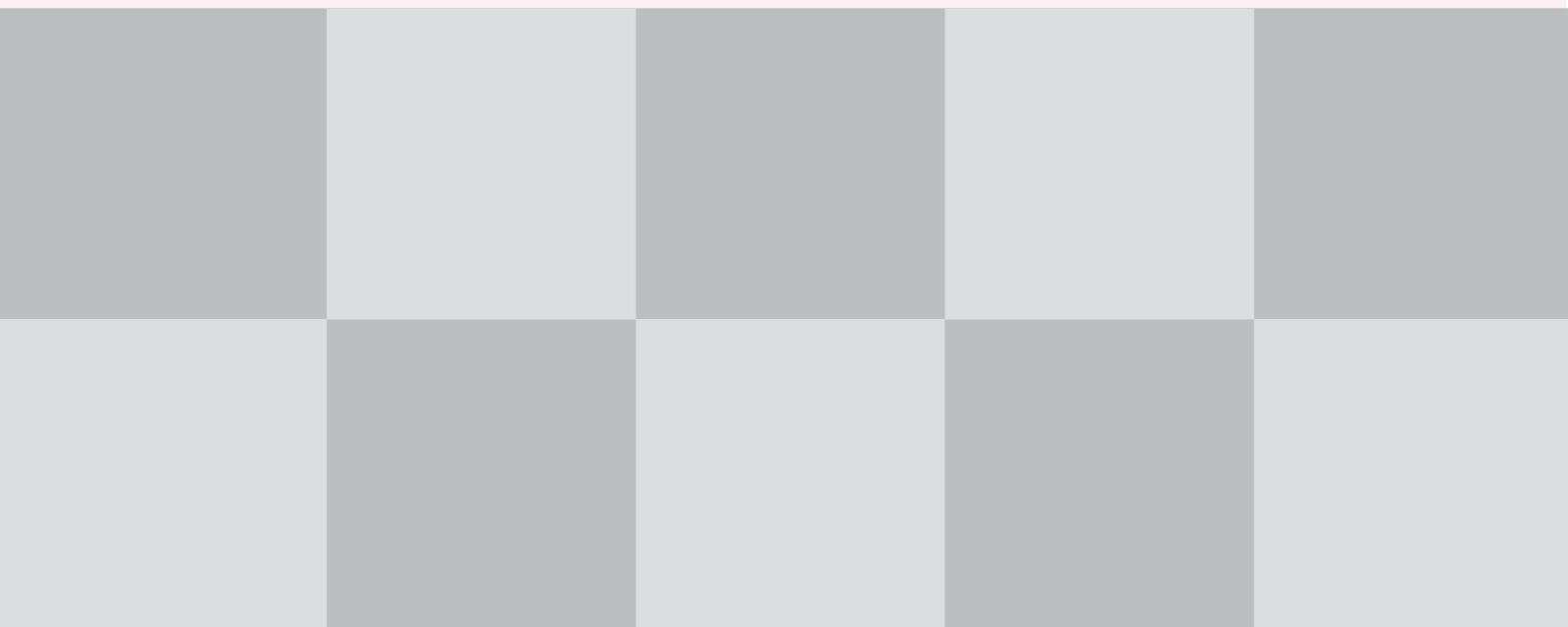


Bharti Aquanet Limited



Directors' Report

To The Members

The Directors take pleasure in presenting the Fourth Annual Report and Audited Statement of Accounts for the year ending March 31, 2005.

BUSINESS REVIEW

During first full year of operations, the Company has provisioned 22 STM1s at its landing station in Chennai. In all 41 STM1s have been provisioned till date.

Network uptime of 100% has been achieved throughout the year in respect of 41 operational STM1s.

The Company is fully equipped to cater all future requirements. In addition, the Company is likely to get some orders for collocating international carriers.

FINANCIAL PERFORMANCE

The summarized financial result for the year ended March 31, 2005 as compared with the earlier year as under :

(Rs. in Thousand)

Particulars	March 31, 2005	March 31, 2004
Service Revenue and other income	62,677	67,955
Profit/(Loss) before Finance Expense, Depreciation and Amortisation	33,784	41,808
Finance Expenses	178	926
Profit before Depreciation and Pre-operative Income and Amortisation	33,606	40,882
Depreciation and Amortisation	9,611	9,259
Profit before Tax	23,995	31,623
Income Tax	8,506	2,017
Deferred Tax	1,428	4,635
Profit after Tax	14,061	24,971

* Previous year figures have been regrouped/rearranged, wherever necessary to make them comparable with current year's figures.

