ix)** Term Deposits aggregating to Rs.22,266/- (P.Y.Rs.19,845/-) have been pledged with Banks as security towards non-fund based facilities availed from Banks.
- (x)** The Company's leasing arrangements are in respect of operating leases for premises (residential, office, stores etc). These leasing arrangements which are not non cancellable range between 11 months and 3 years generally, or longer, and are usually renewable by mutual consent on mutually agreeable terms. The aggregate lease rentals payable are shown as Rent under Schedule 'O'.

The Company also has leased facilities under non – cancellable operating leases for equipments for a period of 4 to 5 years. The future lease payments in respect of these leases are as follows:

	March 31, 2008
Obligations on non cancellable leases :	
Not later than one year	4,666
Later than one year but not later than five years	18,251
Later than five years	-
Total	22,917

(xi) Related Party Disclosures as required by Accounting Standard-18:

List of Related Parties and Relationships

i) Holding Companies:

Nil

ii) Entity having significant Influence:

Trak Online Net India Pvt Ltd.

Jiwan Financial Holdings Ltd

Net Four Internet.Com Ltd

iii) Key Management Personnel and relatives of such personnel:

Executive Directors:

Jasjit Sawhney

Amarjit S. Sawhney

Desi S. Valli

Relative of Director

Pawanjot Kaur Sawhney

iv) Other related parties:

Sterling Capital Pvt Ltd

Significant Related Party Transactions

(Rs. in Lacs)

Nature of Transaction	Entity having Significant Influence	Key Management Personnel & their Relatives	Others*	Total
Capital Transactions				
Loans Taken	—	68	—	68
Previous year	—	168	—	168
Revenue Transactions				
Purchase of goods and services	583	—	—	583
Previous year	1844	—	—	1844
Sale of goods and services	2	—	—	2
Previous year	4	—	—	4
Sharing of services including facilities and personnel	180	—	—	180
Previous year	—	—	—	—
Dividend paid	110	8	21	139
Previous year	110	8	21	139
Balances at the end of the year				
Unsecured Loans	—	297	—	297
Previous year	—	228	—	228
Loan & Advances	32	—	1	33
Previous year	—	—	—	—

■ Details of remuneration paid to directors are given in note (viii) above.

* Entity where relative of key management personnel exercises significant influence.

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(xii) Basic Earnings Per Share

	2007-2008	2006-2007
	(Rs.)	(Rs.)
Numerator for basic earning per share		
Profit before tax and prior period items	141,144	111,912
Adjustment for net earnings		
Provision for Tax	46,335	37,030
Total	<u>94,809</u>	<u>74,882</u>
Denominator for basic earning per share		
Weighted average number of shares (in '000)	16,350	16,250
Basic earnings per share of Rs. 10/- each	5.80	4.61

The Company does not have any outstanding dilutive potential equity shares. Consequently, the basic and diluted earnings per share of the company remain the same.

(xiii) Contingent Liabilities

Outstanding guarantees and counter guarantees to various banks, in respect of the guarantees given by those banks in favour of various government authorities and others amounting to Rs.21,151 (Previous year-Rs. 22,756/-) given by the Bankers in favour of various parties. Claims against the company, not acknowledged as debts amount to Rs. 261/-(Previous year-Rs.Nil)

(xiv) Estimated amount of contracts remaining to be executed on capital accounts not provided for (net of advance)- Rs. Nil (Previous year-Rs. 1,364/-).

(xv) Schedule 'A' to 'S' form an integral part of the Balance Sheet and Profit and Loss Account.

Signatures to Schedule 'A' to 'S'

For Sandy Associates
Chartered Accountants

Sd/-
Sandeep Gupta
Proprietor
Membership No : 86069

Place: New Delhi
Date: May 13, 2008

For and on behalf of the Board of Directors

Sd/-
Amarjit S. Sawhney
Director

Sd/-
Desi S. Valli
Director

Sd/-
Jasjit S. Sawhney
CMD

Sd/-
Krishan Kumar
Company Secretary



“We thank our shareholders, customers, partners, employees, bankers, advisors and vendors for enabling yet another successful year. We hope for their continued support in the years to come.”

Board of Directors
Net 4 India Limited

Some of our Esteemed Clients



Net 4 India Ltd.

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