

## Directors' Report to the Members

Your Directors have pleasure in presenting their 19th Annual Report together with the Audited Accounts for the year ended March 31, 2005.

### Financial Results

(in Rs. Lacs)

Year Ended March 31	2005	2004
Income sales & Services	4125.95	3228.25
Other Income	57.58	48.35
Total Income	4183.53	3276.60
Expenditure	3152.59	2483.75
Depreciation & Amortization	510.89	376.13
Interest	132.72	115.76
Net Profit before Tax	387.33	300.96
Provision for Taxation (including Deferred Tax)	141.25	109.16
Net Profit after Tax	246.08	191.80

### Performance

During the year under review, the performance of the Company was reasonably good. In the year 2004-2005, the total Income of the company increased from Rs. 3276.60 lacs to Rs. 4183.53 lacs - a growth rate of 27.68 % and Net profit after tax increased from Rs. 191.80 lacs to Rs. 246.08 lacs.

Your company has been appointed as registrar by NIXI for the .in domains and has been the largest registrar both in terms of domain names and domain years. The company also proposes to become an ICANN accredited registrar for .com domain names. This would reduce the cost of domain names to the company and significantly enhance the system functionality sought by large resellers. ICANN accreditation is also a must for acquiring international resellers as it raises the credibility.

Your company is amongst the few hosting/corporate email service providers that has invested in and implemented a Storage Area Network (SAN). This shall tremendously improve recovery time in case of any downtimes. Overall quality of service will get a big boost and scalability in terms of storage space will be at unprecedented levels.

Your company is also working towards setting up its own VoIP infrastructure. We are currently dependant on international VoIP company's in terms of infrastructure, functionality and pricing. This will change during the next financial year and margins in the VoIP business will be enhanced significantly on account of cost reduction.

As on date your company offers a wide range of Internet-based services and solutions for any potential e-business client and offers a total solution which is "scaleable", meaning that (i) the solution can expand from an entry level solution to one which is a more powerful and integrated, Internet-based solution without the need of rewriting the software forming a part of the solution, and (ii) the

solution is able to respond to increased systems demands associated with a client's greater transaction or usage volumes.

### Dividend

The Board of Directors of the Company have recommended dividend @ 10% (Re. 1 per Share) for the year 2004-2005 subject to approval of members in their ensuing Annual General Meeting.

### Corporate Governance

To achieve the ideals of good Corporate Governance in the Company your Board is taking continued interest in the policy making process in all departments and recognizes the interest of its shareholders, customers, stakeholders, Government and employees. Your company is fully geared to ensure that all the mandatory disclosures be made available to the shareholders of the Company as per the new clause 49 of the Listing Agreement. A separate report on the Corporate Governance is enclosed as a part of the Annual Report.

### Auditors and Auditors' Report

The Auditors M/s Sandy Associates retire at the ensuing Annual General Meeting and being eligible to offer themselves for reappointment.

The notes to the accounts referred to in the Auditors' report are self-explanatory and therefore do not call for any further comments.

### Directors

Mr. Amarjit Singh Sawhney, Ms. Biba Sawhney and Mr. Sandip K. Ghosh, Directors will retire by rotation at the forthcoming Annual General Meeting and being eligible, to offer themselves for re-appointment.

### Directors' Responsibility Statement

Pursuant to the provisions of the Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

- (i) That in the preparation of the Annual Accounts, the applicable accounting standards had been followed and wherever required, proper explanations relating to material departures.
- (ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- (iii) That proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) That the Accounts have been prepared on a going concern basis.

### Fixed Deposit

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

### Listing & Offer for Sale

The shares of your Company are listed at Delhi Stock Exchange. The listing fees for the year 2005-2006 have been paid. Since there is no trading on Delhi Stock Exchanges, the company is making efforts to list its shares at "The Stock Exchange, Mumbai". Taking into consideration the listing requirements of minimum 25% non-promoter shareholding, the Board of Directors of the Sterling Capital (P) Ltd. has decided to make an "Offer For Sale" to the public by offering 2068200 Equity Shares of Rs 10 each for cash at a price of Rs. 20 per shares. The Company has since filed the necessary documents with statutory authorities and is awaiting the approval.

### Technology Absorption and Foreign Exchange Earnings & Outgo

Information as required under the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 in respect of energy conservation, Technology absorption and Foreign Exchange earnings and outgo is given in Annexure-I to this report.

### Particulars of the employees

None of employees of the Company fall within the preview of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended. Mr. Jasjit Singh Sawhney, Managing Director, Mr. Amarjit Singh Sawhney, Wholetime Director and Ms. Biba Sawhney, Director are relatives, particulars thereof are given in corporate Governance Report. None of other employee is relative of any Directors.

### Acknowledgements

Your Board of Directors would like to place on record their sincere appreciation for the whole hearted support and contributions made by all the employees of the Company, as well as, Customers, Bankers, Central & State Governments towards the conduct of the efficient operations of your Company. Last but not the least the Board of Directors wish to thank the customers, shareholders of the Company and the Business Associates for their unstinted support.

for and on behalf of the Board of Directors

sd/-

Place : Delhi  
Dated : 24th June, 2005

Sandip K. Ghosh  
Chairman

## Annexure to the Directors' Report

### A. Particulars with respect to conservation of Energy:

The operations of your company do not consume high levels of energy. Adequate measures have been taken to conserve energy by using energy efficient computers and equipment with latest technologies. Your company is on the constant look out for newer and efficient energy conservation technologies and introduces them appropriately.

### B. Research and Development (R & D)

Your Company continued its R & D efforts to build competence in Internet & related services thereby ensuring continuous movement up the value chain. Since business and technologies are changing constantly, continuous research and development needs to be undertaken. Your Company has been able to develop processes and methodologies that have resulted in constant improvement in quality and productivity.

### C. Technology Absorption, Adaptation and Innovation

Your Company's core businesses demand absorption of emerging technologies to stay at the cutting edge of technology. New methods for absorbing, adapting and effectively deploying new technologies have been developed.

### D. Foreign Exchange Earnings and Outgoings

The foreign exchange earned and used by the Company during the year under review is as follows:

(Rs. In lacs)

Particulars	2004-05	2003-04
Foreign exchange earnings	169.58	153.48
Foreign exchange expense (including capital goods)	267.97	191.76

for and on behalf of the Board of Directors

sd/-

Sandip K. Ghosh  
Chairman

Place : Delhi  
Dated : 24th June, 2005

## Report On Corporate Governance

### 1. Company's Philosophy on Code of Governance

"Endeavor to maximize the economic value and stakeholders' wealth" is the edifice on which the Corporate Governance initiative of your Company is built. Your Company has always recognized the importance of high standards of Corporate Governance. Our pursuit towards achieving good governance is an ongoing process. In the past, shareholders were provided all the material information in the most transparent manner. It has been the practice in your Company to encourage wider and active participation from shareholders at every general meeting; this provided opportunity for the Directors to interact with the stakeholders.

### 2. Composition of Board

The total strength of the Board at present is 7 Directors, consisting of 4 non- executive and 3 whole time directors. The Company has 4 independent directors. The composition of the Board of Directors is as follow:

Director	Category of Director	No. of other Directorships (*)	No. of Memberships/ Chairmanships of Other Board/ Committees (**)
<b>Executive Director</b>			
Amarjit Singh Sawhney	Promoter Director/ Whole Time Director	-	1
Jasjit Singh Sawhney	Promoter Director/ Managing Director	-	1
Desi S. Valli	Whole Time Director	-	1
<b>Non Executive Directors</b>			
Biba Sawhney	Promoter Director	-	-
Sandip K. Ghosh	Independent Director	-	4
Bharat Chawla	Independent Director	-	1
Manish Wadhavan	Independent Director	-	1

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

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

### Attendance of the Directors at Board Meeting and last Annual General Meeting

In the year 2004-2005, 9 meetings of the Board were held on 20.04.04, 14.05.04, 30.06.04, 30.07.04, 20.08.04, 30.09.04, 30.10.04, 06.12.04 and 30.01.05. The intervening period between two board meetings was well within the maximum time gap of four months prescribed in Clause 49. The last Annual General Meeting was held on 02.09.2004. Detail of attendance is as under:

Director	No. of Board Meetings attended	Attendance at Last AGM
Amarjit Singh Sawhney	9	Present
Jasjit Singh Sawhney	9	Present
Desi S. Valli	8	Present
Biba Sawhney	Nil	Absent
Sandip K. Ghosh	9	Present
Bharat Chawla	4	Absent
Manish Wadhavan	5	Absent

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

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

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

### 3. Board Committees

#### A. Audit Committee

The Committee during the year 2004-2005 met 4 times and all the members of the Committee attended the Audit Committee Meetings. Representative of the Statutory Auditors, Finance function, Internal Audit were invited to be present at the Audit Committee Meetings. The members of the Audit Committee are independent directors.