DIVIDEND

The Directors of the Company want to preserve the profits for the future growth and expansion plans and therefore, do not recommend any dividend for the financial year under review.

DIRECTORS

- During the period under review, Mr. Lim Shyong resigned from the Board of Directors. The Board places on record its sincere appreciation for the services rendered by him during his tenure as Director of the Company.
- Mr. Stephen Rotheram was appointed as an Additional Director on the Board of the Company. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Mr. Stephen Rotheram holds office up to the date of next Annual General Meeting.

However, notice under Section 257 of the Companies Act, 1956 has been received from one of the shareholder proposing the appointment of Mr. Stephen Rotheram as Director of the Company. Mr. Stephen Rotheram has also given a confirmation to the company that he is, otherwise, not disqualified, in terms of Section 274 of the Companies Act, 1956.

In view of his rich and vast experience, it is felt that his presence on the Board would be an asset for the Company's future Growth, hence it is recommended that he may be appointed as Director liable to retire by rotation of the Company.

- Mr. Akhil Gupta and Mr. Viresh Dayal, Directors of the Company are due to retire by rotation and being eligible have offered themselves for re-appointment. The Board recommends their re-appointment as Directors of the Company.

FIXED DEPOSITS

The Company has not accepted any public deposits and, as such, no amount on account of principal or interest on Public Deposits was outstanding on the date of the Balance Sheet.

AUDITORS' REPORT

The Auditors' Report on Accounts has been duly considered by the Board and clarification, wherever necessary is contained in the Notes to Accounts.

AUDITORS

The Statutory Auditors of the Company M/s. Price Waterhouse, Chartered Accountants shall retire at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment. A Certificate has been received from M/s. Price Waterhouse confirming therein that their appointment, if made, will be within the limits prescribed u/s 224(1B) of the Companies Act, 1956.

The Board recommends their re-appointment as the Statutory Auditors.

STATUTORY STATEMENTS

There are no employees during the period under review whose particulars are to be provided in terms of Section 217(2A) of the Companies Act, 1956 read with Companies (Particular of Employees) Rules, 1975.

The other disclosures required to be made in terms of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to the Company.

The requirement of constituting an Audit Committee under Section 292A of the Companies Act, 1956 is not applicable to the Company.

During the year under review, total Foreign Exchange Earnings was Rs. 13,854 Thousand and the total Foreign Exchange outgo was Rs. 2,136 Thousand as compared to Rs. 23,482 Thousand Foreign Exchange Earnings and Rs. 72 Thousand outgo in the previous year.

DIRECTORS' RESPONSIBILITY STATEMENT - SECTION 217(2AA)

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that :

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;

- ii. they have selected such accounting policies and applied them consistently and made judgements 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 ended March 31, 2005 and of the profit and loss account of the Company for that period;
- iii. they have taken proper and sufficient care for the 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;
- iv. they have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere appreciation for the valuable contribution and dedicated efforts put in by the employees at all levels and for the assistance provided by the Bankers and other associates during the year.

For and on behalf of the Board

BADRI AGRAWAL
Director

VIRESH DAYAL
Director

Place : New Delhi
Date : July 7, 2005

Auditors' Report

TO THE MEMBERS OF BHARTI AQUANET LIMITED

1. We have audited the attached Balance Sheet of Bharti Aquanet Limited, as at March 31, 2005 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 the 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' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further report that:
 - (i)
 - (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
 - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the company during the year.
- (ii) The Company does not have any inventories.
 - (iii) According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, that need to be entered into the register maintained under Section 301 of the Act. Accordingly, clauses (iii) (b), (c), (d), (f) and (g) of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the company for the current year.
 - (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of fixed assets and for the sale of services. There is no purchase of inventory and sale of goods. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
 - (v) According to the information and explanations given to us, there have been no contracts or arrangement referred to in Section 301 of Act during the year to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise. Accordingly, clause (v) (b) of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 is not applicable to the company for the current year.

- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- (x) As the Company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 is not applicable to the company for the current year.
- (xi) The Company does not have any borrowings from any financial institution or bank during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the company.
- (xiv) In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- (xv) In our opinion and 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 during the year.
- (xvi) The Company has not obtained any term loans during the year.
- (xvii) On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- (xix) The Company has not issued any Debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

- (a) 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;
- (b) 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;
- (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, 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 Act;
- (e) On the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors 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 Act;

- (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2005;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

U. RAJEEV
Partner

Membership No. F87191

For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

Place : New Delhi
Date : July 7, 2005

Balance Sheet as at March 31, 2005

Particulars	Schedule No.	As at March 31, 2005 (Rs. '000)	As at March 31, 2004 (Rs. '000)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	25,000	25,000
Reserves and Surplus	2	201,019	186,958
Deferred Tax Liability (Net) (Refer Note 10 on Schedule 13 and Note 7 on Schedule 14)		6,063	4,635
		<u>232,082</u>	<u>216,593</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	217,221	222,347
Less: Depreciation		23,717	16,889
Net Block		<u>193,504</u>	<u>205,458</u>
Investments	4	24,520	–
Current Assets, Loans and Advances			
Sundry Debtors	5	6,455	7,743
Cash and Bank Balances	6	2,199	792
Other Current Assets, Loans and Advances	7	14,231	10,020
		<u>22,885</u>	<u>18,555</u>
Less : Current Liabilities and Provisions	8		
Current Liabilities		8,322	7,164
Provisions		505	256
		<u>8,827</u>	<u>7,420</u>
Net Current Assets		<u>14,058</u>	<u>11,135</u>
		<u>232,082</u>	<u>216,593</u>
Statement of Significant Accounting Policies	13		
Notes to Accounts	14		

This is the Balance Sheet referred to in our report of even date.

The Schedules referred to above form an integral part of the Balance Sheet

On behalf of the Board

U. RAJEEV
Partner
Membership No. F87191
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

BADRI AGARWAL
Director

VIRESH DAYAL
Director

ANUPAM GARG
Company Secretary

VIVEK AGRAWAL
Chief Financial Officer

Place : New Delhi
Date : July 7, 2005

Profit and Loss Account for the year ended March 31, 2005

Particulars	Schedule No.	For the year ended March 31, 2005 (Rs. '000)	For the year ended March 31, 2004 (Rs. '000)
INCOME			
Service Revenue		42,343	45,186
Rent		20,334	22,505
Provision no longer required written back		–	264
		<u>62,677</u>	<u>67,955</u>
EXPENDITURE			
Network Operating	9	14,966	13,399
Personnel	10	4,867	5,323
Administrative and Others	11	9,060	7,425
		<u>28,893</u>	<u>26,147</u>
Operating Profit including other income and before Finance Income and Expense, Depreciation and Tax		33,784	41,808
Finance Expenses (Net)	12	178	926
Depreciation		9,611	9,259
		<u>23,995</u>	<u>31,623</u>
Profit for the year		23,995	31,623
Tax Expense			
– Current Tax		8,506	2,017
– Deferred Tax		1,428	4,635
(Refer Note 10 on Schedule 13 and Note 7 on Schedule 14)			
		<u>14,061</u>	<u>24,971</u>
Profit for the year		14,061	24,971
Profit/(Loss) brought forward		11,958	(13,013)
		<u>26,019</u>	<u>11,958</u>
Profit carried to Balance Sheet		26,019	11,958
Earning per Share (in Rs.)		5.62	9.99
(Refer Note 8 on Schedule 13 and Note 6 on Schedule 14)			
Statement of Significant Accounting Policies	13		
Notes to Accounts	14		

This is the Profit and Loss Account referred to in our report of even date.

