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BOARD OF DIRECTORS

>> CHAIRMAN AND MANAGING DIRECTOR

Jasjit Singh Sawhney

>> WHOLE-TIME DIRECTOR

Amarjit Singh Sawhney

>> NON-EXECUTIVE DIRECTORS

Sandip K. Ghosh

Desi S. Valli

Brijesh Chand Mathur

Manish Wadhawan

Surya S. Chadha

>> AUDITORS

M/s Sandy Associates, Chartered Accountants, New Delhi

>> LEGAL ADVISOR

K. K. Lahiri, Advocate

>> VICE PRESIDENT (SECRETARIAL & LEGAL) & COMPANY SECRETARY

Krishan Kumar

>> HEAD - FINANCE & ACCOUNTS

Pragati Agarwal



>> **BANKERS**

State Bank of India
South Extension Part – I, New Delhi – 110 049

>> **OFFICES**

REGISTERED OFFICE

AB – 11, Community Centre,
Safdarjung Enclave,
New Delhi – 110 029, India
Tel: +91 – 11 – 26711150 / 54
Fax: +91 – 11 – 41653217

CORPORATE OFFICE

D – 25, Sector – 3
Noida
Uttar Pradesh – 201 301, India
Tel: +91 – 120 – 4323500
Fax: +91 – 120 – 4323520

>> **REGISTRAR AND TRANSFER AGENT**

MCS Limited
F- 65, Okhla Industrial Area, Phase – I,
New Delhi – 110 020

Tel: +91 – 11- 41406149 / 51 / 52
Fax: +91 – 11 – 41709881

Email: admin@mcsdel.com ; mcscomplaintsdel@mcsdel.com
URL: www.mcsdel.com





FROM THE DESK OF CHAIRMAN AND MANAGING DIRECTOR



Dear Shareholders,

It is with great pride that we are reporting the best financial year we have ever had by almost all metrics. Your company has consistently achieved its highest ever quarters of revenue and profit throughout the year, with all guns (services) blazing.

Your Company has ended this year with record revenues and record profits. We are pleased to report consolidated revenue of Rs. 304 crores an increase of 56% from Rs. 195 cr in the previous year. Our Profit After Tax has grown by 83 % from Rs. 11.5 cr last year to Rs. 21.1 cr in FY 10-11.

What makes this growth even sweeter is that we have achieved this with a limited contribution to revenue from cloud services, our hottest selling service in terms of orders for the last 2 quarters. We are also yet to get on stream our additional Data Centre capacity, where construction is currently in full swing and we hope to be ready for customer occupation by the last quarter of FY 11-12. Needless to say, these two areas will be significant growth drivers of the Company's revenues in future.

Your company launched beta Cloud services – PAAS (Platform as a Service) in September and in spite of only doing limited advertising for the product, once fully tested, we managed to attain a customer base of 500 and above. This was also the only fully automated cloud platform provisioning system in India at the time, enabling your company to position itself as a world class Cloud service provider in India.

As in the last few years, we have invested in upgrading our existing infrastructure and Research & Development. We have had to hold back our plans for entering into IP/MPLS/ VPN services on account of the significant uncertainty surrounding the telecom licensing and policy environment. The new National Telecom Policy ought to make things a lot clearer and we shall proceed with these plans when there is adequate clarity.

In the coming year, we will venture into select International markets for our web services. Given our current scale, technology platforms and future applications in the pipeline, we believe the time is right for us to spread our wings. We shall, however, remain true to our style - "Sales Led Build" when it comes to investing in infrastructure.



Although we are very confident of considerable growth over the coming years, in this last year we have raised the bar ourselves by our outstanding performance. We are acutely aware of the expectations of high growth rates and are working even more tirelessly to try and achieve it. We shall also look towards inorganic growth in the very near future to keep up this pace.

Sincerely,



Jasjit Singh Sawhney
Chairman and Managing Director



DIRECTOR'S REPORT

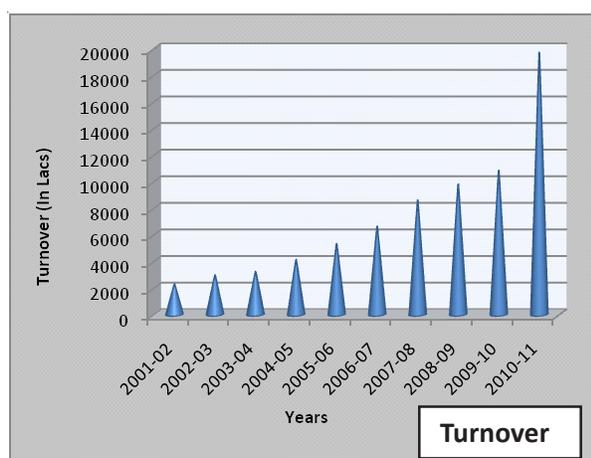
Dear Members,
M/s Net 4 India Limited

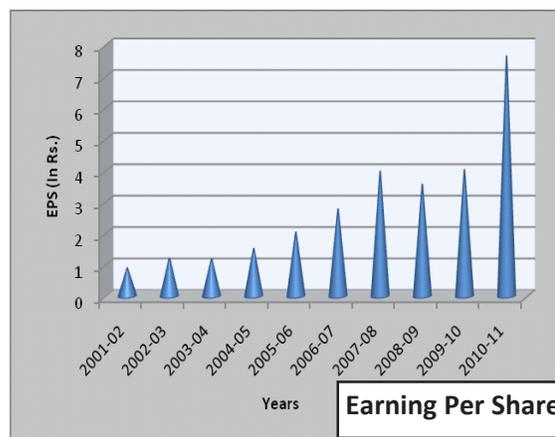
On behalf of the Board of Directors of your Company, it is our privilege to present the 25th Annual Report on the business and operations of the Company together with the Audited Statement of Accounts for the financial year ended March 31, 2011 and Auditor's Report thereon.

>> Results of Operations

(Rs. In lacs, except per share data)

Year Ended March 31st	2011		2010	
	Consolidated	Standalone	Consolidated	Standalone
Operating Income	30357.44	19697.50	19513.74	10837.70
Net Profit before Tax	3197.17	2222.28	1765.37	1061.85
Net Profit after Tax/Amount available for Appropriation	2113.06	1488.28	1150.48	695.17
Amount transferred to General Reserve	-	-	51.90	17.40
Balance retained in Profit & Loss Account	2109.66	1484.75	1198.80	750.62
Dividend	-	-	65.18	65.18
Earning Per Share-Basic & Diluted	10.84	7.63	6.66	4.02





>> Performance

The Company had shown a tremendous growth in the year 2010-11. The Turnover of the Company for the year under review has significantly improved from the previous year figures and consequently the Profit after Tax and the Earning per Share (EPS) of the Company have also shown a remarkable increase as compared to the previous year. A brief comparison of year on year (YoY) is as under:

Consolidated Results

Total Income for the year increased by 54.06%. The income recorded as on March 31, 2011 was Rs. 30,769.02 lacs as compared to Rs. 19,705.32 lacs recorded during the previous fiscal year. **Profit After Tax** during the year increased by 83.67%. The profit recorded as on March 31, 2011 was Rs. 2,113.06 lacs as compared to Rs. 1,150.48 lacs recorded during the year ended on March 31, 2010. **Earning per share (EPS)** during the year increased by 62.76%, the EPS recorded as on March 31, 2011 is Rs. 10.84/- per share as compared to Rs. 6.66/- per share for the year ended on March 31, 2010.

Standalone Results

Total Income for the year increased by 81.29%. The income recorded as on March 31, 2011 was Rs. 20,351.84 lacs as compared to Rs. 11,225.95 lacs recorded during the previous fiscal year. **Profit After Tax** during the year increased by 114.09%. The profit recorded as on March 31, 2011 was Rs. 1,488.28 lacs as compared to Rs. 695.17 lacs recorded during the year ended on March 31, 2010. **Earning per share (EPS)** during the year increased by 89.80%, the EPS recorded as on March 31, 2011 is Rs. 7.63/- per share as compared to Rs. 4.02/- per share for the year ended on March 31, 2010.

>> Appropriations

Out of the amount available for appropriations, your Company had retained Rs. 1484.75 lacs in the Profit and Loss Account and no transfers have been made to General Reserve.

>> Business Overview



Your Company is a leading Network and Application Service Provider. The Company has grown multi-folds within a short span of time and is amongst the largest provider of web hosting services and domain name registration in Asia Pacific. Powered by a pool of talented professionals and equipped with latest Internet Technologies, the Company caters to the internet infrastructure needs of other companies thereby enabling them to concentrate on their core business to achieve their business goals and transformational IT objectives.

The Company in its Silver Jubilee year has come out with a sterling performance taking a big leap forward, as the profits of the Company have zoomed by 84%. During the year 2010-11, the Company has scaled new heights and set several benchmarks in terms of networth, turnover and profits.

>> Increase in Share Capital

The Share Capital of the Company has been increased to Rs. 20,05,82,500 in the financial year 2010-11 as compared to Rs. 18,44,78,120 in the previous year. The Company vide its Board Meeting dated May 25, 2010 and August 11, 2010, respectively, had accepted the offer for investment in the Company from certain Investors and in lieu thereof has made a Preferential Allotment of 16,10,438 Equity Shares of Rs. 10/- each for cash out of which 9,16,818 Equity Shares were issued at a premium of Rs. 77.76/- per Share to M/s. Granite Hill India Opportunity Fund & 6,93,620 Equity Shares were issued at a premium of Rs. 106/- per share to M/s QS India Hosting, Mauritius, and the consent of the shareholders in respect thereof, in the form of Special Resolutions, in terms of Section 81(1A) of the Companies Act, 1956 had been obtained at the Extra-ordinary General Meetings of the Company held on June 21, 2010 and September 06, 2010, respectively.

>> Corporate Social Responsibility

As a matter of Corporate Social Responsibility, your Company is actively sustaining the spirit of Green Initiative, a worldwide adopted phenomenon to check the constantly increasing Global Warming, by deploying environmental friendly processes at work. Several steps are being taken by the Company in different areas to extend the concept of Corporate Social Responsibility so as to assure economic and effective utilization of natural & other resources. The initiatives taken up by the Company includes, but does not restrict to, Motivational Programmes, E-documentation, Energy Savers and Pollution Checks.

Motivational Programmes

Your Company is introducing various motivational programmes among its employees and also welcomes them as a part of management, leading to appreciation of their confidence, and thereby increasing their productivity.

E-documentation

Your Company has taken up various steps to make the use of paper at its minimal as the constant increase in the use of paper has lead to deforestation thereby increasing Global Warming. To reduce the usage of paper, the Company is practicing the concept of e-documentation, and has also in furtherance to this concept and the Circular issued by Ministry of Corporate Affairs to allow paperless compliances, decided to send its Annual Report to the members through electronic mode.



Energy Savers

The Company is also making efforts to keep a check on the usage of power by deploying energy saver equipments at its work places. Awareness on energy conservation is extended among the employees to control the unnecessary use of power.

Pollution Checks

To keep a check on day-to-day increasing air and noise pollution, the Company is actively urging on the use of Video-Conferencing facility wherever possible, rather than travelling down to the respective place. Employees of the Company have also been advised to use the concept of car pooling so as to ensure a pollution free environment.

All these initiatives create a socially and ethically responsible business entity and helps in long term sustainability thus ensuring value growth for our various stakeholders.

>> Subsidiaries

At the financial year ended on March 31, 2011, the Company has two Wholly-Owned Subsidiaries, M/s Net 4 Singapore Pte Limited and M/s Net 4 Communications Limited. Your Company has also established another two wholly-owned subsidiaries namely, M/s Net4 Network Services Limited incorporated in India vide Certificate of Incorporation dated May 18, 2011 and M/s Net4 HK Limited incorporated in Hong Kong vide Certificate of Incorporation dated May 11, 2011.

Your Company has also acquired 100% stake in the Equity Shares of M/s Pipetel Communications Private Limited thereby making this company as its Wholly-Owned Subsidiary company.

Consecutively, as on the date of report, your Company is having five Wholly-Owned Subsidiaries namely, M/s Net 4 Singapore Pte Limited, M/s Net 4 Communications Limited, M/s Net4 Network Services Limited, M/s Net4 HK Limited and M/s Pipetel Communications Private Limited.

Net 4 Communications Limited was incorporated in the year 2005 having its Registered Office at Kolkata. During the year under review, Total Income of the Company increased to Rs. 10,696.21 Lacs from 8,682 Lacs, at a growth rate of 23.20%. The Profit after Tax increased from Rs. 459.73 Lacs to Rs. 680.68 Lacs an increase of 48.06%.

The performance of **Net 4 Singapore Pte Limited**, incorporated primarily to manage the Companies' proposed International Wholesale VoIP Business, have not matched with the expectations of the Board and it is decided to wind-up the Company. An application for the de-registration of the Company have been filed with the concerned authorities in Singapore.

Net4 Network Services Limited was incorporated on May 18, 2011 vide a Certificate of Incorporation bearing number U72200DL2011PLC219357 has been issued in and under the Laws of India. The Company is having the main business of Internet Related Services and VoIP Solutions.

Net4 HK Limited was incorporated on May 11, 2011 vide a Certificate of Incorporation bearing number 1598959 has been issued in and under the Laws of Hong Kong.



Pipetel Communications Private Limited was incorporated on September 4, 2009 vide Certificate of Incorporation bearing number U64200DL2009PTC193950 in and under the laws of India. It is mainly engaged into Enterprise Internet services, VoIP Solutions and Web Services billing and Provisioning Platform solutions.

The Company has entered into a **Composite Scheme of Arrangement** with M/s Net4 Network Services Limited (“Net4 Network”) and M/s Pipetel Communications Private Limited (“Pipetel”). By virtue of the Scheme, “Pipetel” will amalgamate into and with the Company and by way of demerger, the ISP undertaking of the Company (which will comprise of the business acquired through merger of Pipetel) shall stand transferred to “Net4 Network”.

>> Consolidated Financial Statements

As required under the Listing Agreements with the Stock Exchanges, a Consolidated Financial Statement of the Company together with its subsidiaries is attached in the Annual Report. The Consolidated Financial Statements have been prepared in accordance with the relevant Accounting Standards as prescribed under section 211 (3C) of the Companies Act, 1956 (“Act”).