The Committee's terms are as per the provision of Section 292A of the Companies Act, 1956 and Clause 49 (II) (D) of the listing agreement. The broad terms of reference of the Audit Committee were to establish transparent and effective system of internal monitoring and control, to review annual

plan and any special examination by Internal Audit and implementation of internal audit recommendations and technical audit reports etc. Mr. Sandip K. Ghosh has been appointed as chairman of the Audit Committee.

The members of the Audit Committee are:

Name of Director	Category	Designation
Sandip K. Ghosh	Non Executive Director	Chairman
Bharat Chawla	Non Executive Director	Member
Manish Wadhavan	Non Executive Director	Member

#### B. Shareholders & Investors' Grievance Committee

The Company has "Shareholders' & Investors' Grievance Committee", comprising of Mr. Sandip K. Ghosh, Mr. Manish Wadhavan and Mr. Bharat Chawla. Mr. Sandip K. Ghosh has been appointed as chairman of the Committee. The committee looks into the redressing of Shareholder and investors complaint/s like transfer of shares, non-receipt of the balance sheet, non-receipt of the dividend, etc. The Committee during the year 2004-2005 met 4 times and all the members of the Committee attended the Meetings. In order to expedite the process of share transfers the Committee has delegated the power of share transfer to Company Secretary who shall attend to share transfer formalities at least once in a fortnight. Outstanding complaints as on 31.3.2005 were nil and no complaint was received during the year.

#### C. Remuneration Committee

Remuneration Committee looks into the remuneration of Executive Directors and senior management. The Committee during the year 2004-2005 met 4 times and all the members of the Committee attended the Committee Meetings. The members of the Remuneration Committee are following independent directors:

Name of Director	Category	Designation
Sandip K. Ghosh	Non Executive Director	Chairman
Bharat Chawla	Non Executive Director	Member
Manish Wadhavan	Non Executive Director	Member

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

stock option to its directors.

#### Remuneration of Directors:

Details of remuneration of the Directors for the financial year ended 31st March, 2005:

In Rupees

Director	Relationship with other Director	Salary#	Perquisites and other benefits##	Sitting Fees	Total
Amarjit Singh Sawhney	Father of Mr. Jasjit Singh Sawhney & Ms. Biba Sawhney	15,00,000	1,00,800	0	16,00,800
Jasjit Singh Sawhney	Son of Mr. Amarjit Singh Sawhney and Brother of Ms. Biba Sawhney	16,10,250	1,54,800	0	17,65,050
Iqbal Gandham	-	1,45,600	17,280	0	1,62,880
Uday Sodhi	-	1,03,600	22,360	0	1,25,960
Desi S Valli	-	7,21,050	1,56,525	0	8,77,575
Biba Sawhney	Daughter of Mr. Amarjit Singh Sawhney and sister of Mr. Jasjit Singh Sawhney	0	0	0	0
Sandip K. Ghosh	-	0	0	2,500	2,500
Manish Wadhavan	-	0	0	1,500	1,500
Bharat Chawla	-	0	0	1,250	1,250
<b>Total</b>					<b>45,37,515</b>

# 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 is subject to termination by three months notice in writing by either side. The Appointment is guided by the standard terms and conditions of the appointment as applicable to employees.

#### Management

"Management Discussion and Analysis report" is appended with this report.

#### Brief Profile of the Directors proposed to be re-appointed

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

**AMARJIT SINGH SAWHNEY** is an entrepreneur with over 37 years of experience in business operations. He had established and operated businesses in Iran and United Kingdom across several

industries including apparel manufacturing, realty and steel trading. He had schooled at St. Joseph's Academy, Dehradun and graduated in Economics from Agra University (1961). The Company benefits from his rich experience in business and finance. He was appointed to the Board on 5<sup>th</sup> January, 2000 and was appointed as Whole Time Director on 21<sup>st</sup> March, 2003.

**SANDIP K. GHOSH** is a graduate in Commerce from St. Xaviers' College (Kolkata) and a qualified Chartered Accountant. He has over 27 years of experience in accounting and financial management. He was appointed as Whole Time Director of Net 4 India Ltd. and was designated as Chief Financial Officer (CFO) of the company with effect from 1<sup>st</sup> October, 2001. He resigned from the post of whole-time directorship w.e.f April 1, 2003 but consented to continue to act as Non-Executive Director. In 2004 he was appointed as Chairman of the Company.

**BIBA SAWHNEY** is an entrepreneur and operates apparel retailing in the United Kingdom. She is a highly talented executive with experience in several industries. She helps the Company, selectively, with international sales.

**DESI S. VALLI** is B.E. Electronics & Communication and presently working as Director Technical & Operations. He has vast experience in Integration & Networking Field and has been responsible for successful launch of numerous products. He does not hold the directorship in any other company. He is the member of Management Committee of the company.

#### Chairman

Mr. Sandip K. Ghosh has been appointed as Chairman for a period of one year. All the meetings of Board of Directors held during the year 2004-2005 were presided by him. Chairman of the company is a non-executive director and in order to effectively discharge his duty, the Company has allotted him area in its office and also reimburses expenses incurred in performance of his duties.

#### Related party transaction

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

#### Publication of Unaudited/Audited Financial Results

The Unaudited/ Audited Financial Results have been published in a Hindi national newspaper and an

English national newspaper. The results were sent to Stock Exchange on quarterly basis. Detail of publication of Financial Results are given below:

Period	Name of Newspaper
Unaudited Qtr. Results for the Qtr. Ended 30.6.2004	Vir Arjun (Hindi), The Pioneer (English)
Unaudited Qtr. Results for the Qtr. Ended 30.9.2004	Vir Arjun (Hindi), The Pioneer (English)
Unaudited Qtr. Results for the Qtr. Ended 31.12.2004	Jansatta (Hindi), The Financial Express (English)
Audited Results for the Year Ended 31.3.2005	Jansatta (Hindi), The Financial Express (English)

#### General Body Meetings

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

Year	Date	Time	Venue
2002	30.9.2002	10.00 A.M	B- 4/ 47, Safdarjung Enclave, New Delhi 110 029
2003	30.9.2003	10.00 A.M	B- 4/ 47, Safdarjung Enclave, New Delhi 110 029
2004	02.9.2004	10.00 A.M	B- 4/ 47, Safdarjung Enclave, New Delhi 110 029

During the year ended 31st March, 2005, there have been no resolution passed by the company's shareholders through postal ballot. At the ensuing Annual General Meeting, there is no resolution proposed to be passed by postal ballot.

**4a. Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large.**

None of the transactions with any of the related parties were in conflict with the interest of the Company.

**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.**

## General Information

### Annual General Meeting

**Day, Date & Time** : Friday, the 30th September, 2005 at 02.30 p.m.

**Venue** : AB-11, Community Centre, Safdarjung Enclave, New Delhi - 110 029

**Book Closure** : 24.09.2005 to 28.09.2005 ( both days inclusive)

### Registrar & Transfer Agent:

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

### MCS Ltd.

Sri Venkatesh Bhavan, W-40, Okhla Industrial Area, Phase-II, New Delhi-110020, Tel: (011) 26384909, Fax: (011) 26384907, Email: mcsdel@vsnl.com

### Share Transfer System

The application for transfer of shares held in physical form are received at registered office of the company/ office of R & T Agents and all valid transfers are processed and effected within 15 days from the date of receipt. Shares held in the Dematerialised form are electronically traded in the Depository and R & T Agent periodically receive from the depository the beneficiary holdings so as to enable them to update their records.