The Schedules referred to above form an integral part of the Profit and Loss Account

On behalf of the Board

U. RAJEEV
Partner
Membership No. F87191
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

BADRI AGARWAL
Director

VIRESH DAYAL
Director

ANUPAM GARG
Company Secretary

VIVEK AGRAWAL
Chief Financial Officer

Place : New Delhi
Date : July 7, 2005

Cash Flow Statement for the year ended March 31, 2005

	For the year ended March 31, 2005	For the year ended March 31, 2004
(Rs. '000)		
A. Cash flow from operating activities :		
Net (loss)/profit before tax but after exceptional/extraordinary items	23,995	31,623
Adjustments for:		
Depreciation	9,611	9,259
Finance Expense	827	926
Interest Income	(12)	-
(Profit)/Loss on Fixed Assets sold	5,138	-
(Profit)/Loss on sale of Investments	(532)	-
Provision for Bad and Doubtful Debts	339	-
Provision for Gratuity and Leave Encashment	249	108
Operating profit before working capital changes	39,615	41,916
Adjustments for changes in working capital :		
- (INCREASE)/DECREASE in Sundry Debtors	949	(7,743)
- (INCREASE)/DECREASE in Other Receivables	(3,802)	(6,797)
- INCREASE/(DECREASE) in Trade and Other Payables	685	(13,626)
Cash generated from operations	37,447	13,750
- Taxes (Paid) / Received	(8,915)	(2,080)
Net cash from operating activities	28,532	11,670
B. Cash flow from investing activities :		
Adjustments for changes in :		
Purchase of fixed assets - Additions during the Year	(7,099)	(10,279)
Capital Work in Progress - Additions during the Year	-	182
Proceeds from Sale of fixed assets	4,777	-
Net Outflow from (Purchase) / Sale of Short term investments	(23,988)	-
Interest Received (Revenue)	12	-
Net cash used in investing activities	(26,298)	(10,097)
C. Cash flow from financing activities :		
Finance Expenses Paid	(827)	(926)
Net cash used in financing activities	(827)	(926)
Net Increase in Cash and Cash Equivalents	1,407	647
Opening Cash and Cash Equivalents	792	145
Cash and cash equivalents as at March 31, 2005	2,199	792
Cash and cash equivalents comprise		
Balance with Scheduled Banks	2,199	792

Note : Figures in brackets indicate cash outgo.

This is the Cash Flow Statement referred to in our report of even date.

On behalf of the Board

U. RAJEEV
Partner
Membershi No. F87191
For and on behalf of
PRICE WATERHOUSE
Chartered Accountants

BADRI AGARWAL
Director

VIRESH DAYAL
Director

ANUPAM GARG
Company Secretary

VIVEK AGRAWAL
Chief Financial Officer

Place : New Delhi
Date : July 7, 2005

Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2005 (Rs. '000)	As at March 31, 2004 (Rs. '000)
<u>SCHEDULE : 1</u>		
<u>SHARE CAPITAL</u>		
Authorised		
5,000,000 (Previous year 5,000,000) Equity Shares of Rs. 10/- each	<u>50,000</u>	<u>50,000</u>
Issued, Subscribed and Paid-up		
2,500,000 (Previous year 2,500,000) Equity Shares of Rs.10/- each	25,000	25,000
Of the above, 1,275,000 (Previous year 1,275,000) Equity Shares of Rs. 10/- each are held by erstwhile Bharti Infotel Limited the holding Company, now amalgamated with Bharti Tele-Ventures Limited, the ultimate holding Company	<u>25,000</u>	<u>25,000</u>
<u>SCHEDULE : 2</u>		
<u>RESERVES AND SURPLUS</u>		
Share Premium Account	175,000	175,000
<u>PROFIT AND LOSS ACCOUNT</u>		
Balance brought forward	11,958	(13,013)
Add : Profit for the year	<u>14,061</u>	<u>24,971</u>
Balance carried over	<u>26,019</u>	<u>11,958</u>
	<u>201,019</u>	<u>186,958</u>

SCHEDULE 3 : FIXED ASSETS

[Refer Notes 2, 3 and 9(a) on Schedule 13 and Note 10(b) on Schedule 14]

(Rs. '000)