As per Section 212 of the Companies Act, 1956, the Directors’ Report, Balance Sheet, and Profit and Loss Account of the subsidiaries are required to be attached with the Balance Sheet of the Company. However, Ministry of Corporate Affairs vide its Circular No.2/2011 dated February 8, 2011 has granted general exemption from attaching the Balance Sheet, Profit & Loss Account and other document of the subsidiary companies with the Balance Sheet of the Company. A statement containing brief financial details of the Company’s subsidiaries for the financial year ended March 31, 2011 is included in the Annual Report. The Annual Accounts of these Subsidiaries & the related detailed information will be made available to any member of the Company/its Subsidiaries seeking such information at any point of time and are also available for inspection by any member of the Company and its Subsidiaries at the registered office of the Company. The Annual Accounts of the said Subsidiaries will also be available for inspection, as above, at the registered offices of the respective Subsidiary Companies. The Company shall furnish a copy of the details of Annual Accounts of Subsidiaries to any member on demand.

>> Dividend

The Company has not recommended any dividend for the year 2010-11 (previous year 10%) as the Company is utilizing the funds in its expansion plans which would certainly lead to a quantum growth of the Company thereby increasing the value of the shares of your Company.

>> Directors

The Board of Directors of the Company is having an optimum combination of Executive & Non-Executive Directors with not less than fifty percent of the Board comprising of the Non-Executive Independent Directors.

Mr. Bharat Chawla, Director of the Company, resigned from the Board of the Company w.e.f May 21, 2011.

Further, in accordance with the provisions of the Companies Act, 1956 read with Articles of Association of the Company, Mr. Desi Subri Valli and Mr. Manish Wadhawan, Directors of the Company are retiring by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-



appointment. The Board recommends the appointment of the said Directors.

>> 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 March 31, 2011 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

Net4 takes great pride in the commitment, competence & vigor shown by its highly motivated human resource that contributed its best to bring the Company to its present heights. The productivity of the employees is reflected in the consistent improvement over the years. We have also set up a scalable recruitment and human resources management process, which enables us to attract and retain high caliber employees. The Company continues to take new initiatives to further align its HR policies to contribute to the growing needs of the business.

Your Company provides an environment which encourages initiative, innovative thinking and rewards performance without regard to various external factors such as race, sex, color, creed, religion, national origin, citizenship, age, marital status or orientation.

Your Company ensures and focuses on training and development of its personnel through various internal and advanced training programs, succession planning and participation at national and international conferences, job rotation, on-the-job training, and various workshops.

>> Quality

Quality has been the substratum of your organization's sustenance and growth for all these years. Your Company has a well-defined Quality Management System, which establishes wide process to implement quality and continuously improve organization's overall process capability. Your company is ISO 9001:2000 certified, the world's most successful International Standard, addressing best practice in the application of Quality Management Systems.

Your Company is also the First Internet Service Provider in the world to get an ISO 27001:2005 certification for its Internet Data Centre(s) certified by BSI (British Standard Instruction), and we are continually maintaining the standards.



>> Fixed Deposit

During the year under review, your Company has accepted deposits within the meaning of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposit) Rules, 1975 for Rs. 1,270.20 lacs (previous year Rs. 388.14 Lacs). In terms of the provisions of Investor Education and Protection Fund (IEPF) Rules, 2001, there was no unclaimed interest and / or principal amount due for transfer to Investors Education & Protection Fund, established by the Central Government under Section 205C(1) of the Companies Act, 1956 for the year ended March 31, 2011.

>> Corporate Governance

Your Company is committed to maintain the highest standards of Corporate Governance. In addition to adhering the Corporate Governance practices set out by the Securities and Exchange Board of India for and the Listing Agreement and the mandatory stipulations prescribed there under, the Company has also evolved & adopted a Code of Conduct based on the principles of Good Corporate Governance and best management practices being followed globally.

Report on Corporate Governance for the year ended on March 31, 2011 in terms of Clause 49 of the Listing Agreements entered into with the concerned Stock Exchanges in India forms part of the Annual Report. Requisite Certificate from the Statutory Auditors of the Company, M/s Sandy Associates, Chartered Accountants, New Delhi, confirming compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, is attached 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 its Senior Management Employees including the Managing Director and the Whole-time Director. All the Senior Managerial Personnel, including the Managing Director and the Whole-time Director, have given their consent to adhere to the Code of Conduct to the Compliance Officer of the Company. As per the requirement of the 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 the Shares of the Company**' as per the provisions of SEBI (Prohibition of Insider Trading Regulations) 1992, as amended from time to time, providing guidelines to the designated employees while dealing in the Shares of the Company.

>> Listing Information

The Shares of the Company were admitted to trading under the Direct Listing Norms of the National Stock Exchange on December 10, 2010 (Scrip ID - NET4 & NSE Code-20784).

Apart from the above, the Shares of your Company are also listed at Bombay Stock Exchange (Scrip



Code: 532912) and Delhi Stock Exchange (Scrip Code: 113089). In accordance with Clause-38 of the Listing Agreements entered into by the Company with the concerned Stock Exchanges in India, the Company has paid for the year 2010-11 the Annual Listing Fees to all the concerned Stock Exchanges & the Annual Custodian Fees to the concerned Depositories.

>> Auditors and Auditors' Report

M/s Sandy Associates, Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if re-appointed.

The Auditors' Report and Notes to Accounts referred to in the Auditors' Report are self-explanatory and therefore, does 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 enclosed and marked as **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 given in **Annexure II** to the Directors' Report.

Mr. Jasjit Singh Sawhney, Chairman & Managing Director and Mr. Amarjit Singh Sawhney, Whole-time Director of the Company are relatives and particulars in respect thereof are given in Corporate Governance Report. None of the other employee is relative of any of the Directors of the Company.

Acknowledgements

The Directors place on record the appreciation and gratitude for the co-operation and assistance extended by various departments of the Union Government, State Government, Bankers and Financial Institutions.

The Directors also place on record their appreciation of dedicated and sincere services of the employees of the Company at all levels.

The Company will make every effort to meet the aspirations of its Shareholders and wish to sincerely thank them for their whole hearted co-operation and support at all times.

**For and on behalf of the Board of Directors
Net 4 India Limited**

**Sd/-
Jasjit Singh Sawhney
Chairman & Managing Director**

**Place: Noida
Dated: August 30, 2011**





ANNEXURE-I TO THE DIRECTOR'S REPORT

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 given as under:

A. CONSERVATION OF ENERGY

We generally consume Energy for our equipments such as computers, laptops, air-conditioners, lighting & utilities at work place. But, we have a focused strategy to optimize energy consumption. We are constantly looking out for efficient energy conservation technologies and introduce them at required places. We, on an ongoing basis, continued to undertake the following measures to conserve energy:

- Purchase PCs and Laptops according to the environmental standards,
- Identification and replacement of low-efficient hardware with latest and more energy-efficient hardware,
- Conducting continuous energy-conservation awareness programs for the employees.

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 requires 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 the 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 the near future.

4. Expenditure on R & D

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



Since there is no separate R & D division as such, any separate allocation of funds and its exact expenses on research and development is therefore, 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 the 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 export in the near future. The particulars regarding Foreign Exchange Earnings during the period under review appearing in the Note No. (V) to the Notes to Accounts (Schedule 'S'). The particulars regarding Foreign Exchange Expenditure during the period are appearing in Note No. (VI) to the Notes to Accounts (Schedule 'S').

For and on behalf of the Board of Directors
Net 4 India Limited

Sd/-

Jasjit Singh Sawhney
Chairman & Managing Director

Place: Noida
Dated: August 30, 2011



ANNEXURE-II TO THE DIRECTOR'S REPORT

STATEMENT PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 AND THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Name	Mr. Amarjit Singh Sawhney	Mr. Jasjit Singh Sawhney
Designation	Whole Time Director	Chairman & Managing Director
Remuneration received	Rs. 22,82,520/- p.a.	Rs. 32,89,560/- p.a.
Nature of duties	Look after the entire Finance & Legal functions	Look after the entire Operations
Qualifications and Experience	B.A. Economics and more than 41 years experience	B. A. (Hons.) and more than 16 years experience
Date of commencement of employment	5th January, 2000	5th January, 2000
Age of the Employee	71 years	38 years
Last Employment	Business	Director (Operations) in O-Net
Percentage of equity shares held by the Employee in the Company within the meaning of sub-clause (iii) of clause (a) of sub-section (2A) of Section 217 of the Act.	3.99%	0.00%

Notes:

- (1) Remuneration received includes Basic Salary, Dearness Allowance, Overtime, Ex-Gratia / Compensation Payments, Commission, Bonus, Company's Contribution to Provident Fund, and monetary value of perquisites.
- (2) Nature of Employment is contractual or as per agreement wherever applicable. Other terms and conditions applicable to them are as per Company's rules.

**For and on behalf of the Board of Directors
Net 4 India Limited**

**Sd/-
Jasjit Singh Sawhney
Chairman & Managing Director**

**Place: Noida
Dated: August 30, 2011**





REPORT ON CORPORATE GOVERNANCE

Corporate Governance Philosophy

Corporate Governance helps to serve corporate purposes by providing a framework within which stakeholders can peruse the objectives of the organization most effectively. It signifies acceptance by the management of inalienable rights of Shareholders as the true owners of the organization and of their own role as trustees on behalf of the Shareholders. However, value to the Company is not only Shareholder Value. It is the intrinsic goodwill and respect that the Company earns from the various stakeholders associated with the Company.

Net4, thus, believes that it must so govern its affairs as to optimize satisfaction amongst all its Stakeholders. The Company understands that in order to realize this vision, it needs to achieve industry leading benchmarks in Corporate Governance, delivery excellence and employee satisfaction, and the Company has achieve such standards and is constantly focusing on maintaining them. By combining ethical values with business acumen, globalization with national interest and core business with emerging business, the Company aims to be amongst the largest and most respected global organization.

Clause 49 of the Listing Agreement has set the benchmark Compliance Rules for a Listed Company and the baseline for governance standards. However, Net4 not only adheres to the prescribed Corporate Practices as per Clause 49 but is constantly striving to adopt best emerging practices worldwide. It is our endeavor to achieve higher standards and provide oversight and guidance to the management in strategy implementation and risk management and fulfillment of stated goals and objectives.

The Company has a strong legacy of fair, transparent and ethical governance practices. The Corporate Governance structure in the Company assigns responsibilities and entrusts authority among different participants in the organization viz. Board of Directors, the Senior Management Personnel, Employees etc. The Company has also adopted a Code of Conduct for its Senior Management Employees including the Managing Director and the Whole-time Director, and the same is available at the website of the Company. With the adoption of Whistle Blower Mechanism, the Company has move ahead in its pursuit of excellence in corporate governance.

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 maximize its stakeholder's value by contributing towards the fair, transparent and ethical growth of the Company. Corporate Governance by setting out the benchmarks for the Company can pave the way for the overall growth of the Company. It establishes an intrinsic goodwill and value to the Company whereby every one associated with the Company, be a customer, employee or shareholder, feels satisfied for being a part of the Company. The Company is constantly driving for corporate excellence whereby it not only adheres to the prescribed standards of the Listing Agreement but have also identifies the other emergent practices for ensuring corporate excellence. This step of the Company would definitely lead the Company amongst the largest and most respected global organizations.

2. Board of Directors

The Company itself is an artificial person having no mind of its own. It is the Board of Directors of the Companies who acts like its mind and effectively governs its affairs for the benefit of its Shareholders. The Board of the Company is the one who have the prime responsibility of managing the Company and taking it at its hikes. It is also responsible for ensuring that the Company's activities are conducted in a responsible and ethical manner.

(A) Composition of Board

For the year ended on March 31, 2011, the Board of the Company comprises 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 Board of Directors consists of 8 Directors, comprising 2 Whole-time Directors including the Chairman and Managing Director, 6 Non-Executive Directors out of which 4 are Independent Directors. The composition of the Board of Directors is in conformity with the Clause 49 of the Listing Agreement.

The composition of the Board of Directors is as follows:



Director	Category of Director	No. of Directorships in Other Companies (**)	No. of Memberships/ Chairmanships of Board Committees in other Companies (***)
>> EXECUTIVE DIRECTORS			
Mr. Jasjit Singh Sawhney	Promoter Director/ Chairman & Managing Director	1	1
Mr. Amarjit Singh Sawhney	Promoter Director/ Whole Time Director	1	1
>> NON EXECUTIVE DIRECTORS			
Mr. Sandip K. Ghosh	Non –Executive Independent Director	1	1
Mr. Bharat Chawla*	Non –Executive Independent Director	-	-
Mr. Manish Wadhawan	Non –Executive Independent Director	1	-
Mr. Desi S. Valli	Non –Executive Director	1	-
Mr. Brijesh Chand Mathur	Non –Executive Independent Director	-	-
Mr. Surya S. Chadha	Non –Executive Director	1	-

* Mr. Bharat Chawla resigned from the Board of the company w.e.f. May, 21, 2011.

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

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



(B) Attendance of the Directors at Board Meetings, Last Annual General Meeting and Extra-Ordinary General Meetings Held during the year

(i) Board Meetings

In the year 2010-11, 11 meetings of the Board of Directors were held on 27.04.2010, 25.05.2010, 03.07.2010, 11.08.2010, 31.08.2010, 20.09.2010, 12.11.2010, 28.12.2010, 14.01.2011, 11.02.2011 and 25.03.2011 respectively. The periodicity between two Board Meetings was within the maximum time gap as prescribed in the Listing Agreement / Companies Act, 1956.

The attendance of Directors in the aforesaid meetings is as under:

Name of Director	No. of Board Meetings Attended
Mr. Jasjit Singh Sawhney	11
Mr. Amarjit Singh Sawhney	11
Mr. Desi S. Valli	10
Mr. Sandip K. Ghosh	10
Mr. Manish Wadhawan	4
Mr. Bharat Chawla *	0
Mr. Brijesh Chand Mathur	9
Mr. Surya S. Chadha	11

* Mr. Bharat Chawla resigned from the Board of the company w.e.f. May, 21, 2011.

>> Agenda

The agenda and the notes thereto are circulated to the Directors by the Company Secretary, well in advance, in the defined agenda format. All material information is incorporated in the agenda in detail for facilitating the meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to agenda, the same is tabled before the meeting with specific reference to this effect in the agenda. In certain exceptional circumstances, additional item(s) on the agenda are permitted.

Senior Managerial Employees of the company are invited by the Board to attend the Board Meetings, as and when deems necessary. All Directors on the Board and various departments of the Company, communicate to the Company Secretary the matters requiring approval of the Board, well in advance, so that these can be included in the Agenda for the scheduled Board Meeting.

>> Compliance

The Company Secretary, while preparing the agenda, minutes etc., is required to ensure adherence to all the applicable laws and regulations including the Companies Act, 1956 read with Rules issued thereunder and the Secretarial Standards recommended by the Institute of Company Secretaries of India.