### Outstanding GDRs/ADRs/Warrants or any convertible instruments

There is no outstanding GDRs/ADRs/Warrants or any convertible instruments as at end March, 2005

### Financial Calendar: 1st April to 31st March

Financial reporting for the quarter ending

- June 2005 : July, 2005
- September 2005 : October, 2005
- December 2005 : January, 2006
- March 2006 : Latest by June, 2006

**Listing** : **The Delhi Stock Exchange Association Ltd.**  
3/1, Asaf Ali Road, New Delhi-110 003

**Demat ISIN Number in NSDL & CDSL for Equity Shares** : INE553E01012

**Shareholding Pattern as on 31st March, 2005**

CATEGORY	No. of Shares	% of holding
<b>A. Promoters holding</b>		
Promoters		
- Indian Promoters	1,04,30,700	64.19
- Foreign Promoters	35,00,000	21.54
<b>Sub-Total</b>	<b>1,39,30,700</b>	<b>85.73</b>
<b>B. Others</b>		
Private Corporate Bodies	19,39,000	11.93
Indian Public	3,55,300	2.19
NRIs/OCBs	25,000	0.15
Any Other		
<b>Sub-Total</b>	<b>23,19,300</b>	<b>14.27</b>
<b>Grand-Total</b>	<b>1,62,50,000</b>	<b>100.00</b>

**Distribution of Shareholding as on 31.3.2005**

No. of Shares	Shareholders		Nominal Value of Shares	
	Number	% to total	Nominal Value	% to total
Upto-5000	3469	99.65	36,43,000	2.24
5001-10000	0	0.00	0	0.00
10001-25000	3	0.09	7,50,000	0.46
25001-50000	0	0.00	0	0.00
50001- 100000	1	0.03	5,10,000	0.32
100001-1000000	5	0.14	2,65,90,000	16.36
1000001 and above	3	0.09	13,10,07,000	80.62
<b>Total</b>	<b>3481</b>	<b>100.00</b>	<b>16,25,00,000</b>	<b>100.00</b>

**Address for Correspondence**

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

The Company Secretary,  
Net 4 India Ltd.

Registered Office : B-4/47, Safdarjung Enclave, New Delhi - 110029,

E-mail : legal@net4india.net

for and behalf of Board of Directors

sd/-

Sandip K. Ghosh  
Chairman

Place : Delhi  
Dated : 24th June, 2005

## Auditors' Certificate

### Certificate

To the Members of  
M/s Net 4 India Limited

We have examined the compliance of conditions of corporate governance by Net 4 India Limited ("the Company"), for the year ended on March 31, 2005, as stipulated in clause 49 of the Listing Agreement of the said Company with the Delhi Stock Exchange.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

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

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Sandy Associates  
Chartered Accountants

sd/-

SANDEEP GUPTA  
Partner  
(Membership No. 86069)

Place : New Delhi  
Date : 24th June, 2005

## Management Discussion and Analysis

The following discussion should be read in conjunction with Net4India's audited consolidated financial statement. Certain statements contained in the discussion may constitute forward-looking statements. Net4India's actual results could differ materially from the results anticipated in the forward-looking statements as a result of a variety of factors, including those discussed herein this report. Please see additional important financial and other information in the appendix that accompanies this annual report.

### Overview

In 2004-05, Net 4 India Limited completed its fifth year of IP communication services operations. During the period it has been serving 150,000 customers including a number of Fortune 500 companies. The Company offers services related to data hosting, Internet access and VoIP. The services are available at two levels-directly, usually to enterprises, or through partnering channels. The partnering channels leverage the infrastructure of Net 4 India Ltd. to support their forward operations. These channels are either franchised under Net4India's brand or have their independent identity depending upon their market positioning strategy. Till date there are over 500 pre-appointed distributors, dealers and resellers of the Company, across 55 cities in India.

The financial year has been remarkable for the Company on several counts. First Net4India was offered the status of .IN domain name registrar by the National Internet Exchange of India (NIXI). This makes the Company the official registrar of India's top-level-domain (TLD) name. Most corporate enterprises were waiting for the opportunity to reserve the .in domain corresponding to their trademarks and brand names. Thus it has opened up a significant market vista for the Company.

Second the Wireless Planning & Co-ordination Wing licensed the ISP partner of the Company, Trak Online Net India Pvt Ltd,(Trak Online), for use of 3.3 GHz frequencies to operate fixed broadband wireless. This has been a significant development considering the fact that it gives the freedom to move out of 2.4 GHz, which has become severely congested and has several operational limitations. Besides, 3.3 GHz will allow the company to implement single point to multi-point wireless base stations for greater metropolitan coverage and break free of dependency upon the incumbent telecom operators for last mile copper circuits. The equipments that the ISP Partner of the Company has considered for use with 3.3 GHz are also compatible with the forthcoming Wi-Max (IEEE 802.16) protocol. This ensures the future scalability. The newly acquired license will give a tremendous boost to the sales of dedicated and shared bandwidth services.

During the year, the Telecom Regulatory Authority of India (TRAI) came up with its recommendation on broadband service and lowered ceiling tariff of international bandwidth up to 70 percent. It is expected that the directive on lowered ceiling tariff for domestic bandwidth will also follow. The ruling of the TRAI has been welcomed by the ISP industry as it would now be possible for the service providers to offer Internet access in the market at more affordable prices, thus ensuring wider adoption. This will go well with the government's target of having 10 million broadband users by 2007.

The Company had also carried out certain significant changes internally. In December 2004, the business process was re-engineered starting with the restructuring of the sales strategy. The three-pronged business lines-Enterprise Access, Web Presence and Voice Services- were amalgamated and split into "Enterprise sales" and "Channel sales", based on the end-customer type, rather than the service type. The objective of the restructuring was to enable the sales force to cross-sell, in addition to the up selling that was being done till date. The restructuring was announced in January 2005 and implemented in 45 days. The full-blown results of the restructuring should surface in the operations of the new financial year.

### Significant Accounting Policies

Our discussion and analysis of our financial condition and results of operations, including the discussions on liquidity and capital resources are based upon our financial statements which have been prepared in accordance with the GAAP in India, the provisions of the Companies Act (1956) and the Accounting Standards issued by the Institute of Chartered Accountants of India. The financial statements have been prepared under the historical cost convention on an accrual basis.

### Fixed Assets and Depreciation

The Company makes significant purchase of computers, data-communication and telecommunication hardware, software and various other IT peripherals to support its operations during any year. Besides there are other fixed asset procurements including furniture, fixtures, office equipment, land and vehicles. These fixed assets are recognized at cost, less the accumulated depreciation. Costs directly attributable to the purchase of fixed assets are capitalized until fixed assets are ready for use. The advances paid on fixed assets, and the costs of fixed assets which were not ready for their intended uses, have been considered in the capital work-in progress. 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. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of purchase. As regards intangible assets, the management has assessed the future economic benefits using reasonable and supportable assumptions. Accordingly, as per management estimate, hosting platform and technology have

been amortised over a period of 8 year, trademarks over a period of 20 years and goodwill over a period of 10 years.

### Revenue Recognition

Net4India's earns its revenue from the IP communication services that it offers primarily to enterprise customers. These services include sale of Access , Internet telephony minutes and VoIP hardware, domain registration, corporate e-mail solutions and website hosting. There are also select products that are being offered for sale. The services and products are distributed either directly, or through a chain of channel partners and retail outlets. All the services are generally paid-for by the customers in advance of the period during which the services are to be offered. Apart from infrastructure services the Company also provides select consulting and/or technical assistance services to its customers, which are chargeable and are realized ex-post. The revenue from the infrastructure services are sometimes recognized in the ratio of period expired over the total agreement period. This is in cases where payment for annual contracts is split into quarterly payments. The revenue from fixed price contracts is recognized as per the terms of the respective agreements. The sale of equipment with software necessary to provide our services is recognized when such products are delivered with the passing of title, their payments assured, and there are no significant future obligations.