Particulars	Gross Block				Depreciation				Net Block	
	As at April 1, 2004	Additions during the year	Sale / Adjustment during the year	As at March 31, 2005	As at April 1, 2004	For the Year	Sale/ Adujstment during the year	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
Freehold Land	89,282	–	–	89,282	–	–	–	–	89,282	89,282
Plant and Machinery	49,682	7,072	12,646	44,108	7,672	4,572	2,777	9,467	34,641	42,010
Airconditioners	3,535	62	–	3,597	1,065	828	–	1,893	1,704	2,470
Building	78,697	438	52	79,083	7,638	3,947	6	11,579	67,504	71,059
Office Equipment	624	–	–	624	180	124	–	304	320	444
Computer	392	–	–	392	279	113	–	392	–	113
Furniture and Fixtures	135	–	–	135	55	27	–	82	53	80
Total	222,347	7,572	12,698	217,221	16,889	9,611	2,783	23,717	193,504	205,458
Previous year	212,068	10,729	–	222,347	7,630	9,259	–	16,889	–	–

Note :

Building includes certain area given on operating lease basis during the year :

	Gross Block	Depreciation			Net Block
	As at March 31, 2005	As at April 1, 2004	For the year	As at March 31, 2005	As at March 31, 2005
Previous Year	59,312	5,728	2,960	8,688	50,624
	59,023	2,816	2,912	5,728	53,295

Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2005 (Rs. '000)	As at March 31, 2004 (Rs. '000)
SCHEDULE : 4		
INVESTMENTS		
(Refer Note 5 on Schedule 13 and Note 9 on Schedule 14)		
Short Term		
Non Trade (Quoted)		
Mutual Funds and Bonds	24,520	-
	24,520	-
	24,520	-
<i>Aggregate Market Value of Quoted Investments</i>	24,594	-
<i>Aggregate Face Value of Quoted Investments</i>	23,875	-
SCHEDULE : 5		
SUNDRY DEBTORS		
(Unsecured, considered good)		
Billing Debtors :		
Debts outstanding for a period exceeding six months		
- Considered good	-	-
- Considered doubtful	339	-
Less : Provision	(339)	-
	-	-
Others		
- Considered good	6,455	7,743
	6,455	7,743
	6,455	7,743
SCHEDULE : 6		
CASH AND BANK BALANCES		
Balance with Scheduled Banks - in Current Account	2,199	792
	2,199	792
	2,199	792
SCHEDULE : 7		
OTHER CURRENT ASSETS, LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	10,479	6,660
Accrued Billing Revenue	3,280	3,297
Advance Tax [Net of provision for tax Rs. 11,128 thousand (Previous year Rs. 2,622 thousand)]	472	63
	14,231	10,020
	14,231	10,020

Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2005 (Rs. '000)	As at March 31, 2004 (Rs. '000)
SCHEDULE : 8		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors		
Total outstanding dues of Small Scale Industrial Undertakings*	-	-
Total outstanding dues of Creditors other than Small Scale Industrial Undertakings*	<u>7,635</u>	<u>5,160</u>
Advance received from customers	430	518
Other Liabilities	<u>257</u>	<u>1,486</u>
	<u><u>8,322</u></u>	<u><u>7,164</u></u>
* This information has been compiled in respect of parties to the extent they could be identified as Small Scale and ancillary undertakings on the basis of information available with the Company.		
Provisions		
(Refer Note 7 on Schedule 13 and Note 12 on Schedule 14)		
Gratuity	211	131
Leave Encashment	<u>294</u>	<u>125</u>
	<u>505</u>	<u>256</u>
	<u><u>8,827</u></u>	<u><u>7,420</u></u>

Schedules Annexed to and forming part of Accounts

Particulars	For the year ended March 31, 2005 (Rs. '000)	For the year ended March 31, 2004 (Rs. '000)
SCHEDULE : 9		
NETWORK OPERATING EXPENDITURE		
Power and Fuel	12,899	9,453
Repair and Maintenance - Plant and Machinery	2,067	3,946
	14,966	13,399
SCHEDULE : 10		
PERSONNEL EXPENDITURE		
Salaries, Wages and Bonus	4,309	4,836
Contribution to Provident and Other Funds	232	244
Staff Welfare	282	201
Recruitment and Training	44	42
	4,867	5,323
SCHEDULE : 11		
ADMINISTRATIVE AND OTHER EXPENDITURE		
[Refer Note 9(b) on Schedule 13]		
Legal and Professional	419	295
Rates and Taxes	533	556
Printing and Stationery	125	128
Travelling and Conveyance	12	143
Rent	454	4,922
Repairs and Maintenance - Others	720	665
Insurance	277	103
Provision for doubtful debts	339	-
Loss on sale of assets	5,138	-
Security	784	429
Miscellaneous	259	184
	9,060	7,425
SCHEDULE : 12		
FINANCE EXPENSES		
Finance Charges	827	926
	827	926
Less:		
Profit on Sale of Current Investments	532	-
Interest Income from Current Investments [Gross, Tax Deducted at Source Nil (Previous Year Nil)]	12	-
Exchange Fluctuation Gain (Net)	105	-
	649	-
	178	926