(ii) Annual General Meeting

The Last Annual General Meeting of the members of the Company was held on 30.09.2010. Attendance of Directors in the aforesaid meeting is as under:

Name of the Directors	Attendance of last AGM Held on 30.09.2010
Mr. Jasjit Singh Sawhney	Present
Mr. Amarjit Singh Sawhney	Present
Mr. Desi S. Valli	Absent
Mr. Sandip K. Ghosh	Present
Mr. Manish Wadhawan	Absent
Mr. Bharat Chawla	Absent
Mr. Brijesh Chand Mathur	Absent
Mr. Surya S. Chadha	Absent

(iii) Extra-ordinary General Meetings:

During the year, 2 Extra-ordinary General Meetings were held as detailed here under:

Date / Place of Meeting	Nature of Business Transacted	Special Resolution Passed
21.06.2010 / Noida (Uttar Pradesh)	(i) Allotment of Equity Shares on a preferential basis	Yes
	(ii) Alteration in the Articles of Association	Yes
06.09.2010 / Gurgaon (Haryana)	(i) Allotment of Equity Shares on a preferential basis	Yes
	(ii) Alteration in the Articles of Association	Yes



Attendance of Directors in the aforesaid meetings is as under:

Name of the Directors	Attendance at EGM Held on 21.06.2010	Attendance at EGM Held on 06.09.2010
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
Mr. Surya S. Chadha	Absent	Absent

(C) Retirement / Appointment and Re-appointment of Directors / Whole Time Directors / Managing Director

Mr. Desi S. Valli and Mr. Manish Wadhawan are Directors, who are liable to retire by rotation and being eligible, offer themselves for re-appointment. The Board recommends their appointment as 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 of the Company. Apart from the above relation, none of the other Directors have any of their relatives in the 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, details of which are as follows:



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

* Mr. Bharat Chawla resigned from the Board of the company w.e.f. May, 21, 2011.

Committees of the Board are constituted in compliance with the provisions of the Companies Act, 1956 and the Listing Agreements entered into with the concerned 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 finalized 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.

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. The minutes of the respective committee meetings are also kept in the meeting of the Board of Directors held after the Committee Meeting for noting.

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**>> Role**

The Audit Committee assists the Board in its responsibility for overseeing the quality and integrity of the accounting, auditing and reporting practices of the Company and its compliance with the legal and regulatory requirements. Its main function is to continuously monitor and effectively supervise the Company's accounting and financial reporting process, its audits, financial statements, the appointment, independence and performance of the statutory auditors, performance of internal auditors and the risk management policies. 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.

>> Chairman

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.

>> Meetings and Attendance during the year

The Committee, during the year 2010-11, met 5 times. The attendance of each member is given as hereunder:

Name of the Director	Chairman / Member	Number of Meetings Attended
Mr. Sandip K. Ghosh	Chairman	5
Mr. Manish Wadhawan	Member	2
Mr. Bharat Chawla *	Member	0
Mr. Brijesh Chand Mathur	Member	5

* Mr. Bharat Chawla resigned from the Board of the company w.e.f. May, 21, 2011.

(B) Shareholders' & Investors' Grievance Committee**>> Role**

The Shareholders' & Investors' Grievance Committee was constituted to facilitate speedy disposal of matters relating to Shareholder's Grievances, issuance of duplicate share certificates, transfer/transmission of securities, 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.

>> Chairman

This Committee is also headed under the Chairmanship of Mr. Sandip K. Ghosh.



>> Meetings and Attendance during the year

The Committee, during the year 2010-11, met 4 times. The attendance of each member is given as here under:

Name of the Director	Chairman / Member	Number of Meetings Attended
Mr. Sandip K. Ghosh	Chairman	4
Mr. Manish Wadhawan	Member	4
Mr. Bharat Chawla *	Member	0
Mr. Brijesh Chand Mathur	Member	4

* Mr. Bharat Chawla resigned from the Board of the company w.e.f. May, 21, 2011.

>> Redressal of Complaints

The Company has received 16 complaints for non- receipt of Annual Report, non – receipt of Dividend warrant for the year 2009-10 and for updation in contact details, and all the complaints have been resolved promptly. Outstanding complaints as on 31.03.2011 were Nil.

>> Compliance Officer

Mr. Krishan Kumar Nagpal, Vice-President (Secretarial & Legal) and the Company Secretary, is the Compliance Officer of the Company ensuring the compliance with the Securities Laws and the Listing Agreements of the Stock Exchanges.

(C) Remuneration Committee

>> Role

The terms of reference include considering, recommending and reviewing the remuneration of Executive Directors and Senior Management Personnel based on their performance and defined assessment criteria. The Committee, during the year 2010-11 convened 1 meeting.

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

>> Chairman

This Committee is also headed under the Chairmanship of Mr. Sandip K. Ghosh.

>> Meetings and Attendance during the year

During the financial year 2010-11, a meeting of the Remuneration Committee was held on January 25, 2011. The attendance of each member is given as hereunder:



Name of the Director	Chairman / Member	Number of Meetings Attended
Mr. Sandip K. Ghosh	Chairman	1
Mr. Manish Wadhawan	Member	1
Mr. Bharat Chawla *	Member	0
Mr. Brijesh Chand Mathur	Member	1

* Mr. Bharat Chawla resigned from the Board of the company w.e.f. May, 21, 2011.

(D) Management Committee

>> Role

The terms of reference includes:

- (i) opening/ closing/ maintaining or operating of banks accounts and authorization for the same,
- (ii) appointment of attorneys for and on behalf of the Company for specific and general purposes,
- (iii) supervision of the functioning of all the operational activities and day to day affairs of the Company,
- (iv) and other tasks entrusted or delegated by the Board of Directors from time to time.

>> Chairman

The Committee is headed under the Chairmanship of Mr. Jasjit Singh Sawhney, Chairman and the Managing Director of the Company. He is B.A. Hons (Law & Economics), having a vast knowledge and expertise in the internet related industry.

>> Meetings and Attendance during the year

The Committee, during the year 2010-11, met 9 times. The attendance of each member is given as hereunder:

Name of the Director	Chairman / Member	Number of Meetings Attended
Mr. Jasjit Singh Sawhney	Chairman	9
Mr. Amarjit Singh Sawhney	Member	9
Mr. Desi S. Valli	Member	9
Mr. Sandip K. Ghosh	Member	8



4. Remuneration of Directors:

During the financial year 2010-11, the Company has paid remuneration to its Managing Director and the Whole-Time Director by way of salary, perquisites and other benefits within the limits as approved by the shareholders. The remuneration paid to them is within the ceiling limits of remuneration to be paid under section 198 read with section 309 of the Companies Act, 1956. Besides, other directors are being paid only by way of sitting fees in accordance with the limits as specified under section 310 of the Companies Act, 1956.

Details of remuneration of the Directors for the financial year ended on March 31, 2011:

<i>(in Rupees)</i>					
Director	Relationship with other Director	Salary (#)	Perquisites and Other benefits (##)	Sitting Fees	Total
Mr. Amarjit Singh Sawhney	Father of Mr. Jasjit Singh Sawhney	20,40,600	2,41,920	-	22,82,520
Mr. Jasjit Singh Sawhney	Son of Mr. Amarjit Singh Sawhney	30,03,000	2,86,560	-	32,89,560
Mr. Desi S Valli	-	-	-	4,750/-	4,750/-
Mr. Sandip K. Ghosh	-	-	-	7,000/-	7,000/-
Mr. Manish Wadhawan	-	-	-	2,750/-	2,750/-
Mr. Bharat Chawla*	-	-	-	Nil	Nil
Mr. Brijesh Chand Mathur	-	-	-	4,750/-	4,750/-
Mr. Surya S. Chadha	-	-	-	2,750/-	2,750/-
Total					55,94,080/-

* Mr. Bharat Chawla resigned from the Board of the company w.e.f. May, 21, 2011.

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 guided by the standard terms and conditions of the appointment as applicable to the employees.

5. 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 appended with this Report.

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

Pursuant to Clause 49 (IV) (G) (i) of the Listing Agreement and as a matter of good Corporate Governance, a brief profile of the Directors proposed to be re-appointed at the forthcoming Annual General Meeting shall be given as hereunder for information to the shareholders:

>> Mr. Desi. S. Valli

Mr. Desi S. Valli, B. Tech in Electronics & Communication, have rich experience in Systems Integration and Network Engineering, is presently associated with the Company as Non - Executive Director. He is the Managing Director of Net 4 Communications Limited, a wholly-owned subsidiary of the Company. He joined the Board of Net 4 India Limited w.e.f. 1st October, 2001 as Whole-Time Director. He is also a member of Management Committee of the Company.

The Company has benefited a lot by the knowledge and expertise of Mr. Desi S. Valli. His tenure is liable to be retire by rotation at the forthcoming Annual General Meeting, and being eligible, he offers himself for re-appointment. The Board of Directors has already recommended for his re-appointment.

Other Companies in which Mr. Desi. S. Valli holds Directorship and Committee Memberships:

Name of Company	Nature of Interest	Remuneration Committee
M/s Net 4 Communications Limited	Managing Director	No
M/s Net 4 Singapore Pte. Limited	Director	N.A.
M/s Netree E- Services Private Limited	Director	N.A.

Shareholding in the Company

Mr. Desi S. Valli does not hold any share(s) of Net 4 India Limited.



>> Mr. Manish Wadhawan

Mr. Manish Wadhawan is a Graduate having more than 13 years of versatile experience & tremendous exposure in the concerned field. He joined the Board of Net 4 India Limited on October 23, 1999 and since then he made an inevitable contribution towards the growth of the Company. He is also a member of Company's Audit Committee, Shareholder's and Investor's Grievance Committee and Remuneration Committee.

The Company has benefited a lot by the knowledge and experience of Mr. Manish Wadhawan. His tenure is liable to be retire by rotation at the ensuing Annual General Meeting of the Company. Mr. Manish Wadhawan being eligible offers himself for re-appointment. The Board of Directors has already recommended for his re-appointment.

Other Companies in which Mr. Manish Wadhawn holds Directorship and Committee Memberships:

Name of Company	Nature of Interest	Remuneration Committee
M/s Net 4 Communications Limited	Director	No

Shareholding in the Company

Mr. Manish Wadhawan does not hold any share(s) of Net 4 India Limited.

7. [Chairman](#)

Mr. Jasjit Singh Sawhney is the Chairman and Managing Director (CMD) of the Company. At a very young age, he has become a renowned name in the Internet Related Industry. Since his being on the Board, with his vast knowledge and expertise, he has not only turned the financial phase of the Company but also converts it into a successfully running business enterprise. He is a true entrepreneur in the real manner. His primary role is to provide leadership to the Board and Corporate Management, for realizing the approved strategic plan and business objectives. He presides over the Board and Shareholders Meetings.

8. [Related Party Transactions](#)

During the year under review, there have been no significant material related party transactions except to those material, financial and commercial transactions where directors have personal interest, as are disclosed in Note No. S (xviii) to the Accounts in the Annual Report. However, these transactions do not have any potential conflict with the interest of the company at large.

9. [Code of Conduct](#)

As a part of Company'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 the Senior Management Personnel on procedures to be followed, disclosures to be made and to follow ethics as per the 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 Company Secretary has been appointed as the Compliance Officer under this Code. The code of Conduct is also available on the Company's website www.net4.in.

10. Insider Trading Regulations

In terms of the provisions of SEBI (Prohibition of Insider Trading Regulations) 1992, as amended from time to time, the Company has formulated a "Code of Internal Procedures and Conduct for Prevention of Insider Trading in the 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 the procedures to be followed and disclosures to be made, while dealing in the Shares of the Company.

11. 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 the Stock Exchanges on quarterly basis. Details of publication of Financial Results are given below:

Period	Name of Newspaper
Audited Financial Results for the year ended 31.03.2011	Economic Times (English) & Navbharat Times (Hindi)
Unaudited Financial Results for the Quarter ended on 31.12.2010	The Financial Express (English) & Jansatta (Hindi)
Unaudited Financial Results for the Quarter ended on 30.09.2010	The Financial Express (English) & Jansatta (Hindi)
Unaudited Financial Results for the Quarter ended on 30.06.2010	Economic Times (English) & Navbharat Times (Hindi)

The audited yearly / unaudited quarterly results of the Company are also displayed on the website of the Company at www.net4.in.



12. General Body Meetings

(a) Particulars of Last three Annual General Meetings:

Year	Date	Time	Venue
2008	30.09.2008	10:30 A.M.	Hotel Centrum, D-984 New Friends Colony, New Delhi – 110 065
2009	30.09.2009	11.00 A.M.	IKON Residency, D-823, New Friends Colony, New Delhi – 110 065
2010	30.09.2010	10:30 A.M.	“The Executive Club”, Chatarpur Mandir Road, Chatarpur, New Delhi – 110 030

(b) Special Resolutions

In the Annual General Meetings held in 2008 and 2010, no Special Resolutions were passed.

In the Annual General Meeting held in 2009, Special Resolution for the Alteration in the Articles of Association of the Company was passed.

(c) Resolutions passed through Postal Ballot

During the year 2010-11, Special Resolution for the Alteration in the Articles of Association of the Company was passed through Postal Ballot, and the details of the same may be intimated afresh to the members at the ensuing Annual General Meeting for noting.

13 (a) Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its Subsidiaries, the Promoters, the Directors or the Management, or their Relatives, etc. that may have potential conflict with the interests of the Company at large.

There were no such material related party transactions, except with those of Subsidiaries and Associate Companies and/or are in the ordinary course of business, which may have a potential impact on the interest of the company at large.

The related party transactions during the year are disclosed at **Note No. S (xviii)** to the Notes to Accounts of the Annual Report for the year ended March 31, 2011.

(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.

No such non-compliance has been made by the company or no such strictures or penalties has been imposed on the company, during the last three years, 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 has a whistle blower policy in its place wherein the employees can directly approach the management of the Company for reporting illegal or unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. Employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisors (or to the Chairman of Audit Committee in case where the concern involves the Senior Management). The reports received from the employee will be taken into consideration and reviewed by the immediate supervisor or the Chairman of Audit Committee, as the case may be, in the manner and within the time frames as prescribed in the policy. 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. During the year, no Personnel had approached the Audit Committee and no such report has found to be made by any personnel.

(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 the Listing Agreement.

Clause 49 of the Listing Agreement 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 the matters relating to remuneration for appointment/re-appointment of Directors and Senior Management Personnel.

(ii) Audit Qualification

For the financial year 2010-11, there were no qualifications in the Company's financial statements. The Company adopts best practices to ensure the regime of unqualified financial statements.

(iii) Training of Board Members

The Board of the Company comprises of professionals with expertise in the specific industry. They keep themselves updated with the global, economic and legislative changes. However, as matter of good corporate governance, the company has the policy of apprising about the operations, policies and procedures of the Company to the new members on the Board of Directors. 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. A 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 for their reference.