### Other Policies

The Auditor's Report contains herein this annual report details about the other significant accounting polices practiced in preparing the financial statements during the year.

### Business Environment

There was a strong revival in domestic demand spurred by competitive pricing during 2004-05. This is paradoxical, considering the fact that the advanced estimates of GDP growth by the Central Statistical Organization was 6.5% in 2004-05 as against an actual of 8.1% during the preceding year. The national teledensity rose to 9% in February 2005 and most of the IT stocks did well supported by a return in buoyancy of the outsourcing market. The country witnessed mobile revolution, with 37.4 million during December 2004 making India the second largest among developing nations, after China. Demand for IT infrastructure services was derived from general conditions of growth in software, ITES, e-commerce and e-governance services. In December 2004 the number of Internet subscribers in India was reported at 5.5 million, as against 4.1 million in December 2003. There were 697,000 broadband subscribers in December 2004 as against 200,000 in the preceding year, representing 3.5 times annual growth.

The growth in Internet allied services was driven by demand from manufacturing, government IT/ITES and other industry segments. Most business enterprises, small and large, are demanding corporate

e-mail service and corporate website presence. Gartner Research expects the spending on IT services by Indian enterprises to grow by 17% in 2005 and reach INR 10,500 crores (USD 2.3 billion). The PC penetration also improved during the year. According to MAIT, the PC penetration in the country grew by 32% p.a. between 2002/03 and 2003/04. Boston Consulting Group predicts online transactions in India will hit INR 195,000 crores (GBP 28.5 billion) by 2005. The need to authenticate electronic transaction websites as 'trusted' is driving the SSL Certification market. The Government support for the industry continued through the year. The Ministry of Communication & Information Technology expressed its intention to spend USD 36 billion for improvement of the communication infrastructure in the country.

The overall business environment was characterized by strong competition from fewer but more able players. There was reduction in bulk bandwidth prices, but the benefits had to be redistributed in retail to maintain market share. DSL broadband gained popularity and hectic fiber laying continued by telcos supporting FTTN/ FTTK. The year saw further ISP rationalization with exit of a few regional players, leaving the market open for those with capability and viable business models. ILD call rates were downward revised in October 2004 to promote international calling.

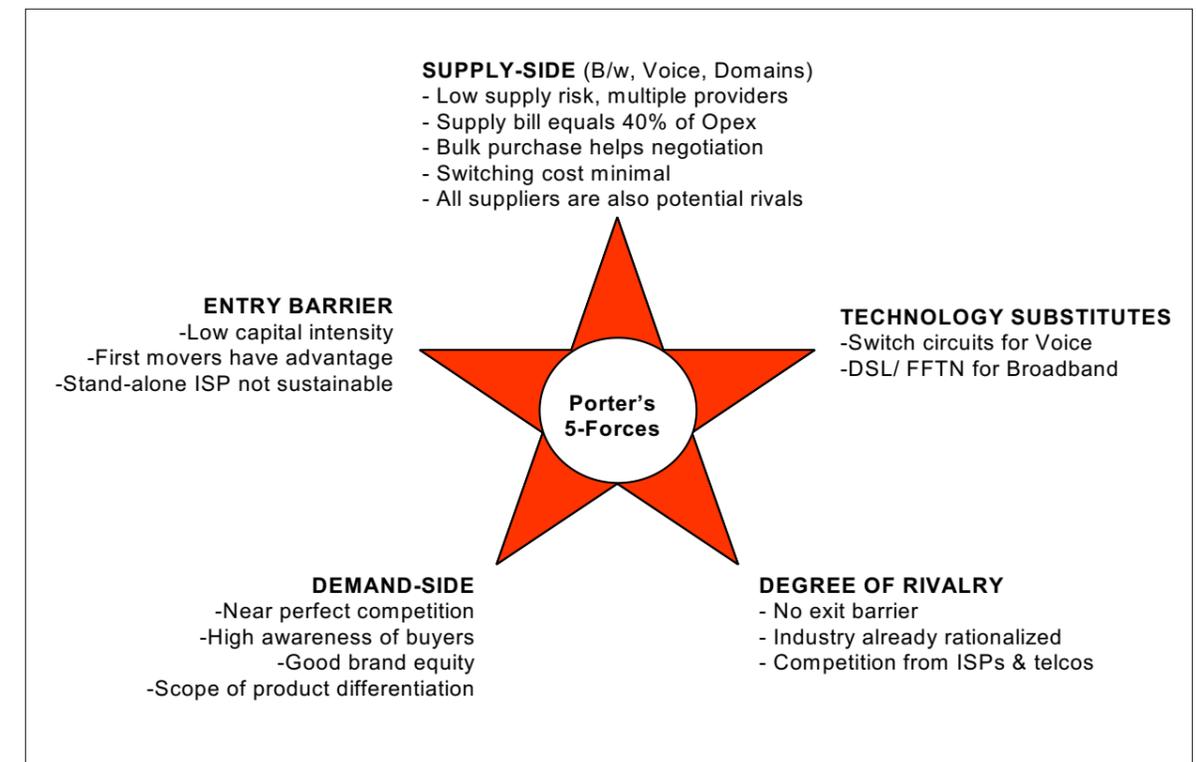


Figure 1: Business Environment Analysis for Net4India

## Review of Operations

### Summary of Activities

Net4India (in association with Trak Online) had reduced its schedule of leased line tariff by up an average of 35% during September 2004, in line with the competition scenario and also to pass on the benefit of reduced bandwidth procurement price that the Company had benefited from. In certain categories, the leased line price was slashed by even up to 52%. Several promotional schemes were introduced along with the price cuts to invite long term as well as multiple-line contracts. The new prices and the promotional offers were well received, and a qualitative shift in the bandwidth sale was noticed. The Company was able to contract more of higher capacity lines, i.e. 256 kbps (1:1) and above. On select instances the large multinational software companies contracted 2 Mbps lines. This improved the average per unit price realization. However the success of the leased line service business was cut short by an ad-hoc embargo imposed by the state-owned BSNL and MTNL kept on issuing new copper last mile circuits. The ISP Association of India (ISPAI) has appealed against the move to the TDSAT court as it is leading to significant loss of revenue for all service providers.

With increased traffic in international long distance calling, the market witnessed drop in call rates by ILD operators. However, Internet Telephony charges remained competitive by multiples. The Company also launched in association with Trak Online bundled plans for bandwidth and international minutes, targeted specifically at IT/BPO companies. This is a highly innovative service of Net4India had found many takers in a short period. The improvement in overall bandwidth availability across the nation, made Internet telephony experience almost as good as regular ILD services. The volume of traffic continued to increase, which in turn leads to lower costs per minute.

In January 2005, the National Internet Exchange of India authorized Net4India to become a .IN registrar. The scheme proved to be a great success. Within the first two days of opening of bookings, the country received 50,000 orders for .IN booking by various trademark and brand name owning corporate enterprises. Of this, Net4India alone had received 19,000 orders. During the year, the company also launched select Wi-LAN hardware including a range of access points and PCMCIA/PCI wireless cards. All these hardware conform to Wi-Fi class under IEEE 802.11b.

### New Initiatives

Net4India (in association with Trak Online) will be taking advantage of the 3.3 GHz license obtained by Trak Online to bridge the last mile gap and reach out to the enterprises and multi dwelling units without having to depend upon the incumbent telecom operators. The necessary equipments compatible with the frequency range are being purchased after careful evaluation and testing. In the

third or fourth quarter of 2005-06, we expect to convert the existing access business from wire line to wireless and go full swing on the Broadband expansion project.