(iv) Shareholder's Information

The Company duly displays its quarterly (un-audited), half-yearly (un-audited) and annual (audited) results on its website at www.net4.in. It also displays the quarterly shareholding pattern of the Company and Annual Reports on year-on-year basis.

(e) Accounting Standards

The Company follows the 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. Limited.

The minutes of the Indian unlisted subsidiary companies are presented periodically before the Board for its perusal in order to review and monitor their performances.

(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. It oversees the risks which are inherent in the business pursued by the Company. It is actively engaged in assessing and monitoring the risk of the Company as a whole and also suggests measures to mitigate the such risks.

(h) Reconciliation of Share Capital Audit

Pursuant to Regulation 55A of the SEBI (Depositories and Participants) Regulations, 1996, the Company is duly submitting a quarterly certificate obtained from a Company Secretary-in-Practice regarding the dematerialization of the shares of the Company, the reconciliation of the total issued capital, whether be in physical or demat form, the details of changes in the share capital during the quarter, if any and the in-principle approval of the concerned stock exchanges thereon.

(i) Certification under Clause 47(c)

In terms of Clause 47(c) of the Listing Agreement with the concerned Stock Exchanges, the certificate on half-yearly basis have been issued by a Company Secretary-in-Practice for due compliance of share transfer formalities by the Company.

(j) Certification

The Chairman & Managing Director and the Whole-Time Director of the Company have furnished the requisite certificates to the Board of Directors under Clause 49 (V) 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 31.03.2011 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.

14. 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's 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 the members and others entitled thereto.

>> **Designated E-mail ID:** The Company has designated the E-mail ID investorrelations@net4.in, exclusively for investor servicing.

15. General Information

(a) Annual General Meeting

Day, Date & Time: Friday, September 30, 2011 at 10:00 AM

Venue: Sundaram Palace, C-1/1, Yamuna Vihar, Delhi – 110053

Book Closure: Friday, September 23, 2011 to Thursday, September, 29, 2011

(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.)	Date of AGM in which Dividend was declared
1	31.03.2008	10%	16,75,00,00	30.09.2008
2	31.03.2009	10%	48,20,285	30.09.2009
3	31.03.2010	10%	74,34,920	30.09.2010



(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 Limited

F-65, Okhla Industrial Area, Phase - I, New Delhi – 110 020

Tel: 011 – 41406149 / 51 / 52

Fax: 011 - 41709881

Email: admin@mcsdel.com; mcscomplaintsdel@mcsdel.com

(d) Share Transfer System

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 dematerialized 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 same with the concerned Stock Exchanges.

(e) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments

The Company has not issued any ADR/ GDR/Warrants or any Convertible Instruments.

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

Financial reporting for the quarter ending

>> June, 2010	:	August, 2010
>> September, 2010	:	November, 2010
>> December, 2010	:	February, 2011
>> March, 2011	:	May, 2011

(g) Listing on Stock Exchanges and Stock Code

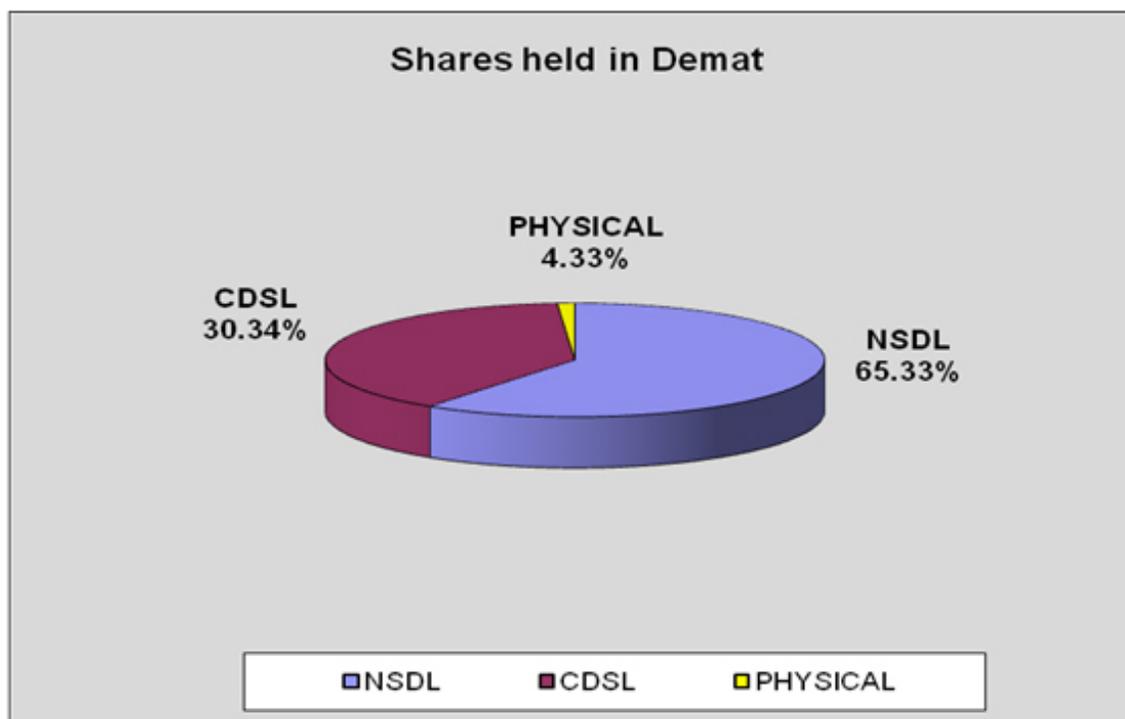
The shares of the Company are listed at National Stock Exchange, Bombay Stock Exchange and Delhi Stock Exchange. The details regarding the Stock Exchanges and stock codes are as follows:



Name of the Stock Exchange along with its Address	Stock Code
National Stock Exchange (NSE), 5th Floor, Exchange Plaza, Bandra (E), Mumbai – 400 051, Maharashtra	Net4
Bombay Stock Exchange Limited (BSE), P. J. Towers, Dalal Street, Mumbai – 400 001, Maharashtra	532912
Delhi Stock Exchange Association Limited (DSE), 3/1, Asaf Ali Road, New Delhi – 110 003	113089

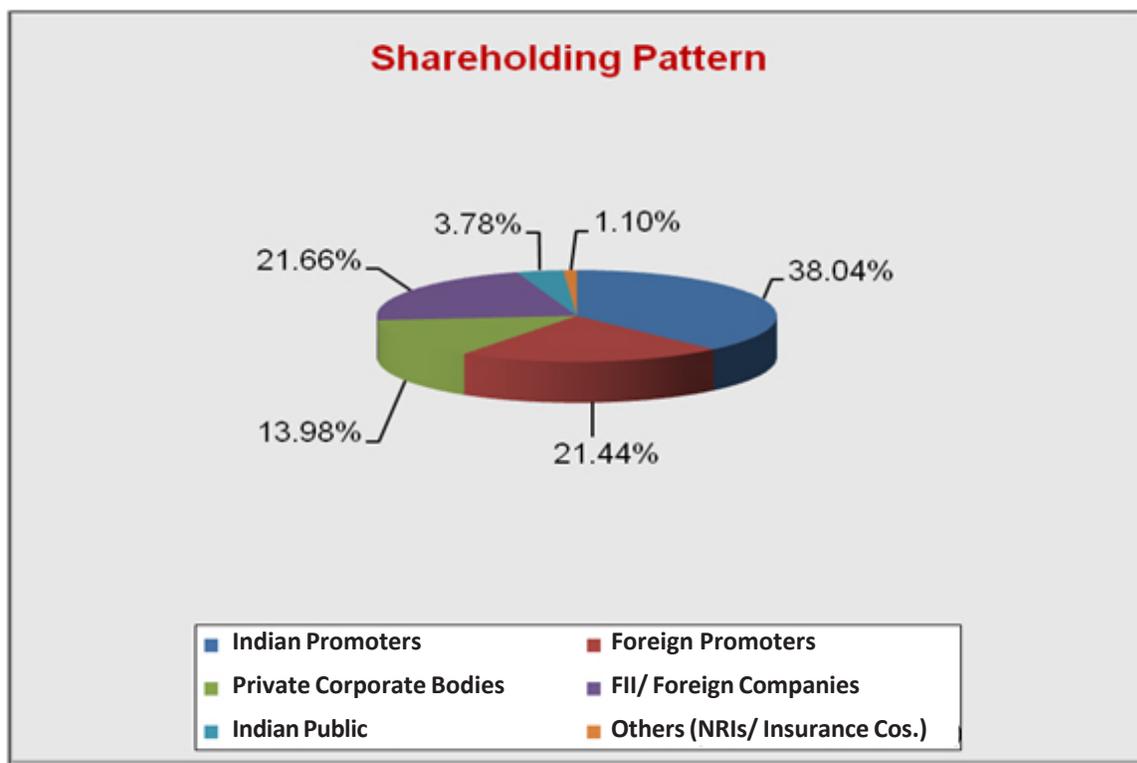
(h) Demat ISIN Number in NSDL & CDSL for Equity Shares: INE553E01012

Capital structure as on 31.03.2011	No. of Shares	Percentage
Issued Capital	2,00,58,250	100.00
Listed Capital with DSE, NSE & BSE	2,00,58,250	100.00
Held in Demat Form in NSDL & CDSL	1,91,90,625	95.67
Held in Physical Form	8,67,625	4.33



(i) Shareholding Pattern as on 31st March 2011

S.No.	Category	No. of Shares	% of Holding
A. PROMOTER'S HOLDING			
	-Indian Promoters	76,29,715	38.04
	-Foreign Promoters	43,00,000	21.44
	SUB TOTAL	1,19,29,715	59.48
B. NON PROMOTER HOLDING			
a.	-Private corporate Bodies	28,04,153	13.98
b.	-FII/Foreign Companies	43,45,750	21.66
c.	-Indian Public	7,57,485	3.78
d.	-Other (NRIs/Insurance Co.)	2,21,147	1.10
	SUB TOTAL	81,28,535	40.52
GRAND TOTAL		2,00,58,250	100.00

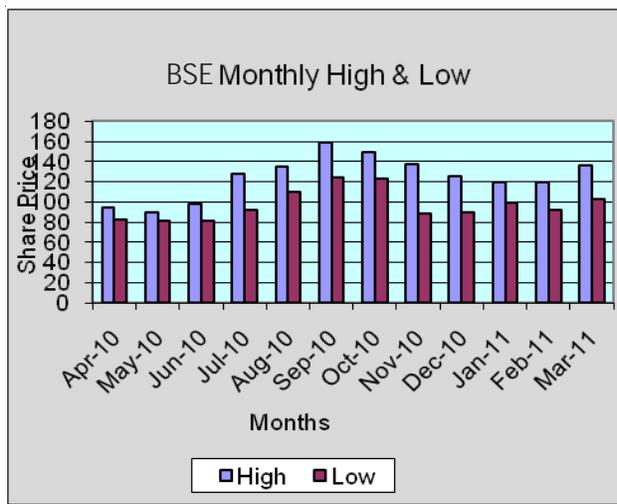
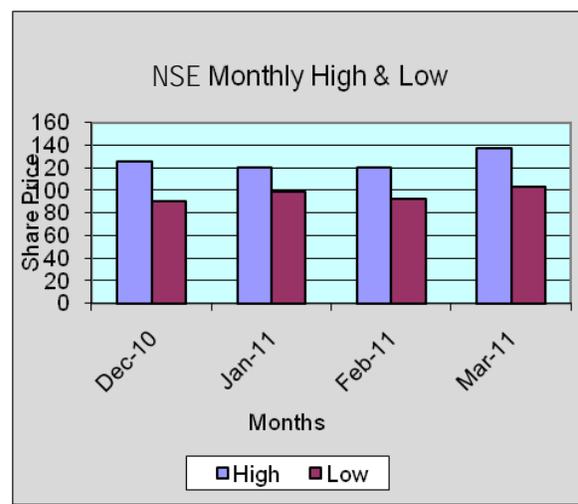


(j) Market Price Data

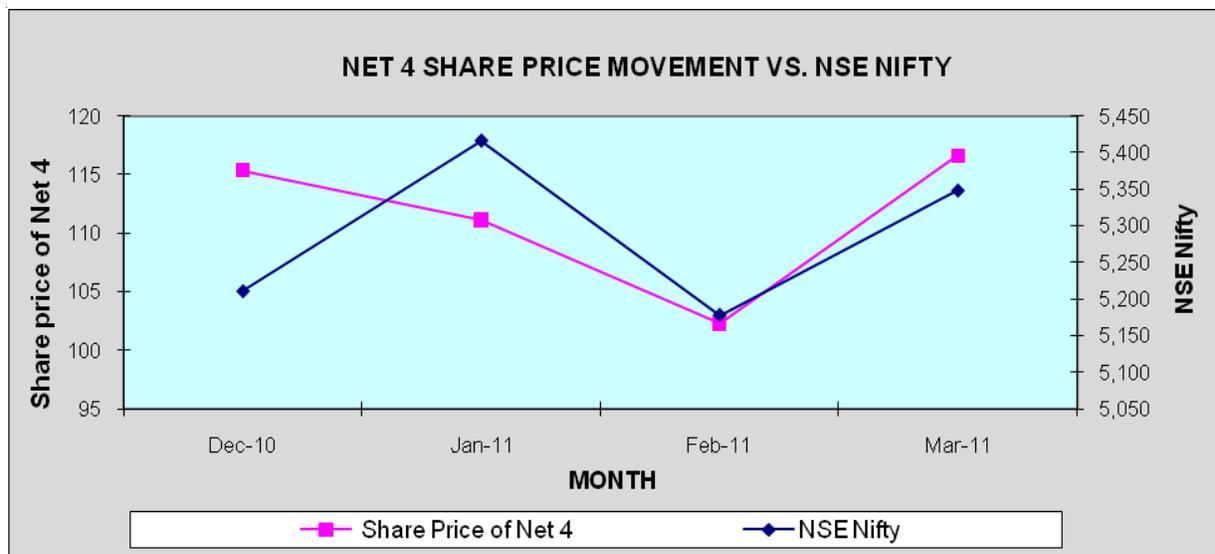
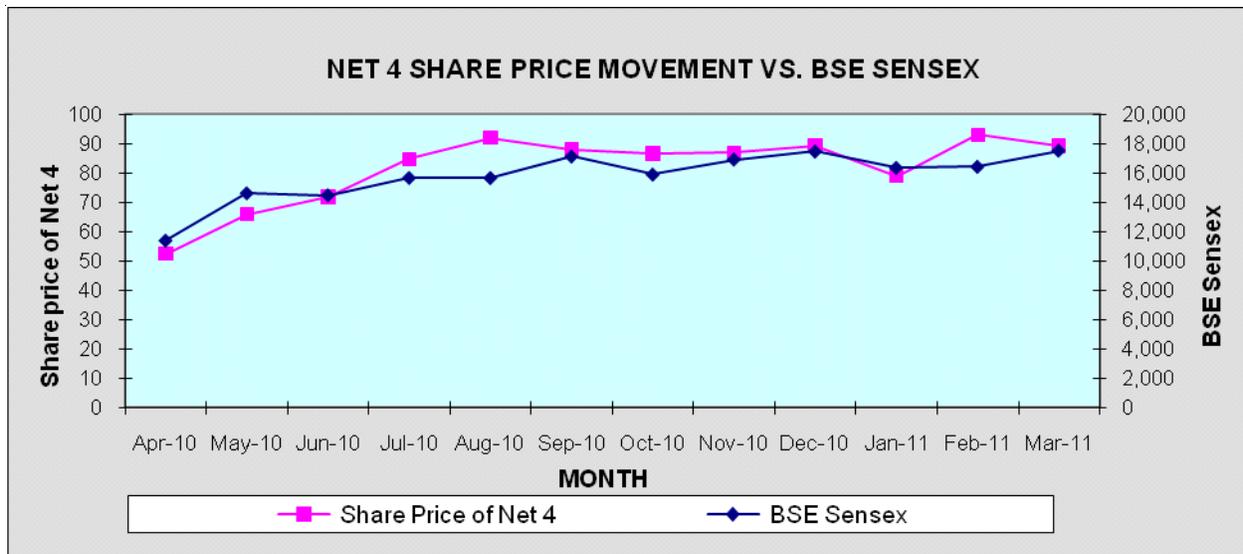
The High, Low Share Price of the Company on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) vis-a-vis BSE Sensex, NSE Nifty & Volume there of during the period from April, 2010 to March, 2011 are as under:

Period	Bombay Stock Exchange				National Stock Exchange			
	Sensex	High	Low	Volume	Nifty	High	Low	Volume
Apr-10	17558.71	93.95	83.00	12,12,243	-	-	-	-
May-10	16944.63	90.00	81.15	11,07,861	-	-	-	-
Jun-10	17700.90	97.85	81.60	13,11,418	-	-	-	-
Jul-10	17868.29	127.95	91.60	10,34,590	-	-	-	-
Aug-10	17971.12	135.00	110.10	10,29,853	-	-	-	-
Sep-10	20069.12	159.00	124.40	12,28,681	-	-	-	-
Oct-10	20032.34	149.90	122.90	9,96,037	-	-	-	-
Nov-10	19521.25	138.00	88.00	11,20,564	-	-	-	-
Dec-10	20509.09	125.00	90.00	7,69,202	5,210.15	129.85	100.00	5,83,256
Jan-11	18327.76	120.00	99.00	3,79,455	5,416.65	131.00	95.00	6,99,112
Feb-11	17823.40	120.00	92.00	7,29,491	5,177.70	124.85	92.00	14,87,937
Mar-11	19445.22	136.85	103.00	3,39,453	5,348.20	135.00	103.75	8,66,853

*Source: www.bseindia.com, www.nseindia.com

**BSE COMPARISON****NSE COMPARISON**

The monthly market data relating to the Closing Price of the Shares of the Company vis-a-vis BSE Sensex and NSE Nifty is as under:



(k) Dematerialization 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. April 5, 1999. The 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 March 31, 2011, around 95.67% of the total Equity Share Capital of the Company has been dematerialized by the shareholders and held in their name under NSDL / CDSL.

At present, 95.67% of the Shares of the Company are held in Demat (electronic) mode. The shares of the Company are available for trading at both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The Company submits the Reconciliation of Share Capital Audit Report obtained from a Company Secretary in Practice to the Stock Exchanges within the prescribed period.

(l) 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 Limited**

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

Corporate Office: D-25, Sector 3, Noida – 201 301, Uttar Pradesh, E-Mail: investorrelations@net4.in

For and on behalf of Board of Directors

Sd/-

Jasjit Singh Sawhney
Chairman & Managing Director

Place: Noida

Dated: August 30, 2011





AUDITOR'S 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 M/s Net 4 India Limited ("the Company"), for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the concerned Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, 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.

Place: New Delhi
Dated: May 23, 2011

**For Sandy Associates
Chartered Accountants
FRN No: 007337N**

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





CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

To,
The Board of Directors
M/s. Net 4 India Limited

Dear Sirs,

Sub: CEO / CFO Certificate

(Issue in accordance with the provisions of Clause 49 of the Listing Agreement)

We hereby certify that:

- (a) We have reviewed the financial statements, read with the cash flow statement of M/s Net 4 India Limited for the year ended on March 31, 2011 and that to the best of our knowledge and belief:
- (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
- (ii) These statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's Code of Conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated to effectiveness of internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and steps taken or proposed to be taken for rectifying these deficiencies.
- (d) We have indicated to the Auditors and Audit Committee:
- (i) That no significant changes have been made in the accounting policies during the year; and
- (ii) That there were no instances of significant fraud of which we have become aware.

Yours Sincerely,

Date: May 23, 2011
Place: Mumbai

Sd/-
Jasjit Singh Sawhney
CMD & CEO
DIN: 00111020

Sd/-
Amarjit Singh Sawhney
Whole Time Director
DIN: 00110823





MANAGEMENT DISCUSSION AND ANALYSIS

We have had a phenomenal year to say the least. We have been able to successfully capitalize on the strong awareness and enquiries that we reported towards the end of last year. We invested in highly scalable cloud platforms and infrastructure to enable us to provide Platform as a Service (PaaS) to customers and it was an instant hit. We closed out the year with nearly 500 customers for our PaaS services, something that took us years in other services targeted at upper end medium enterprises. Needless to say this is an area we are very excited about, along with the Data Centre services and have decided to make this as separate strategic category – Data Centre & Cloud Services – outside the erstwhile categorisation under web services. All Application/SaaS services, regardless of whether they are provisioned in a hosted model or on a cloud platform will remain under general category of Web services.

One of the big events of this year was the completion of a long project to overhaul the front end and backend of our website. We inducted best in class UI(User Interface) consultants and application architecture specialists to help us build what would be an extremely intuitive & customer friendly online experience and a highly scalable and secure back end.

We launched the new site and back end in phases from February and have seen instant success in traffic, completed transactions, renewal rates and up/cross sell ratios. We also acquire the domain name www.net4.com and will use this for a site being developed for all international traffic.

WEB & APPLICATION SERVICES

A common attribute to all services under this segment was the highly positive impact of the changed front end/ graphical user interface and application architecture for services driven from www.net4.in. This impact was seen on both, the quantum of new customers and ratio of renewals achieved vs targeted. This, along with innovative pricing and reward models for the reseller market, has finally enabled to crack into the reseller/partner segment, where we have had a negligible presence in the past.

Another common attribute is the extremely low levels of penetration among Indian businesses and internet users of all these services. India stands at less than half of the penetration levels of even the developing markets and one fifth of the developed markets.

Business Email, Hosting & Domain Registration

We saw a big upswing in business email services in the second half of the year, mainly attributed to the following: bundling free email ids with domain names and pushing the upsell, increased space and features, a new outlook type web mail interface as an option, a highly user friendly administration panel for high end users and our continued high service quality levels. We feel this service will be one of our key weapons in our quest for the international markets and will continue to make major improvements to it in the year ahead.



The increased storage space provided on our Web hosting packages has led to higher site visitor conversions and our partner programme has led to many more, higher space packs being sold. Our investments in storage systems for our Cloud and SaaS services has given us significant breathing room to play with the disk space provided in different hosting packs, thus derisking potential competitor poaching. A number of self-help features in the new partner and end user admin panels have led to higher customer satisfaction levels and consequently word of mouth referrals.

In the domain registration business, new registrations grew at a brisk pace this year, both from direct customers as well as new partners/resellers. We did reasonably well on the new .co domain, which was extremely well marketed by the Colombian registry as a generic domain alternative to the .com.

IDN cctlds in 12 Indian languages did not make it to the market as anticipated last year. It does, however, seem extremely likely to be launched by December 2011. We have been working on our multi language content for a while and feel are amongst the best positioned to take advantage of these new extensions.

The big thing on the outlook is opening up of Gtlds by ICANN. Although years in the pipeline, we believe it will be finalised and approved in the coming year. This will throw up a plethora of opportunities for us as a registrar and possibly as a registry operator; Geo/ community extensions, turnkey services to large Indian corporates and brands and our own generic extension as a registry operator.

SaaS / Hosted Applications

We continued to grow in Hosted Microsoft Exchange – Exmail and Hosted Microsoft CRN Dynamics. We also witnessed a bend towards a hybrid model in these applications, which helped upsell customers to Data Centre & Cloud services and remote management on these applications.

We continue to work with best of breed application vendors to add to our portfolio of application services. However, we must admit that the progress here has been significantly slower than what we would have liked. We hope to deliver strongly on this promise the coming year.

DATA CENTRE & CLOUD SERVICES

Demand for 3rd party data centre services remains robust and perhaps is the only telecom connected area where there is pricing power with service providers. Our multi city Data centres continued to be a competitive advantage, however, we see that strategy fast being emulated by competitors, who are announcing plans for data centres in multiple cities.

One major trend we saw was towards increased managed services, especially in Backup and Recovery /DR services. This has also prompted us to work on our own cloud backup solution for SMEs and we shall be introducing that in the first half of FY 11-12.

Our strategy to move customers from power hungry desktop servers to our Cloud/ PaaS platform was extremely well executed and has also helped us increase the overall profitability of this segment. It gave us significant additional space to sell and the ability to play in the multi rack customer space, something we will have to do with a much larger Data Centre in Chennai.



We faced delays in finalising and closing the land deal for the Chennai Data Centre site. This situation got further worsened due to the impending election in Tamil Nadu and the near standstill of regulatory approvals. Having put that behind us, construction is now on in full swing along with the planning of the Data Centre elements, enabling us to be ready for customer occupation in the 1st quarter of the next financial year.

Such has been the momentum and uptake of our Cloud/PaaS services that our initial infrastructure got occupied in less than 9 months. We have already ordered additional infrastructure and shall set up a Cloud pop in Mumbai in Q1 and in Delhi in Q3 of FY 11-12.

We shall be able to give even more momentum to these service if can offer truly managed network & cloud services, i.e. provide internet connectivity, VPN and Cloud servers as a bundle. The board has already empowered the CMD to seek acquisitions in this space.

VOIP SOLUTIONS

This year was not about large customer additions, but more about adding volume customers with a solution based sales approach. We added to our range of VoIP PBXs and switches and began bundling predictive dialers and recording and monitoring systems. This strategy ensured that we faced less pricing pressure than previous years.

We anticipate a shift in the market trend, with most large telcos looking to increase calling rates in the near term. Whilst such a move will surely spur demand, it won't enable us to increase margins though.

In the year forward we shall put significant effort in growing our wholesale VoIP business in international markets as some of recently struck wholesale deals have put us in a position to trade even with tier 1 telcos for select destinations. This business will be conducted through our subsidiary Net4 HK Ltd.

NETWORK & SYSTEMS INTEGRATION

This year was extremely impressive for this segment of business for us. All subheads of products and services grew strongly in this segment and we are also able to increase our margins here after many quarters of decline.

We were finally able to somewhat breakout from the fierce price competition on only network and computing hardware. This happened because of the introduction of Private Cloud & Virtualisation integration services. Our own experience in this on account of web services and cloud services was converted into a niche team of engineers who serviced the medium to large enterprises. This was an area which most of the regional network & systems integration companies had little or no experience in.

The coming year holds a lot of promise for this segment, but our aim would be to at least maintain the increased margins we achieved last year. The buzz around "clouding" continues unabated and with our data centre and cloud offerings we stand in a unique position to offer hybrid services.



STANDALONE FINANCIAL STATEMENTS AND NOTES THERE TO



NET 4 INDIA LTD. AUDITOR'S 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, 2011, the Profit and Loss Account and also the Cash Flow Statement for the period 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, 2011 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, 2011 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, 2011; 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.

Place: New Delhi
Dated: May 23, 2011

**For Sandy Associates
Chartered Accountants**

Sd/-
(Sandeep Gupta)
Proprietor
Membership No: 86069
FRN No: 007337N





NET 4 INDIA LTD. ANNEXURE TO AUDITOR'S REPORT

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT TO THE MEMBERS OF M/S NET 4 INDIA LIMITED ON THEIR ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2011.

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.

Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

2. As explained to us, inventory (excluding stock with third parties) has been physically verified by the management at regular intervals during the year. In our opinion, the frequency of verification is reasonable having regard to 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.

3. 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.

The Company has taken interest free unsecured loan from a party listed in the register maintained under section 301 of the Companies Act, 1956, (maximum amount Rs. 205 lakhs) the terms and conditions of which are prima facie not prejudicial to the interests of the Company.

The Company has not granted any loan, secured or unsecured, 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 accepted deposits from the public and the provisions of Sections 58A of the Companies Act, 1956 and the rules framed there under, wherever applicable, have been complied with.
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, 2011 for a period of more than six months from the date they become payable.

According to the information and explanations given to us, Income Tax for the AY 08-09 of Rs. 40.28 lakhs (including interest) has not been deposited with the appropriate authorities on account of dispute. The company has filed the appeal before the Commissioner of Income Tax (Appeals). However based on past experience, there is a highly fair chance of liability being quashed.