### Key Customers

The esteemed clients of the company includes:

Skanska	Sahara India Parivar
Bax Global	EPSON
Procter & Gamble	Orchid Chemicals & Pharmaceutical Ltd.
Dr. Reddy's	Hexaware Technologies
Buhler	ONGC
Kopran	Lufthansa
ITC Ltd.	Reliance Infocomm
Hutch	KORES
DE BEERS	Acterna
L&T	HDFC CHUBB General Insurance

### Results of Operation

The total revenue accrued during FY 2004-05 is Rs. 41.26 crores. This was a marked improvement from the previous year's performance. The increase in general administrative and personnel cost grew by only 7% despite an increase in business volume. The selling and marketing expenses grew by 22% due to promotional activities related to Phonewala and .IN registration services. The Company also participated at an exposition in Chennai organized by the CII in association with the State Government of Tamil Nadu and at the world's largest IT exposition in Hanover, Germany CeBIT. The operating profit before Interest and Depreciation grew by a healthy 31% to Rs. 9.75 crores and the post tax profit was 28% higher at Rs. 2.46 crores. The net current asset as on 31 March 2005 is Rs. 19.71 crores reflecting an 12% expansion. The current liabilities and provisions by end fiscal 2005 stood at Rs. 9.31 crores. There has been an improvement in current ratio at 1.97 from 1.80 during the preceding year. The reserve and surplus figures stood at Rs. 15.44 crores as against Rs. 12.98 crores as on 31 March 2004. The company had taken an additional secured loan of Rs. 2.14 crores during the year.

### Forward Path

#### Wireless Broadband

Net4India (in association with Trak Online) will use broadband wireless strategy to expand its

enterprise access and retail broadband businesses. It will be offering attractive schemes to its existing leased line clients, thereby switching them from current copper circuits to the airwave. This would be mutually beneficial. The enterprises will not have to bear an annual liability of leased line charges, and the Company will also become independent of the telcos who are now deemed as competition.

#### ICANN Accreditation

Net4India shall apply and become an ICANN accredited registrar by the 3rd quarter of FY 05-06. This will significantly improve the margins in the domain registration business. It will also allow the company to have direct access to the registry, which in turn leads to a significant improvement in possible features that can be integrated and provided to customers. The ability to target international resellers/partners also takes a different twist as the norm for most such partners is to deal with ICANN accredited companies. The positive impact on the domain registration business is likely to have substantial knock on effects on the web hosting and corporate e-mail business.

#### New Premises-Corporate Headquarter

Net4India has successfully constructed its new Corporate Headquarter in NOIDA, NCR encompassing 13,000 sq. ft. of office area. The premise is ready for the corporate team to move in by first week of July 2005.

Additionally the company is also looking to invest (freehold as opposed to leases currently) in its own premises in most of the cities of operation in a phased manner.

## Auditors' Report

The Members  
M/s. NET 4 INDIA LTD.

1. We have audited the attached Balance Sheet of M/s. NET 4 INDIA LTD. as at March 31, 2005, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 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, 2005 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, 2005 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, 2005; and

(b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

(c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Sandy Associates  
Chartered Accountants

sd/-  
SANDEEP GUPTA  
Partner  
(Membership No : 86069)

Place : New Delhi  
Date : June 24, 2005

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT TO THE MEMBERS OF  
M/S NET 4 INDIA LTD. ON THEIR ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2005.**

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

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

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

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

3. The Company has taken interest free unsecured loan from one director listed in the register maintained under section 301 of the Companies Act, 1956, (maximum amount Rs.302.77 lakhs) the terms and conditions of which are prima facie not prejudicial to the interests of the Company. However the Company has not taken any loans from the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.

The Company has not granted loans, secured or unsecured, to parties listed in the register maintained under Section 301 and to the companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956 (1 of 1956).

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

4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of finished goods, fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls system in respect of these areas.
5. In our opinion, and according to the information and explanations given to us, the transactions that need to be entered in the register in pursuance of section 301 of the Act have been entered, and the transactions have been made at prices which are reasonable with regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public and consequently, the directives issued by the Reserve Bank of India, the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder are not applicable.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. According to the information and explanations given to us, 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 income tax, wealth tax, sales tax, customs duty and cess were outstanding at March 31, 2005 for a period of more than six months from the date they become payable.  
  
According to the information and explanations given to us, there are no dues in respect of sales tax, income tax, wealth tax, customs duty, and cess that have not been deposited with the appropriate authorities on account of any dispute.
10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the financial year immediately preceeding 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. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the order is not applicable.
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  
Partner  
(Membership No : 86069)

Place : New Delhi  
Date : June 24, 2005

## NET 4 INDIA LIMITED

### BALANCE SHEET AS AT 31ST MARCH, 2005

in Rs.'000

SOURCES OF FUNDS:	Schedule	March 31, 2005	March 31, 2004
<b>SHAREHOLDERS' FUND</b>			
Share Capital	A	162,500	162,500
Reserves & Surplus	B	135,890	129,811
<b>LOAN FUNDS</b>			
Secured Loans	C	114,746	93,335
Unsecured Loans	D	22,150	30,427
		<u>435,286</u>	<u>416,073</u>
<b>APPLICATION OF FUNDS :</b>			
<b>FIXED ASSETS</b>			
Gross Block	E	364,136	311,222
Less: Depreciation and amortization		147,346	97,560
Net Block		<u>216,790</u>	<u>213,662</u>
Add :Capital work-in-progress		32,701	19,091
		249,491	232,753
<b>INVESTMENTS</b>			
	F	7,050	7,050
<b>CURRENT ASSETS , LOANS &amp; ADVANCES</b>			
Inventories		67,296	46,083
Sundry Debtors	G	144,815	126,650
Cash and Bank Balances	H	7,472	1,630
Other Current Assets	I	10,557	10,413
Loans and Advances	J	60,120	60,853
		<u>290,260</u>	<u>245,629</u>
Less: CURRENT LIABILITIES & PROVISIONS	K		
Current Liabilities		36,184	27,057
Provisions		75,475	42,642
		<u>111,659</u>	<u>69,699</u>
<b>NET CURRENT ASSETS</b>		178,601	175,930
<b>MISCELLANEOUS EXPENDITURE</b>			
(to the extent not written off or adjusted)	L	144	340
		<u>435,286</u>	<u>416,073</u>
<b>Significant Accounting Policies</b>			
<b>Notes to Accounts</b>			
R			
S			

As per our report of even date attached,

For Sandy Associates  
Chartered Accountants,

sd/-  
Sandeep Gupta  
Partner

Membership No : 86069

Place : New Delhi  
Date : June 24, 2005

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For and on behalf of the Board of Directors

sd/-  
Jasjit S. Sawhney  
Managing Director

sd/-  
Krishan K. Nagpal  
Company Secretary



## NET 4 INDIA LIMITED

### PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

in Rs.'000

	Schedule	2004-05	2003-04
<b>Income</b>			
Sales and Services			
Domestic		389,543	289,901
Overseas		23,052	32,924
		<u>412,595</u>	<u>322,825</u>
Cost of Sales and Services	M	152,063	108,712
Connectivity Charges		23,935	11,170
		<u>175,998</u>	<u>119,882</u>
<b>Gross Profit</b>		<b>236,597</b>	<b>202,943</b>
Personnel Cost	N	65,129	59,161
General and Administrative Expenses	O	60,662	58,532
Selling and Marketing Expenses	P	13,286	10,861
		<u>139,077</u>	<u>128,554</u>
<b>Operating Profit before interest, depreciation and amortization</b>		<b>97,520</b>	<b>74,389</b>
Interest and Finance Charges		13,272	11,576
Depreciation	E	42,853	29,377
Amortization on intangible assets	E	8,236	8,236
		<u>64,361</u>	<u>49,189</u>
<b>Operating Profit after interest, depreciation and amortization</b>		<b>33,159</b>	<b>25,200</b>
Other Income	Q	5,758	4,835
Provision for Investments		-	18
Prior Period Adjustments		184	(79)
		<u>5,574</u>	<u>4,896</u>
<b>Net Profit before tax</b>		<b>38,733</b>	<b>30,096</b>
Provision for Taxation			
Income Tax		7,200	5,900
Deferred Tax		6,925	5,016
		<u>14,125</u>	<u>10,916</u>
<b>Net Profit after tax</b>		<b>24,608</b>	<b>19,180</b>
<b>Amount available for appropriation</b>			
Dividend		16,250	-
Dividend tax		2,279	-
Amount transferred to General Reserve		615	19,000
Balance retained in Profit & Loss Account		5,464	180
<b>Significant Accounting Policies</b>			
<b>Notes to Accounts</b>			
R			
S			