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 proceeding such financial year.
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
FRN No: 007337N

Place: New Delhi
Dated: May 23, 2011





NET 4 INDIA LTD. BALANCE SHEET AS AT 31 MARCH, 2011

(in Rs '000)

	Schedule		
		<u>March 31, 2011</u>	<u>March 31, 2010</u>
SOURCES OF FUNDS			
SHAREHOLDERS' FUND			
Share Capital	A	200,583	184,478
Reserves & Surplus	B	808,748	515,457
LOAN FUNDS			
Secured Loans	C	364,146	255,486
Unsecured Loans	D	283,837	177,029
DEFERRED TAX LIABILITY		65,260	57,560
		<u>1,722,574</u>	<u>1,190,010</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	E	869,520	749,273
Less: Depreciation and amortization		389,444	372,817
Net Block		<u>480,076</u>	<u>376,456</u>
Capital work-in-progress		20,202	13,308
INVESTMENTS	F	215,858	210,787
CURRENT ASSETS , LOANS & ADVANCES			
Inventories		219,985	195,038
Sundry Debtors	G	569,364	289,661
Cash and Bank Balances	H	43,776	41,074
Other Current Assets	I	68,328	51,328
Loans and Advances	J	708,039	347,787
		<u>1,609,492</u>	<u>924,888</u>
Less: CURRENT LIABILITIES & PROVISIONS	K		
Current Liabilities		411,349	184,488
Provisions		191,805	151,091
		<u>603,154</u>	<u>335,579</u>
NET CURRENT ASSETS		1,006,338	589,309
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	L	100	150
		<u>1,722,574</u>	<u>1,190,010</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
FRN No: 007337N

Place : Mumbai
Date : May 23, 2011

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



NET 4 INDIA LTD. PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

(in Rs '000)

	Schedule	2010-11	2009-10
Operating Income			
Domestic		1,816,408	1,042,120
Overseas		153,342	41,650
		1,969,750	1,083,770
Cost of Sales and Services	M	1,259,070	611,502
Gross Profit		710,680	472,268
Personnel Cost	N	129,819	116,435
General and Administrative Expenses	O	175,753	141,697
Selling and Marketing Expenses	P	43,702	9,731
		349,274	267,863
Operating Profit before interest, depreciation & amortization		361,406	204,405
Interest Costs		66,216	45,927
Depreciation	E	134,191	84,226
Amortization on intangible assets	E	4,205	6,892
		204,612	137,045
Operating Profit after interest, depreciation and amortization		156,794	67,360
Other Income	Q	65,434	38,825
Net Profit before tax		222,228	106,185
Provision for Taxation			
Income Tax		65,700	29,400
Deferred Tax		7,700	7,268
Net Profit after tax		148,828	69,517
Amount available for appropriation		148,828	69,517
Proposed Dividend		-	6,518
Tax on Dividend		-	154
Dividend and Tax thereon short proposed in earlier years		1,073	-
Proposed Dividend & Tax thereon written back		-	13,957
Excess provision for tax for earlier years, written back		720	-
Amount transferred to General Reserve		-	1,740
Balance retained in Profit & Loss Account		148,475	75,062
Earning per Equity Share - Basic and Diluted (Rs.)		7.63	4.02
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
FRN No: 007337N

Place : Mumbai
Date : May 23, 2011

For and on behalf of the Board of Directors

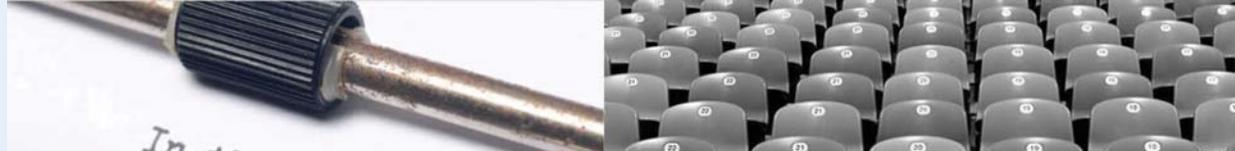
Sd/-
Amarjit S. Sawhney
Director

Sd/-
Desi S. Valli
Director

Sd/-
Jasjit S. Sawhney
CMD

Sd/-
Krishan Kumar
Company Secretary





NET 4 INDIA LTD. CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

(in Rs '000)

	<u>2010-11</u>	<u>2009-10</u>
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary items	222,228	106,185
Adjustments for :		
Depreciation	134,191	84,226
Amortisation of intangible assets	4,205	6,892
Assets discarded/ (Profit)/Loss on sale of fixed assets	315	2,482
Bad debts	2,432	1,130
Interest costs	66,216	45,927
Interest and dividend income	(23,112)	(2,442)
Preliminary Exp written off	50	50
Operating Profit before Working Capital Changes	406,525	244,450
Adjustments for :		
Sundry Debtors	(282,135)	(39,083)
Inventories	(24,948)	(12,341)
Current Assets, Loans and Advances	(229,542)	(96,975)
Provision for retirement benefits	4,186	3,210
Current Liabilities	226,861	39,781
Cash generated from Operations	100,947	139,042
Taxes paid	(57,180)	(49,860)
NET CASH GENERATED BY OPERATING ACTIVITIES	43,767	89,182
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets and change in capital work in progress	(269,646)	(182,853)
Proceeds on disposal of fixed assets	20,421	1,060
Interest and dividend income	23,112	2,442
Investment in shares	(5,071)	-
NET CASH USED IN INVESTING ACTIVITIES	(231,184)	(179,351)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	16,105	16,978
Proceeds from securities premium	144,816	132,022
Proceeds from secured loans	108,660	13,717
Net proceeds from unsecured loans	(5,501)	(16,628)
Dividend paid during the period	(7,435)	(4,820)
Dividend tax paid during the period	(310)	(819)
Interest costs	(66,216)	(45,927)
NET CASH USED FROM FINANCING ACTIVITIES	190,119	94,523



(in Rs '000)

	<u>2010-11</u>	<u>2009-10</u>
D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	2,702	4,354
CASH AND CASH EQUIVALENTS, beginning of period (Refer Note)	41,074	36,720
CASH AND CASH EQUIVALENTS, end of the year (Refer Note)	43,776	41,074

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 : Mumbai
Date : May 23, 2011

Sd/-
Desi S. Valli
Director

Sd/-
Krishan 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, 2011, 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
FRN No: 007337N

Place : New Delhi
Date : May 23, 2011



NET 4 INDIA LTD. SCHEDULES TO THE BALANCE SHEET

(in Rs '000)

	<u>March 31, 2011</u>			<u>March 31, 2010</u>
SCHEDULE `A` SHARE CAPITAL				
Authorised				
24,000,000 (P.Y.24,000,000) Equity Shares of Rs 10 each	240,000			240,000
10,00,000 (P.Y.10,00,000) Preference Shares of Rs 10 each	10,000			10,000
	250,000			250,000
Issued, Subscribed and Paid -up				
2,00,58,250 (P.Y.1,84,47,812) Equity Shares of Rs.10 each fully paid up	200,583			184,478
	200,583			184,478
Notes:- During the year, the company has issued and allotted 916,818 equity shares of Rs 10 each on a preferential basis at a premium of Rs 77.76 per share and 693,620 equity shares of Rs 10 each on a preferential basis at a premium of Rs 106 per share resulting in addition of Rs 1,44,816 in the share premium account				
	April 1, 2010	Additions		March 31,2011
SCHEDULE `B` RESERVES & SURPLUS				
Share Premium	262,022	144,816		406,838
General Reserve	45,420	-		45,420
Profit & Loss Account	208,015	148,475		356,490
	515,457	293,291		808,748
SCHEDULE `C` SECURED LOANS				
Loans from Banks				
- Cash Credit / Working Capital Loans (Secured against entire current assets)	295,213			212,490
- Term Loan (Secured by first charge on all present and future fixed assets)	61,223			31,000
- Other Loans (Secured against hypothecation of vehicles)	7,710			11,996
	364,146			255,486



(in Rs '000)

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
Notes:- Amount repayable within one year	72,115	42,673
SCHEDULE `D` UNSECURED LOANS		
Short Term Loans from		
- From Banks/Institutions	67,150	65,215
- From Others	20,500	20,500
Fixed Deposits	127,020	38,814
Intercorporate Loans	69,167	52,500
	<u>283,837</u>	<u>177,029</u>
Notes:- Amount repayable within one year	182,679	105,615



**SCHEDULE 'E'
FIXED ASSETS**

Name	ORIGINAL COST			DEPRECIATION & AMORTIZATION			NET BLOCK VALUE		
	As at 01.04.10	Additions during year	Deductions	As at 31.03.11	As at 01.04.10	For the year	Deductions	As at 31.03.11	As at 31.03.10
TANGIBLE									
Land	6,023	23,321	-	29,344	-	-	-	29,344	6,023
Building	38,378	-	-	38,378	8,058	1,516	-	28,804	30,320
Leasehold improvements	2,066	-	-	2,066	775	326	-	965	1,291
Computers	507,187	219,330	140,156	586,361	247,527	124,754	120,435	334,515	259,660
Office Equipment	36,433	17,166	667	52,932	18,044	3,644	257	31,501	18,389
Furniture & Fixtures	29,234	331	-	29,565	19,615	1,934	-	8,016	9,619
Vehicles	18,153	2,604	1,682	19,075	11,508	2,017	1,077	6,627	6,645
Sub Total	637,474	262,752	142,505	757,721	305,527	134,191	121,769	439,772	331,947
INTANGIBLE									
Goodwill	4,549	-	-	4,549	3,790	455	-	304	759
Trademarks	75,000	-	-	75,000	31,250	3,750	-	40,000	43,750
Hosting Platform	6,500	-	-	6,500	6,500	-	-	-	-
Technology	25,750	-	-	25,750	25,750	-	-	-	-
Sub Total	111,799	-	-	111,799	67,290	4,205	-	40,304	44,509
Capital work In progress	-	20,202	-	20,202	-	-	-	20,202	-
Grand Total	749,273	282,954	142,505	889,722	372,817	138,396	121,769	500,278	376,456
Previous Year	601,145	169,545	21,417	749,273	299,574	91,118	17,875	389,764	-

Notes:-

1. Deductions include cost of assets sold/scrapped during the year
2. Capital Work in Progress includes Capital advance of Rs 20,202 (previous year Rs 13,308)

(in Rs '000)

	March 31, 2011	March 31, 2010
SCHEDULE `F` INVESTMENTS		
(a) LONG TERM INVESTMENTS (UNQUOTED) AT COST		
Non Trade		
In subsidiary companies		
2,805,000 (P.Y.2,805,000) 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.1,00,000) shares of SGD 1 each fully paid up of Net 4 Singapore Pte Ltd, a wholly owned subsidiary	2,738	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
8,400 (P.Y.Nil) shares of Rs.10 each fully paid up at a premium of Rs. 500 per share of P Net Solutions Pvt Ltd.	4,284	-
1,290 (P.Y.Nil) shares of Rs.10 each fully paid up at a premium of Rs. 600 per share of Masatya Technologies Pvt Ltd.	787	-
(b) CURRENT INVESTMENTS		
SBI Infrastructure Fund - Series I	200	200
20,000 (P.Y. 20,000) units of Rs. 10 each		
	215,858	210,787
Aggregate book value of quoted investments	200	200
Market Value of quoted investments	187	207
SCHEDULE `G` SUNDRY DEBTORS		
(Unsecured and considered good)		
Over six months	18,937	23,627
Others	550,427	266,034
	569,364	289,661
SCHEDULE `H` CASH AND BANK BALANCES		
Cash in Hand	125	162
Cheques in hand and Remittances in transit	23	-
With scheduled banks in:		
Current Accounts	22,288	19,615
Deposit accounts as margin money	18,572	20,977
Deposit accounts	2,747	308
Unclaimed dividend accounts	21	12
	43,776	41,074



(in Rs '000)

	March 31, 2011	March 31, 2010
SCHEDULE `I`		
OTHER CURRENT ASSETS		
Deposits	59,848	47,991
Interest accrued	5,448	1,212
Prepaid expenses	3,032	2,125
	68,328	51,328
SCHEDULE `J`		
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advance income tax	176,614	141,213
Advance fringe benefit tax	4,864	4,864
Intercorporate Loans	155,407	58,700
Advances recoverable in cash or in kind or for value to be received	371,154	143,010
	708,039	347,787
SCHEDULE `K`		
CURRENT LIABILITIES AND PROVISIONS		
A) Current Liabilities		
Sundry creditors	296,574	130,141
Advances from customers	61,101	9,567
Accrued salaries and benefits	9,874	9,235
Expenses Payable	4,208	3,069
Withholding and other taxes payable	30,417	23,821
Unearned revenue	2,815	2,574
Unclaimed dividend *	23	13
Other liabilities**	6,337	6,068
	411,349	184,488
* Not due for deposit to Investor Education and Protection fund		
** Includes Rs 23 (P.Y. 17) dues to directors as sitting fees payable		
** Includes Rs. 11,19 (PY14,68) due to Net 4 Singapore Pte Ltd, a wholly owned subsidiary.		
B) Provisions		
Retirement benefits	16,333	12,147
Income tax	170,700	127,500
Fringe benefit tax	4,772	4,772
Dividend	-	6,518
Tax on dividend	-	154
	191,805	151,091
Total (A + B)	603,154	335,579



(in Rs '000)

	March 31, 2011	March 31, 2010
SCHEDULE 'L'		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Balance brought forward	150	200
Less: Written off during the period	50	50
	100	150





NET 4 INDIA LTD. SCHEDULES TO THE PROFIT & LOSS ACCOUNT

(in Rs '000)

March 31, 2011 **March 31, 2010**

	March 31, 2011	March 31, 2010
SCHEDULE `M`		
COST OF SALES AND SERVICES		
(Increase)/decrease in stock	(24,948)	(12,340)
Purchases and other direct cost	1,284,018	623,842
	1,259,070	611,502
SCHEDULE `N`		
PERSONNEL COST		
Salaries, wages and bonus	114,255	103,760
Contribution to provident and other funds	12,802	10,384
Staff welfare, staff training and recruitment	2,762	2,291
	129,819	116,435
SCHEDULE `O`		
GENERAL AND ADMINISTRATIVE EXPENSES		
Rent	27,359	23,219
Electricity and water charges	21,057	20,776
Communication	9,418	8,599
Travelling and conveyance	14,930	11,678
Repair, maintenance and office expenses	18,035	16,573
Legal and Professional charges	15,629	13,898
Bank, processing and financing charges	18,876	13,129
Security and support staff	4,443	3,781
Lease Rental	25,178	16,207
Membership and subscription	646	851
Printing and stationery	1,374	1,452
Loss on sale/discarding of fixed assets	315	2,482
Insurance premium	2,378	1,340
Auditors remuneration	199	180
Bad debts written off	2,432	1,130
Directors' sitting fees	23	17
Conferences & Meetings	949	358
Irrecoverable advances written off	-	1,500
Miscellaneous expenses	6,837	3,915
Preliminary Exp written off	50	50
Exchange Differences	5,625	562
	175,753	141,697



	<i>(in Rs '000)</i>	
	<u>March 31, 2011</u>	<u>March 31, 2010</u>
SCHEDULE `P`		
SELLING AND MARKETING EXPENSES		
Advertising and marketing	32,991	2,801
Entertainment and business promotion	8,381	5,792
Sales commission and incentives	2,066	931
Exhibition expenses	264	207
	43,702	9,731
SCHEDULE `Q`		
OTHER INCOME		
Sale of shared services including facilities and personnel		
Dividend from subsidiary company	22,120	20,263
Balances written back	5,610	-
Interest	626	40
Miscellaneous income	17,502	2,442
Income from Infrastructure and support services	1,576	330
	18,000	15,750
	65,434	38,825





NET 4 INDIA LTD. 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 asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which the asset is identified as impaired. 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.

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.

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:

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 realizable 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. Provisions for gratuity is based on independent Actuarial Valuation Certificate.

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 is included in the respective heads under fixed assets and depreciation thereon is charged to the profit and loss account.

(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.

(xi) 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 is adjusted for events of bonus issue and share split.

(xiii) Taxation

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

(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.



NET 4 INDIA LTD. 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, 2011 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.7,700/- (Previous year - Rs. 7,268/-), for the current year has been recognized in the Profit & Loss Account and comprises of the following:

	2010-11 (Rs.)	2009-10 (Rs.)
Related to fixed assets	9,701	8,720
Provisions charged in the financial statements but allowed as a deduction under the Income Tax Act in future years (to the extent considered realizable)	2,001	1,452
	7,700	7,268

- (iv) **Value of Imports on CIF Basis (on payment basis)**

	2010-11 (Rs.)	2009-10 (Rs.)
Capital Goods	1172	539
	1172	539

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

	2010-11 (Rs.)	2009-10 (Rs.)
Income from sales and services	1,54,191	53,658



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

	2010-11 (Rs.)	2009-10 (Rs.)
Domains	57,746	41,164
Travelling	276	46
Consultancy	3,049	2,833
Membership and Subscription Charges	396	275
Others	1,857	1,227
	63,324	45,545

(vii) Remuneration to Auditors

	2010-11 (Rs.)	2009-10 (Rs.)
Statutory Audit Fees	166	150
Tax Audit Fees	33	30
For certification and consultation in other matters	139	76
Quarterly Review	88	--
	426	256

(viii) Managerial Remuneration

	2010-11 (Rs.)	2009-10 (Rs.)
Salary	5,044	5,044
Contributions to Provident and other funds	528	528
Sitting Fees	22	16
Total Remuneration	5,594	5,588

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 collectability. The need for provisions is assessed based on various factors including collectability 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, 2011, the company has provided for doubtful debts of Rs. Nil (as at March 31, 2010 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. 2,432/- (P.Y. Rs. 1,130/-) 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 Crores)

Particulars	Year ended March 31,2011		Year ended March 31,2010	
	Domestic	Overseas	Domestic	Overseas
Revenues	181.64	15.33	104.21	4.16
Net Fixed Assets	50.03	-	38.98	-
Debtors	56.94	-	28.72	.25
Current Assets (Other than Debtors)	104.01	-	63.52	-

- (xi) Term Deposits aggregating to Rs.18572/- (P.Y.Rs. 20,977/-) have been pledged with Bank as a security towards non-fund based facilities availed from Bank.

(xii) Payments made to Non Residents 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	11
b) Number of Equity Shares held by them	26,55,600
c) Amount of Dividend Paid (Rs. '000)	2656
d) Year to which dividend relates	2009-10
e) Tax deducted at source	Rs. Nil

- (xiii) Dividend paid for the year 09-10 is in excess of the provision made on account of 916,818 shares allotted to M/s Granite Hill India Opportunity Fund on 3rd July 2010.

- (xiv) The Company accounts for the liability for compensated absences payable in future and long service awards based on an independent actuarial valuation using the projected unit credit method as at the year end. Actuarial gains and losses are recognized immediately in the Profit & Loss Account.

- (xv) Capital work in progress including the advances to vendors is Rs 20,202.

- (xvi) 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.

- (xvii) 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 Lease Rentals 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, 2011
Obligations on non cancellable leases :	
Not later than one year	24,295
Later than one year but not later than five years	32,996
Later than five years	--
Total	57,291

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

List of Related Parties and Relationships:

i) Holding Companies:

Nil

ii) Subsidiaries of the Company:

Domestic

Net 4 Communications Ltd

Overseas

Net 4 Singapore Pte Limited

iii) Entity having Significant Influence:

Trak Online Net India Pvt Ltd.

Jiwan Financial Holdings Ltd

iv) Key Management Personnel and relatives of such personnel:

Executive Directors

Jasjit Sawhney

Amarjit S. Sawhney

Non Executive Directors

Desi S. Valli

Relative of Director

Pawanjot Kaur Sawhney

Suzane S Pai



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

Sterling Capital Pvt Ltd

Significant Related Party Transactions

(Rs. in lakhs)

Nature of Transaction	Subsidiary Company	Entity having significant influence	Key Management Personnel and their relatives	Total
Capital Transactions				
Loans taken	--	--	--	--
<i>Previous year</i>	--	--	205	205
Loans repaid	--	--	--	--
<i>Previous year</i>	--	--	285	285
Revenue Transactions				
Purchase of goods and services	--	1,389	--	1,389
<i>Previous year</i>	--	1,090	--	1,090
Sharing of costs and services including facilities and personnel	241	180	--	421
<i>Previous year</i>	231	158	--	389
Payment for Services	--	--	2	2
<i>Previous year</i>	--	--	--	--
Dividend received	56	--	--	56
<i>Previous year</i>	--	--	--	--
Investments	--	--	--	--
<i>Previous year</i>	--	--	--	--
Balances at the end of the year				
Unsecured Loans	--	--	205	205
Current Liabilities	11	--	--	11
Current Assets	357	239	--	596

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

(xix) Basic Earnings Per Share

	2010-11 (Rs.)	2009-10 (Rs.)
Net Profit after tax available for equity shareholders	1,48,828	69,517
Weighted average number of equity shares	19,497,793	17,280,276
Basic earnings per share of Rs. 10/- each	7.63	4.02

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.



(xx) 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. 1060/- (Previous year-Rs. 658/-).

Guarantees to Banks against credit facilities extended to subsidiary amount to Rs. 411,200/- (Previous year – Rs. 358,300/-)

Guarantees to Banks against credit facilities extended to associates amount to Rs. 100,000/-

Claims against the company, not acknowledged as debts amount to Rs. 256/- (Previous year-Rs. 256/-)

Disputed Income Tax Demand for AY 08-09 of Rs. 4,028/-, including interest (Previous year- Nil), though appeal filed. However based on past experience, there is a highly fair chance of liability being quashed.

(xxi) Estimated amount of unexecuted capital contracts (net of advance) - Nil (Previous year-Rs. 13,045).

(xxii) 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.

(xxiii) 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 : Mumbai
Date : May 23, 2011

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



NET 4 INDIA LTD.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

CIN No.
 Balance-sheet State Code

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN Rs. '000)

Public Issue <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	Rights Issue <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>
Bonus Issue <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	Private Placement <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value=""/> <input type="text" value=""/>

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN Rs. '000)

Total Liabilities <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="8"/>	Total Assets <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="8"/>
---	--

SOURCES OF FUNDS

Paid-up Capital <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="3"/>	Reserves & Surplus <input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="8"/>
Deffred Tax Liability <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="0"/>	Unsecured Loans <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="7"/>
Secured Loans <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="6"/>	

APPLICATION OF FUNDS

Net Fixed Assets <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="8"/>	Investments <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="8"/>
Net Current Assets <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="8"/>	Misc. Expenditure <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/>
Accumulated Losses <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	

IV. PERFORMANCE OF THE COMPANY (AMOUNT IN Rs. '000)

Turnover <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="0"/>	Total Expenditure <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="3"/>
+ - Profit/Loss Before Tax <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="8"/>	+ - Profit/Loss After Tax <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="8"/>

(Please tick Appropriate box + or -)

Earning per share in Rs.

Dividend rate %



V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE 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
Director

Sd/-

Jasjit S. Sawhney
CMD

Sd/-

Desi S. Valli
Director

Sd/-

Krishan Kumar
Company Secretary

Place : Mumbai

Date : May 23, 2011



STATEMENT PURSUANT TO SECTION 212
OF THE COMPANY'S ACT, 1956,
RELATING TO SUBSIDIARY COMPANIES

		(Rs. in lakhs)	
1	Name of Subsidiary Company	Net 4 Communications Ltd	Net 4 Singapore PTE Limited
2	Financial year ended	31.03.2011	31.12.2010
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 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 Subsidiary so far as it concerns the members of holding company		
	a Not dealt with in the holding company's accounts:		
	i) For the financial year ended 31st March 2011	Rs. 680.70 lakhs	Loss : Rs. 5.19 lakhs
	ii) For the previous financial years	Rs. 459.73 lakhs	Loss : Rs. 8.21 lakhs
	b Dealt with in holding company's accounts:		
	i) For the financial year ended 31st March 2011	Nil	Nil
	ii) For the previous financial years	Nil	Nil
6	Changes in the interest of the Company between the end of the Subsidiary's financial year and 31st March 2011:		
	Number of Shares acquired	N.A	Nil
7	Material changes between the end of the Subsidiary's financial year and 31st march 2011 (Rs in lakhs)		
	a Fixed Assets (net additions)	N.A	Nil
	b Investments made	N.A	Nil
	c Investments sold	N.A	Nil
	d Moneys lent by the Subsidiary Company	N.A	Nil
	e Moneys borrowed by the Subsidiary Company other than for meeting current liabilities	N.A	Nil

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

Place : Mumbai
Date : May 23, 2011





DETAILS OF SUBSIDIARY COMPANIES

(in Rs. '000)

1	Name of Subsidiary Company	Net 4 Communications Ltd	Net 4 Singapore PTE Limited
2	Capital	28,050	2,738
3	Reserves	374,480	-
4	Total Assets	1,041,335	1,650
5	Total Liabilities	1,041,335	1,650
6	Investments	1,556.00	-
7	Total Income	1,069,622	-
8	Profit Before taxation	103,081	519
9	Provision for taxation	35,011	-
10	Profit After taxation	68,070	519
11	Proposed Dividend	-	-
12	Tax on dividend	-	-

For and on behalf of the Board of Directors

Sd/-
Amarjit S. Sawhney
Director

Sd/-
Jasjit S. Sawhney
CMD

Place : Mumbai
Date : May 23, 2011

Sd/-
Desi S. Valli
Director

Sd/-
Krishan Kumar
Company Secretary



CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERE TO





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, 2011, 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 subsidiaries, whose financial statements reflect total assets of Rs. 10,429.5 lakhs as at March 31, 2011 or December 31, 2010 and total revenues of Rs.10,659.9 lakhs for the year than ended and cash outflows amounting to Rs. 51.8 lakhs. These financial statements and other financial information have been audited by other auditors whose report have been furnished to us, and our opinion, is based solely on the report of such other auditors. Financial Statements of foreign subsidiary have been accounted based on unaudited financial results.

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, 2011; and

(b) in the case of the Consolidated Profit and Loss Account, of the profit of the Net 4 India Ltd 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 Ltd Group for the year ended on that date.



**For Sandy Associates
Chartered Accountants**

**Place: New Delhi
Dated: May 23, 2011**

**Sd/-
(Sandeep Gupta)
Proprietor
Membership No: 86069
FRN No: 007337N**





CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2011

(in Rs '000)

	Schedule	<u>March 31, 2011</u>		<u>March 31, 2010</u>	
SOURCES OF FUNDS					
SHAREHOLDERS' FUND					
Share Capital	A		200,583		184,478
Reserves & Surplus	B		1,007,237		651,455
LOAN FUNDS					
Secured Loans	C		562,413		453,132
Unsecured Loans	D		340,777		224,565
DEFERRED TAX LIABILITY			102,648		90,837
			2,213,658		1,604,467
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	E	1,458,095		1,324,570	
Less: Depreciation and amortization		707,908		746,920	
Net Block		750,187		577,650	
Add :Capital work-in-progress		20,202	770,389	13,308	590,958
INVESTMENTS	F		13,976		7,349
CURRENT ASSETS , LOANS & ADVANCES					
Inventories		345,903		274,793	
Sundry Debtors	G	887,836		543,478	
Cash and Bank Balances	H	69,519		72,039	
Other Current Assets	I	104,591		63,202	
Loans and Advances	J	934,148		544,096	
		2,341,997		1,497,608	
Less: CURRENT LIABILITIES & PROVISIONS	K				
Current Liabilities		655,236		295,749	
Provisions		257,568		195,858	
		912,804	1,429,193	491,607	1,006,001
NET CURRENT ASSETS					
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	L		100		159
			2,213,658		1,604,467
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
FRN No: 007337N

Place : Mumbai
Date : May 23, 2011

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



CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2011

(in Rs '000)

	Schedule	2010-11	2009-10
Operating Income			
Domestic		2,846,610	1,896,450
Overseas		189,134	54,924
		3,035,744	1,951,374
Cost of Sales and Services	M	2,056,097	1,236,967
Gross Profit		979,647	714,407
Personnel Cost	N	141,625	127,647
General and Administrative Expenses	O	202,330	155,675
Selling and Marketing Expenses	P	43,930	10,145
		387,885	293,467
Operating Profit before interest, depreciation & amortization		591,762	420,940
Interest and Finance Charges		100,383	76,300
Depreciation	E	208,615	180,369
Amortization on intangible assets	E	4,205	6,892
		313,203	263,561
Operating Profit after interest, depreciation and amortization		278,559	157,379
Other Income	Q	41,158	19,158
Profit before tax		319,717	176,537
Provision for Taxation			
Income Tax		96,600	49,200
Deferred Tax		11,811	12,289
Net Profit after tax		211,306	115,048
Amount available for appropriation		211,306	115,048
Proposed Dividend		-	6,518
Tax on Dividend		-	1,107
Proposed Dividend & tax thereon written back		-	13,957
Dividend and Dividend Tax short proposed in earlier years		1,073	-
Excess provision for tax for earlier years		733	3,690
Transfer to General Reserve		-	5,190
Surplus carried forward		210,966	119,880
Earning per Equity Share - Basic and Diluted (Rs.)		10.84	6.66
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

FRN No: 007337N

Place : Mumbai

Date : May 23, 2011

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



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2011

(in Rs '000)

	2010-11	2009-10
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax and Extraordinary items	319,717	176,537
Adjustments for :		
Depreciation	208,615	180,369
Amortisation of intangible assets	4,205	6,892
Assets discarded/ (Profit)/Loss on sale of fixed assets	168	4,561
Preliminary expenses written off	59	78
Bad debts	2,432	1,130
Interest and finance charges	100,383	76,300
Interest income	(20,664)	(2,982)
Operating Profit before Working Capital Changes	614,915	442,885
Adjustments for :		
Sundry Debtors	(346,792)	(109,361)
Inventories	(71,110)	(13,051)
Current Assets, Loans and Advances	(250,269)	(168,451)
Provision for retirement benefits	4,395	3,478
Current Liabilities	359,487	124,477
Cash generated from Operations	310,626	279,977
Direct Tax paid	(81,636)	(68,000)
NET CASH GENERATED BY OPERATING ACTIVITIES	228,990	211,977
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets and change in capital work in progress		
Proceeds on disposal of fixed assets	(423,265)	(313,087)
Interest received	30,846	1,060
Investment in shares	20,664	2,982
NET CASH USED IN INVESTING ACTIVITIES	(6,627)	(378,382)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital		
Proceeds from securities premium	16,105	16,978
Proceeds from secured loans	144,816	132,022
Proceeds from unsecured loans	109,281	51,919
Dividend paid during the period	(14,249)	(3,897)
Dividend tax paid during the period	(7,435)	(4,820)
Interest and finance charges	(1,263)	(820)
NET CASH USED FROM FINANCING ACTIVITIES	(100,383)	146,872
	115,082	