As per our report of even date attached,

For Sandy Associates  
Chartered Accountants,

sd/-  
Sandeep Gupta  
Partner

Membership No : 86069

Place : New Delhi  
Date : June 24, 2005

28

For and on behalf of the Board of Directors

sd/-  
Amarjit S. Sawhney  
Director

sd/-  
Jasjit S. Sawhney  
Managing Director

sd/-  
Krishan K. Nagpal  
Company Secretary

## NET 4 INDIA LIMITED SCHEDULES TO THE BALANCE SHEET AS AT

	Mar 31, 2005		in Rs. '000 Mar 31, 2004
<b>SCHEDULE 'A'</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised</b>			
20,000,000 (PY.20,000,000) Equity Shares of Rs.10 each	<u>200,000</u>		<u>200,000</u>
<b>Issued, Subscribed and Paid -up</b>			
16,250,000 (PY.16,250,000) Equity Shares of Rs.10 each fully paid up	162,500		162,500
(Of the above, 7,500,000 shares were allotted as fully paid-up pursuant to Slump Sale Agreement for consideration other than cash)	<u>162,500</u>		<u>162,500</u>
	April 1, 2004	Additions	March 31, 2005
<b>SCHEDULE 'B'</b>			
<b>RESERVES &amp; SURPLUS</b>			
Share Premium	85,000		85,000
General Reserve	38,000	615	38,615
Profit & Loss Account	6,811	5,464	12,275
	<u>129,811</u>	<u>6,079</u>	<u>135,890</u>
	Mar 31, 2005		Mar 31, 2004
<b>SCHEDULE 'C'</b>			
<b>SECURED LOANS</b>			
Loans and advances from Banks			
- As Working Capital Loan (Secured against hypothecation of Stocks and Debtors and all movable assets and Personal Guarantee of Director)	86,881		78,186
- As Term Loan (Secured against charge on fixed assets of the company)	25,854		13,914
- As Other Loans (Secured against hypothecation of Vehicles)	<u>2,011</u>		<u>1,235</u>
	<u>114,746</u>		<u>93,335</u>
<b>SCHEDULE 'D'</b>			
<b>UNSECURED LOANS</b>			
Loans and advances			
- From Directors	22,000		30,277
- From Others	<u>150</u>		<u>150</u>
	<u>22,150</u>		<u>30,427</u>

## NET 4 INDIA LIMITED SCHEDULES TO THE BALANCE SHEET AS AT MARCH 31, 2005

**SCHEDULE 'E'**
**FIXED ASSETS**

in Rs.'000

Name	Original Cost			Depreciation and amortization				Net Block Value	
	As at 1.4.2004	Additions during the year	Sale/ Adjust- ment	As at 31.3.2005	As at 1.4.2004	For the year	Sale/ Adjust- ment	As at 31.3.2005	As at 31.3.2004
<b>TANGIBLE</b>									
Land	6,023	-	-	6,023	-	-	-	-	6,023
Computers	140,166	51,289	90	191,365	68,543	35,913	59	104,397	86,968
Office Equipment	36,302	1,356	10	37,648	3,415	4,798	3	8,210	29,438
Furniture & Fixtures	13,055	784		13,839	4,577	1,600	-	6,177	7,662
Vehicles	3,877	1,663	2,078	3,462	1,807	542	1,241	1,108	2,354
Sub total (A)	199,423	55,092	2,178	252,337	78,342	42,853	1,303	119,892	132,445
<b>INTANGIBLE</b>									
Goodwill	4,549	-		4,549	1,062	455		1,517	3,032
Trademarks	75,000	-		75,000	8,750	3,750		12,500	62,500
Hosting Platform	6,500	-		6,500	1,896	812		2,708	3,792
Technology	25,750	-		25,750	7,510	3,219		10,729	15,021
Sub total (B)	111,799	-	-	111,799	19,218	8,236	-	27,454	84,345
TOTAL (A+B)	311,222	55,092	2,178	364,136	97,560	51,089	1,303	147,346	216,790
Previous Year	235,166	76,055	-	311,222	59,947	37,613	-	97,560	213,662

**Note :** Intangibles acquired as part of the Slump sale agreement has been amortised over its useful estimated lives as per management estimates.

## NET 4 INDIA LIMITED SCHEDULES TO THE BALANCE SHEET AS AT

in Rs. '000

	Mar 31,2005	Mar 31,2004
<b>SCHEDULE 'F'</b>		
<b>INVESTMENTS</b>		
<b>LONG TERM, UNQUOTED, AT COST</b>		
<b>INVESTMENT IN SHARES</b>		
Non Trade		
10 shares of Rs.1,750 each fully paid up of DSJ Agrotech Ltd	-	18
Less : Provision for diminution in value	-	(18)
70,500 shares of Rs.100 each fully paid up of Net 4 Barter Pvt Ltd	7,050	7,050
	<u>7,050</u>	<u>7,050</u>
<b>SCHEDULE 'G'</b>		
<b>SUNDRY DEBTORS (Unsecured)</b>		
Debts Exceeding 6 months:		
- Considered Good *	18,590	32,992
- Considered Doubtful	11	9,967
	<u>18,601</u>	<u>42,959</u>
Less : Provisions for Doubtful Debts	11	9,967
Other debts	126,225	93,658
	<u>144,815</u>	<u>126,650</u>
* Debtors include Rs.1,450/- (P.Y. Rs.1,461/-) due from Net 4 Internet.Com Ltd, a company under the same management. Maximum amount outstanding during the year Rs.1,461/- (P.Y.8,724)		
<b>SCHEDULE 'H'</b>		
<b>CASH AND BANK BALANCES</b>		
Cash in Hand	157	132
Balances with Scheduled Banks		
- in Current Accounts	6,530	605
- in Fixed Deposits	-	200
Cheques in hand and Remittances in transit	785	693
	<u>7,472</u>	<u>1,630</u>

## NET 4 INDIA LIMITED SCHEDULES TO THE BALANCE SHEET AS AT

in Rs.'000

	Mar 31,2005	Mar 31,2004
<b>SCHEDULE 'I'</b>		
<b>OTHER CURRENT ASSETS</b>		
Deposits	9,054	9,024
Prepaid expenses	790	545
Other assets	713	844
	<u>10,557</u>	<u>10,413</u>
<b>SCHEDULE 'J'</b>		
<b>LOANS AND ADVANCES (Unsecured, considered good)</b>		
Advances for supply of goods and rendering of services	23,822	24,537
Advance income tax	9,876	1,958
Others	26,422	34,358
Unsecured, considered doubtful	-	44
Less :Provision for doubtful advances	-	44
	<u>60,120</u>	<u>60,853</u>
<b>SCHEDULE 'K'</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>A) Current Liabilities</b>		
Sundry creditors		
for goods and services	21,827	12,337
others	310	1,808
Advances from customers	1,349	1,437
Accrued salaries and benefits	5,339	3,919
Provision for expenses	2,521	1,676
Withholding and other taxes payable	2,636	3,136
Unearned revenue	1,919	2,299
Other liabilities *	283	445
	<u>36,184</u>	<u>27,057</u>
* Includes dues to directors as sitting fees payable	2	5
<b>B) Provisions</b>		
Proposed dividend	16,250	-
Provision for gratuity and leave encashment	2,531	2,352
Provision for		
Tax on dividend	2,279	-
Income tax	16,080	8,880
Deferred tax	38,335	31,410
	<u>75,475</u>	<u>42,642</u>
Total (A + B)	111,659	69,699
<b>SCHEDULE 'L'</b>		
<b>MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)</b>		
Balance brought forward	340	491
Add : Expenses on increase in authorised capital	-	45
Less: Written off during the period	196	196
	<u>144</u>	<u>340</u>