(in Rs '000)

	2010-11	2009-10
D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)	(2,520)	18,014
Cash and Cash Equivalents, beginning of period (Refer Note)	72,039	54,025
Cash and Cash Equivalents, end of the year (Refer Note)	69,519	72,039

Note: (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 : Mumbai
Date : May 23, 2011

Sd/-
Desi S. Valli
Director

Sd/-
Krishan Kumar
Company Secretary

AUDITORS' CERTIFICATE

We have verified the above Consolidated Cash Flow Statement of Net 4 India Ltd derived from the audited financial statements for the year ended March 31, 2011, 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
FRN No: 007337N

Place : New Delhi
Date : May 23, 2011





SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2011

(in Rs '000)

	March 31, 2011	March 31, 2010
SCHEDULE `A` SHARE CAPITAL		
Authorised		
24,000,000 (P.Y.24,000,000) Equity Shares of Rs.10 each	240,000	240,000
10,00,000 (P.Y.10,00,000) Preference Shares of Rs.10 each	10,000	10,000
	250,000	250,000
Issued, Subscribed and Paid -up		
2,00,58,250 (P.Y.1,84,47,812) Equity Shares of Rs.10 each fully paid up	200,583	184,478
	200,583	184,478
Notes:- During the year, the company has issued and allotted 916,818 equity shares of Rs 10 each on a preferential basis at a premium of Rs 77.76 per share and 693,620 equity shares of Rs 10 each on a preferential basis at a premium of Rs 106 per share resulting in addition of Rs 1,44,816 in the share premium		
SCHEDULE `B` RESERVES & SURPLUS		
Share Premium	406,838	262,022
General Reserve	54,285	54,285
Profit & Loss Account	546,114	335,148
	1,007,237	651,455
SCHEDULE `C` SECURED LOANS		
Loans and advances from Banks		
- Cash Credit / Working Capital Loans (Secured against hypothecation of stock, debtors and movable assets and personal guarantee of director)	435,891	332,490
- Term Loan (Secured by first charge on all present and future fixed assets of the company)	118,812	108,646
- Other Loans (Secured against hypothecation of vehicles)	7,710	11,996
	562,413	453,132
Notes:- Amount repayable within one year	93,475	64,033



(in Rs '000)

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
SCHEDULE `D`		
UNSECURED LOANS		
Short Term Loans from Banks	-	19,841
Other loans		
- From Banks/Institutions	124,090	92,910
- From Others	20,500	20,500
Fixed Deposits	127,020	38,814
Intercorporate Loans	69,167	52,500
	340,777	224,565
Notes:-		
Amount repayable within one year	210,855	136,859



**SCHEDULE 'E'
FIXED ASSETS**

(in Rs '000)

Name	ORIGINAL COST			DEPRECIATION & AMORTIZATION			NET BLOCK VALUE			
	As at 01.04.10	Additions during year	Deductions #	As at 31.03.11	As at 01.04.10	For the year	Deductions #	As at 31.03.11	As at 31.03.11	As at 31.03.10
TANGIBLE										
Land	6,023	23,321	-	29,344	-	-	-	-	29,344	6,023
Building*	57,158	-	-	57,158	9,622	1,698	-	11,320	45,838	47,536
Leasehold Improvements	3,378	-	-	3,378	812	481	-	1,293	2,085	2,566
Computers	1,022,282	372,637	280,497	1,114,422	602,450	195,608	250,498	547,560	566,862	419,832
Office Equipment	73,453	17,442	667	90,228	33,953	6,615	257	40,311	49,917	39,500
Furniture & Fixtures	32,324	367	-	32,691	21,284	2,196	-	23,480	9,211	11,040
Vehicles	18,153	2,604	1,682	19,075	11,509	2,017	1,077	12,449	6,626	6,644
Sub Total	1,212,771	416,371	282,846	1,346,296	679,630	208,615	251,832	636,413	709,883	533,141
INTANGIBLE										
Goodwill	4,549	-	-	4,549	3,790	455	-	4,245	304	759
Trademarks	75,000	-	-	75,000	31,250	3,750	-	35,000	40,000	43,750
Hosting Platform	6,500	-	-	6,500	6,500	-	-	6,500	-	-
Technology	25,750	-	-	25,750	25,750	-	-	25,750	-	-
Sub Total	111,799	-	-	111,799	67,290	4,205	-	71,495	40,304	44,509
Capital work In progress		20,202		20,202					20,202	13,308
Grand Total	1,324,570	436,573	282,846	1,478,297	746,920	212,820	251,832	707,908	770,389	590,959
Previous Year	1,066,325	313,087	41,534	1,337,878	595,572	187,261	35,913	746,920	590,958	

Notes:-

* represents building at Kolkata taken on perpetual lease

Deductions include cost of assets sold/scrapped during the year

Capital Work in Progress includes Capital advance of Rs 20,202 (previous year Rs 13,308)

	(in Rs '000)	
	March 31, 2011	March 31, 2010
SCHEDULE `F` INVESTMENTS		
(a) LONG TERM INVESTMENTS (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 Net 4 Barter Pvt Ltd	7,050	7,050
8,400 (P.Y.Nil) shares of Rs.10 each fully paid up at a premium of Rs. 500 per share of P Net Solutions Pvt Ltd.	4,284	-
1,290 (P.Y.Nil) shares of Rs.10 each fully paid up at a premium of Rs. 600 per share of Masatya Technologies Pvt Ltd.	787	-
2,550 (P.Y.Nil) shares of Rs.10 each fully paid up at a premium of Rs. 600 per share of Masatya Technologies Pvt Ltd.	1,556	-
(b) CURRENT INVESTMENTS		
SBI Infrastructure Fund - Series I 20,000 (P.Y. 20,000) units of Rs. 10 each	200	200
	13,976	7,349
Aggregate book value of quoted investments	200	200
Market Value of quoted investments	187	207
SCHEDULE `G` SUNDRY DEBTORS (UNSECURED)		
Over six months	56,082	58,447
Others	831,754	485,031
	887,836	543,478
SCHEDULE `H` CASH AND BANK BALANCES		
Cash in Hand	180	261
Cheques in hand and Remittances in transit	23	-
With scheduled banks in:		
Current Accounts	29,631	35,223
Deposit accounts as margin money	36,917	36,235
Deposit accounts	2,747	308
Unclaimed dividend accounts	21	12
	69,519	72,039



(in Rs '000)

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
SCHEDULE 'I'		
OTHER CURRENT ASSETS		
Deposits	95,967	59,664
Interest accrued	5,448	1,212
Prepaid expenses	3,176	2,326
	104,591	63,202



(in Rs '000)

	March 31, 2011	March 31, 2010
SCHEDULE `J`		
LOANS AND ADVANCES		
(Unsecured, considered good)		
Advance income tax	240,914	190,205
Advance fringe benefit tax	5,246	5,246
Intercorporate Loans	155,407	58,700
Advances recoverable in cash or in kind or for value to be received	532,581	289,945
	934,148	544,096
SCHEDULE `K`		
CURRENT LIABILITIES AND PROVISIONS		
A) Current Liabilities		
Sundry creditors	523,039	214,972
Advances from customers	64,160	9,567
Accrued salaries and benefits	10,780	10,124
Expenses Payable	4,541	3,138
Withholding and other taxes payable	44,081	48,020
Unearned revenue	2,872	2,574
Unclaimed dividend *	23	13
Other liabilities **	5,740	7,341
	655,236	295,749
* Not due for deposit to Investor Education and Protection Fund		
** Includes Rs 30 (P.Y. 27) dues to directors as sitting fees payable		
B) Provisions		
Retirement Benefits	17,017	12,622
Income tax	235,400	170,460
Fringe Benefit Tax	5,151	5,151
Dividend	-	6,518
Tax on Dividend	-	1,107
	257,568	195,858
Total (A + B)	912,804	491,607
SCHEDULE `L`		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Balance brought forward	159	238
Less: Written off during the period	59	78
Balance carried forward	100	159



SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT AS AT MARCH 31, 2011

(in Rs '000)

	<u>March 31, 2011</u>	<u>March 31, 2010</u>
SCHEDULE `M`		
COST OF SALES AND SERVICES		
(Increase)/decrease in stock	(71,111)	(13,049)
Purchases and other direct costs	2,127,208	1,250,016
	2,056,097	1,236,967
SCHEDULE `N`		
PERSONNEL COST		
Salaries, wages and bonus	124,944	113,920
Contribution to provident and other funds	13,868	11,358
Staff welfare, staff training and recruitment	2,813	2,369
	141,625	127,647
SCHEDULE `O`		
GENERAL AND ADMINISTRATIVE EXPENSES		
Rent	29,118	24,919
Electricity and water charges	24,061	21,535
Communication	9,672	8,768
Travelling and conveyance	15,702	12,338
Repair, maintenance and office expenses	18,704	17,458
Legal and Professional charges	18,912	15,227
Bank, processing and finance charges	27,778	18,081
Security charges & Support Staff	4,443	3,781
Lease rentals	30,012	16,207
Membership and subscription	664	868
Printing and stationery	1,407	1,504
Loss on sale/discarding of fixed assets	168	4,561
Insurance	2,817	1,687
Auditors remuneration	254	230
Bad debts Written off	2,432	1,130
Directors' sitting fees	30	20
Conferences & Meetings	949	168
Irrecoverable advances written off	-	1,500
Other miscellaneous expenses	9,514	4,753
Preliminary expenses written off	59	78
Exchange Differences	5,634	862
	202,330	155,675



(in Rs '000)

	March 31, 2011	March 31, 2010
SCHEDULE 'P'		
SELLING AND MARKETING EXPENSES		
Advertising and marketing	33,011	2,828
Entertainment and Business promotion	8,529	5,894
Commission and incentives	2,126	1,216
Exhibition expenses	264	207
	43,930	10,145
SCHEDULE 'Q'		
OTHER INCOME		
Balances written back	626	40
Interest	20,664	2,982
Income from Infrastructure and support services	18,000	15,750
Miscellaneous income	1,868	386
	41,158	19,158





CONSOLIDATED 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 asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which the asset is identified as impaired. 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 Net 4 India Ltd and its subsidiaries 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 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 Net 4 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:

>> 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 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.

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 realizable 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 are 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 is included in the respective heads under fixed assets and depreciation thereon is charged to the profit and loss account.

(xi) 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.



(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 numbers 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 and deferred 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.

(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.



CONSOLIDATED 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, 2011 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 audited financial statements as on 31st December, 2010. Subsequent realization from debtors in overseas subsidiary and further remittances to holding company post closing of accounts of the subsidiary has been additionally incorporated in the consolidation.

(iv) Deferred Tax

Provision for deferred tax for the year ended March 31, 2011 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. 11,811/- (Previous year charge - Rs. 12,289/-), for the current year has been recognized in the Profit & Loss Account and comprises of the following:

	2010-11 (Rs.)	2009-10 (Rs.)
Related to fixed assets	13,899	13,838
Provisions charged in the financial statements but allowed as a deduction under the Income Tax Act in future years (to the extent considered realizable)	2,088	1,549
	11,811	12,289

(v) Remuneration to Auditors

	2010-11 (Rs.)	2009-10 (Rs.)
Statutory Audit Fees	204	185
Tax Audit Fees	50	45
For certification and consultation in other matters	139	76
Quarterly Review	88	-
	481	306



(vi) Managerial Remuneration

	2010-11 (Rs.)	2009-10 (Rs.)
Salary	6,569	6,554
Contributions to Provident and other funds	708	708
Sitting Fees	30	19
Total Remuneration	7,307	7,281

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 collectability. The need for provisions is assessed based on various factors including collectability 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, 2011, the company has provided for doubtful debts of Rs. Nil (as at March 31, 2010- 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. 2,432/- (P.Y. Rs. 1130/-) 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.

(Rs. in crores)

Geographical Segment	Year ended March 31, 2011	
	Domestic	Overseas
Revenues	284.67	18.91
Net Fixed Assets	77.04	-
Debtors	88.78	-
Current Assets (Other than Debtors)	145.42	-

(ix) Term Deposits aggregating to Rs.36,917/- (P.Y. Rs.36,235/-) have been pledged with Banks as security towards non-fund based facilities availed from Banks.



(i) 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, 2011
Obligations on non cancellable leases :	
Not later than one year	50,346
Later than one year but not later than five years	85,098
Later than five years	--
Total	1,35,444

(ii) **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.

iii) Key Management Personnel and relatives of such personnel:

Jasjit Sawhney

Amarjit S. Sawhney

Desi S. Valli

S.K. Ghosh

Relative of Director

Pawanjot Kaur Sawhney

Suzane S Pai

iv) Other related parties:

Sterling Capital Pvt. Ltd.



Significant Related Party Transactions

(in Rs lakhs)

Nature of Transaction	Entity having significant influence	Key Management Personnel and their relatives	Others *	Total
Capital Transactions				
Loans repaid	--	--	--	--
<i>Previous year</i>	--	288	--	288
Loans taken	--	--	--	--
<i>Previous year</i>	--	205	--	205
Revenue Transactions				
Purchase of goods and services	1,522	--	--	1,522
<i>Previous year</i>	1,175	--	--	1,175
Sharing of costs and services including facilities and personnel	180	--	--	180
<i>Previous year</i>	158	--	--	158
Payment for Services	--	2	--	2
<i>Previous year</i>	--	--	--	--
Balances at the end of the year				
Unsecured Loan	--	205	--	205
Current Assets	239	--	--	239

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

* Entity where relative of key management personnel exercises significant influence

(iii) Basic Earnings Per Share

	2010-11 (Rs.)	2009-10 (Rs.)
Net Profit after tax available for equity shareholders	2,11,306	1,15,048
Weighted average number of equity shares (in '000)	19,498	17,280
Basic earnings per share of Rs. 10/- each	10.84	6.66

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.

(iv) 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.1065/- (Previous year-Rs. 663/-).



Guarantees to Banks against credit facilities extended to associates amount to Rs. 100,000/-
 Claims against the company, not acknowledged as debts amount to Rs. 256/- (Previous year-Rs. 256/-)
 Disputed Income Tax Demand for AY 08-09 of Rs. 4,028/- (Previous year- Nil), though appeal filed.
 However based on past experience, there is a highly fair chance of liability being quashed.

(v) Estimated amount of unexecuted capital contracts (net of advance) -Nil (Previous year-Rs. 13,045).

(vi) 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

FRN No: 007337N

Place : Mumbai

Date : May 23, 2011

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