## NET 4 INDIA LIMITED

### SCHEDULES TO THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

	2004-05	2003-04
		in Rs.'000
<b>SCHEDULE 'M'</b>		
<b>COST OF SALES AND SERVICES</b>		
Purchase of finished goods and services	173,276	123,398
(Increase)/decrease in stock in trade	<u>(21,213)</u>	<u>(14,686)</u>
	<b>152,063</b>	<b>108,712</b>
<b>SCHEDULE 'N'</b>		
<b>PERSONNEL COST</b>		
Salaries, wages and bonus	58,170	52,841
Contribution to provident and other funds	3,821	4,028
Staff welfare, staff training and recruitment	<u>3,138</u>	<u>2,292</u>
	<b>65,129</b>	<b>59,161</b>
<b>SCHEDULE 'O'</b>		
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Rent	9,080	8,998
Communication	5,466	6,877
Travelling and conveyance	13,536	11,907
Repair and maintenance	7,942	4,588
Electricity and water charges	5,855	6,860
Legal and professional	5,368	1,733
Security charges	3,577	2,574
Bad Debts Written off	13,563	-
Increase /(Decrease) in Provision for doubtful debts	<u>(9,860)</u>	<u>4,972</u>
Printing and stationery	1,334	1,484
Administrative and other expenses	932	3,796
Exchange rate fluctuation	247	1,462
Insurance	900	580
Membership and subscription	634	369
Books and periodicals	224	169
Preliminary expenses written off	196	196
Auditors remuneration	146	92
Loss on sale of Fixed Assets	97	-
Directors' sitting fees	5	5
Other miscellaneous expenses	<u>1,420</u>	<u>1,870</u>
	<b>60,662</b>	<b>58,532</b>
<b>SCHEDULE 'P'</b>		
<b>SELLING AND MARKETING EXPENSES</b>		
Advertising and marketing	4,495	3,556
Business promotion	2,196	1,518
Commission and brokerage	654	748
Entertainment	735	759
Exhibition expenses	916	147
Incentives	1,898	1,684
Retainership	<u>2,392</u>	<u>2,449</u>
	<b>13,286</b>	<b>10,861</b>
<b>SCHEDULE 'Q'</b>		
<b>OTHER INCOME</b>		
Interest	128	13
Credit balances / excess provision written back	5,237	4,702
Miscellaneous income	<u>393</u>	<u>120</u>
	<b>5,758</b>	<b>4,835</b>

## NET 4 INDIA LIMITED

### SCHEDULE 'R' - SIGNIFICANT ACCOUNTING POLICIES

#### (i) Basis of Accounting

The financial statements have been prepared under the historical cost convention on an accrual basis, in accordance with the generally accepted accounting principles in India, the provisions of the Companies Act, 1956, and the Accounting Standards issued by the Institute of Chartered Accountants 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.

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

#### (ii) 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.

##### 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.

Individual assets costing less than Rs. 5,000 are depreciated in full in the year of purchase.

##### c) Intangible Assets and amortisation:

The management has assessed the future economic benefits using reasonable and supportable assumptions. As per the management's estimate

- (1) Cost of hosting platform and cost of technology are amortised over a period of 8 years and
- (2) Cost of Trademarks is amortised over a period of 20 years.
- (3) Goodwill is being amortised over a period of 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 amortised over a period of 20 years.

#### (iii) Investments

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.

#### (iv) Revenue Recognition

The Company recognises revenue on accrual basis.

- a) Revenue from the sale of hardware/software products is recognised when the sale is completed with the passing of title.
- b) Revenue from services is recognized in the ratio of period expired over the total agreement period.
- c) Revenue from Fixed Price Contracts is recognised as per the terms of the respective agreements.

**(v) Foreign Currency Transactions**

- a) Transactions denominated in foreign currencies are booked at standard rates determined periodically and the resulting gain or loss on settlement is accounted for on actual realization.
- b) 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 & Loss Account.

**(vi) Inventories**

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

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

**(vii) Retirement Benefits**

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

Gratuity has been provided in the Profit and Loss Account as per the provisions of the Payment of Gratuity Act, 1972.

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

**(viii) Research and development**

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

**(ix) Borrowing Cost**

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

**(x) 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.

**(xi) Taxation**

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

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

Deferred tax resulting from "timing differences" between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the Balance Sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the asset will be realized in future.

**(xii) Miscellaneous Expenditure**

Expenses incurred on increase in authorised capital have been capitalised and are being written off

over a period of five years commencing from the year of increase.

**(xiii) 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.

**(xiv) Contingent Liabilities**

Contingent Liabilities are disclosed by way of Notes. Provision is made in the accounts for those contingencies which are likely to materialize into liabilities after the year end, till the finalisation of accounts, and have material effect on the position stated in the Balance Sheet.

**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) Contingent Liabilities : Guarantees amounting to Rs. 6,717/- (Previous year-Rs. 281/-) given by the Bankers in favour of various parties.  
Claims against the company, not acknowledged as debts amount to Rs. 91/- (Previous year-Rs. 91/-)
- (iv) Estimated amount of contracts remaining to be executed on capital accounts not provided for (net of advance)- Rs. 14,624/- (Previous year-Rs. 33/-).
- (v) Miscellaneous Expenditure (to the extent not written off / or adjusted) of Rs. 144/- (Previous Year Rs. 340/-) represents expenses incurred on increase in authorised capital and is being written off over a period of five years.

**(vi) Deferred Tax**

Provision for deferred tax for the year ended March 31, 2005 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. 6,925/- (Previous year-Rs. 5,016/-), for the current year has been recognised in the Profit & Loss Account and comprises of the following:

<b>a. Deferred Tax Liability</b>		
Related to Fixed Assets		3,383
<b>b. Deferred Tax Assets</b>		
Provision for Doubtful Debts		(3,608)
Retirement Benefits		66
<b>c. Provision for Deferred Tax Liability (Net)</b>		<b>6,925</b>

**(vii) Provisions for investments**

The company evaluates all investments for any diminution in their carrying values that is other than temporary. The company provided Rs. Nil and Rs. 18/- during the year ended March 31, 2005 and 2004, respectively, on revision of the carrying amount of non-trade investments to fair value.

**(viii) Value of Imports on CIF Basis**

	2004-05 (Rs.)	2003-04 (Rs.)
Finished Goods	2,836	4,215
Capital Goods	2,564	7
<b>Total</b>	<b>5,400</b>	<b>4,222</b>

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

Income from sales and services 16,958 15,348

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

Domains	25,339	17,374
Legal & Professional Charges	67	-
Travelling	745	1,427
Exhibition Expenses	325	147
Membership and Subscription	321	228
<b>Total</b>	<b>26,797</b>	<b>19,176</b>

(xi) Remuneration to Auditors

Statutory Audit Fees	110	65
Tax Audit Fees	22	15
For certification and consultation in other matters	50	32
Expenses reimbursed	14	9
<b>Total</b>	<b>210</b>	<b>121</b>

(xii) Managerial Remuneration

Salaries	4,081	4,205
Perquisites	83	199
Contribution to Provident Fund	369	419
Director's Sitting Fees	5	5
<b>Total</b>	<b>4,538</b>	<b>4,828</b>

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.

(xiii) Provision for Doubtful Debts

Periodically the company evaluates all customer dues to the company for collectibility. The need for provisions is assessed based on various factors including collectibility of specific dues, risk perceptions of the industry in which the customer operates, and general economic factors, which could effect the customer's ability to settle. As at March 31, 2005, the company has provided for doubtful debts of Rs. 11 (as at March 31, 2004 Rs. 9,967/-) 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. 9860/- as bad debts during the year out of provision outstanding as on March 31, 2004.

(xiv) The Company has only one reportable business segment i.e. internet related services. This encompasses a comprehensive range of services, including software development, packaged software integration, colocation, web hosting, web development and web mailing solutions.

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

Geographical Segment

(Rs. in lakhs)

Particulars	Year ended March 31, 2005		Year ended March 31, 2004	
	Domestic	Overseas	Domestic	Overseas
Sales and Services	3,895.43	230.52	2,899.01	329.24
Net Fixed Assets	2,494.91	-	2,327.53	-
Debtors	1,200.83	247.32	1,020.57	245.93
Current Assets (Other than Debtors)	1,454.45	-	1,189.79	-

(xv) Term Deposits aggregating to Rs.7,076/- (P.Y. Rs.4,986/-) have been pledged with Bank as a security towards non-fund based facilities availed from Bank.

(xvi) The Company is taking steps to ascertain the actuarial Gratuity liability and necessary adjustments from the calculations done presently will be made on determination thereof.

(xvii) 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 any amount, which is outstanding for more than one month in excess of Rupees One Lakh. The Company is still awaiting response to letters written to other Creditors for ascertaining their status as small scale industries.

(xviii) 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'.

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

1) List of Related Parties and Relationships

i) **Holding Companies:**

Nil

ii) **Subsidiaries of the company:**

Nil

iii) **Associates:**

Trak Online Net India Pvt Ltd.

Jiwan Financial Holdings Ltd

Net Four Internet.Com Ltd

iv) **Key Management Personnel and relatives of such personnel:**

Executive Directors:

Jasjit S. Sawhney

Iqbal Gandham (resigned from directorship on June 30, 2004)

Uday Sodhi (resigned from directorship on April 1, 2004)

Amarjit S. Sawhney

Desi S. Valli

Non Executive Directors:

Biba Sawhney

S. K. Ghosh

Manish Wadhawan

Bharat Chawla

Relative of Director

Pawanjot Kaur Sawhney

v) **Other related parties:**

Sterling Capital Pvt Ltd

## NET 4 INDIA LIMITED

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

in Rs. '000

	2004-05	2003-04
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax and Extraordinary items	38,733	30,096
Adjustments for :		
Depreciation	42,853	29,377
Amortisation of Intangible assets	8,236	8,236
(Profit) / Loss on sale of fixed assets	97	-
Preliminary Expenses written off	196	196
Provision on investments	-	18
Bad Debts	13,563	-
Interest on borrowings	11,878	10,402
Interest income	(128)	(13)
Provision for doubtful debts	(9,860)	4,972
Exchange differences on translation of foreign currency cash and cash equivalents	-	1
<b>Operating Profit before Working Capital Changes</b>	<b>105,568</b>	<b>83,285</b>
Adjustments for :		
Sundry Debtors	(21,868)	(8,090)
Inventories	(21,213)	(14,687)
Loans and Advances	8,508	5,922
Provision for retirement benefits	179	857
Current Liabilities and provisions	9,127	(3,683)
<b>Cash generated from Operations</b>	<b>80,301</b>	<b>63,604</b>
Direct Tax paid	(7,919)	(460)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>72,382</b>	<b>63,144</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets and change in capital work in progress	(68,702)	(95,145)
Proceeds on disposal of fixed assets	778	-
Interest received	128	13
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(67,796)</b>	<b>(95,132)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Secured Loans received	21,411	18,149
Unsecured Loans received	(8,277)	24,308
Fees for increase in authorised share capital	-	(45)
Interest paid	(11,878)	(10,402)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>1,256</b>	<b>32,010</b>
<b>D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)</b>	<b>5,842</b>	<b>22</b>
<b>CASH AND CASH EQUIVALENTS , beginning of period</b>	<b>1,630</b>	<b>1,609</b>
(Refer Note)		
<b>CASH AND CASH EQUIVALENTS , end of the year</b>	<b>7,472</b>	<b>1,631</b>
(Refer Note)		

**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.

sd/-  
Amarjit S.Sawhney  
Director

For and on behalf of the Board of Directors  
sd/-  
Jasjit S.Sawhney  
Managing Director  
sd/-  
Krishan K.Nagpal  
Company Secretary

Place : New Delhi  
Date : June 24, 2005

**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, 2005, 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  
Partner  
Membership No : 86069

Place : New Delhi  
Date : June 24, 2005

2) Significant Related Party Transactions: (Rs. in lakhs)

S. No.	Nature of Transaction	Associates	Key Management Personnel	Others	Total
A)	<b>Loans</b>				
	Repaid during the year	-	82.77	-	82.77
	Previous year	-	(243.08)	-	(243.08)
B)	<b>Sale of goods/services</b>	27.37	-	-	27.37
	Previous year	1083.09	-	-	1083.09
C)	<b>Purchase of goods/services</b>	475.37	-	-	475.37
	Previous year	531.63	-	-	531.63
D)	<b>Expenditure</b>				
	Sitting Fees to Directors	-	0.05	-	0.05
	Previous year	76.84	0.05	10.44	87.33

- Details of remuneration paid to directors are given in note (xii) above.
- Current Liabilities include Rs. 0.02/- being sitting fees payable to Directors.
- Loans & Advances include Rs. 285.21/- being due from Associates.

**(xx) Basic Earnings Per Share**

	2004-2005 (Rs.)	2003-2004 (Rs.)
<b>Numerator for basic earning per share</b>		
Profit before tax and prior period items	38,917	30,017
<b>Adjustment for net earnings</b>		
Prior period adjustment	184	(79)
Provision for Tax	14,125	10,916
<b>Total</b>	<b>24,608</b>	<b>19,180</b>
<b>Denominator for basic earning per share</b>		
Weighted average number of shares	16,250,000	16,250,000
Basic earnings per share of Rs. 10/- each	1.51	1.18

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.

(xxi) Additional information pursuant to the provisions of paragraph 3(ii) (b) (d) of Part II of Schedule VI to the Companies Act, 1956:

It is not possible to furnish details of the quantities, due to heterogeneity of the items involved. The Company is also engaged in the development of software. The production and sale of such software cannot be expressed in generic unit.

(xxii) 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  
Partner  
Membership No : 86069

sd/-  
Amarjit S. Sawhney  
Director

For and on behalf of the Board of Directors

sd/-  
Jasjit S. Sawhney  
Managing Director

sd/-  
Krishan K.Nagpal  
Company Secretary

Place: New Delhi  
Date: June 24, 2005

**NET 4 INDIA LIMITED**  
**NOTES TO THE CASH FLOW STATEMENT**

**1. Cash and Cash Equivalents**

Cash and Cash Equivalents comprise the following amounts

	2004-05	2003-04
Cash in hand (Including foreign currency notes and cheques)	157	132
Balances with Banks	6,530	805
Cheques in hand and in transit	785	693
Total	7,472	1,630
Effect of exchange rate changes	-	1
Cash & cash equivalents as restated	7,472	1,631

**NET 4 INDIA LIMITED**  
**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**  
 Registration No.      State Code    
 Balance-sheet Date        
 Date Date Month Year

**II. Capital Raised during the year** (Amount in Rs. '000)  
 Public Issue         
 Bonus Issue         
 Rights Issue         
 Private Placement/ Preferential Issue

**III. Position of Mobilisation and Deployment of Funds** (Amount in Rs. '000).  
 Total Liabilities          
 Total Assets          
 Sources of Funds  
 Paid-up Capital          
 Secured Loans          
 Reserves & Surplus          
 Unsecured Loans         
 Application of Funds  
 Net Fixed Assets          
 Net Current Assets          
 Investments        
 Misc. Expenditure       
 Accumulated Losses

**IV. Performance of company** (Amount in Rs. '000)  
 Turnover          
 Profit/Loss Before Tax         
 Profit/Loss After Tax         
 Earning per share in Rs.        
 Dividend rate %

**V. Generic Names of Three Principal Products/Services of Company**  
 (as per monetary terms)  
 The Company is in the Business of providing Internet related services which is not covered under ITC classification.

**For Net 4 India Ltd.**

sd/- (Amarjit S. Sawhney) Director      sd/- (Jasjit S. Sawhney) Managing Director      sd/- (Krishan K. Nagpal) Company Secretary

Place: New Delhi  
 Date: June 24, 2004