Schedules Annexed to and forming part of Accounts

SCHEDULE : 13

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. The accounts have been prepared under the historical cost convention on the accrual basis of accounting, in accordance with the generally accepted accounting principles in India and comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956 as adopted consistently by the Company.

2. FIXED ASSETS

Fixed Assets are stated at cost of acquisition and subsequent improvements thereto, including taxes, duties, freight and other incidental expenses related to acquisition and installation.

Capital work-in-progress is stated at cost.

3. DEPRECIATION

Depreciation is provided on straight-line method to write off the cost of fixed assets over their estimated useful lives as below:

	Rate of Depreciation
Building	5.00%
Plant and Machinery	6.67%/10.00%
Office Equipment	20.00%
Computer/Software	33.33%
Furniture and Fixtures	20.00%

Depreciation is provided for the full value on all assets individually costing less than Rs.5 thousand.

Software up to Rs. 500 thousand is written-off in the year of purchase.

4. REVENUE RECOGNITION

Revenue is recognised upon completion of services in accordance with the related contract.

5. INVESTMENT

Current Investments are valued at lower of cost and fair market value.

Long term Investments are valued at cost. Provision is made for diminution in value to recognise a decline, if any, other than that of temporary nature.

6. TRANSLATION OF ITEMS IN FOREIGN CURRENCY

Transactions in foreign currency are recorded at the exchange rate prevailing at the date of the transaction. Monetary items are restated at year-end foreign exchange rates. Resultant exchange differences arising on payment or conversion of liabilities are recognised as income or expense in the year 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.

7. RETIREMENT BENEFITS

Contribution to provident fund is made at predetermined rates and is charged to the Profit and Loss Account. The Company has provided for the liability at the year end on account of unavailed earned leave and gratuity, payable to its employees, as per the actuarial valuation done on the basis of projected unit credit method.

8. EARNINGS PER SHARE

The earnings considered in ascertaining the Company's earnings per share (EPS) comprises the net profit after tax. The number of shares used in computing basic and diluted EPS is the weighted average number of shares outstanding during the year.

Schedules Annexed to and forming part of Accounts

9. LEASES

a) Operating Leases – As Lessor

Building leased out under operating lease is capitalised in the books of the Company. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

b) Operating Leases – As Lessee

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

10. TAXATION

Tax expense for the year, comprising current tax and deferred tax is included in determining the net profit/(loss) for the year.

Deferred tax assets are recognised for all deductible timing differences and carried forward to the extent there is reasonable certainty that sufficient future taxable profit will be available against which such deferred tax assets can be realised.

Deferred tax assets to the extent they pertain to brought forward losses and unabsorbed depreciation, are recognised only to the extent that there is virtual certainty of realisation, based on expected profitability in the future as estimated by the Company.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the Balance Sheet date.

11. SEGMENTAL REPORTING

a) Primary Segment:

The Company operates only in one business segments viz. Long Distance Services.

b) Secondary Segment:

The Company has operations within India as well as with entities located in other countries.

12. PROVISIONS

Provisions are recognised when the company has a present obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

13. IMPAIRMENT OF ASSETS

Assets that are subject to amortization / Depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets' fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Schedules Annexed to and forming part of Accounts

SCHEDULE : 14 NOTES TO ACCOUNTS

1. The Company was incorporated on October 3, 2000 with the object of, inter alia, setting up landing stations for handling data and voice transmission in and out of India in association with Domestic Long Distance operators and submarine cable companies.

The Company had obtained an "in principle" approval to run and operate the Chennai Submarine Cable Landing Station, which links submarine cable between India and Singapore. Pursuant to the above approval, the Company had commenced its commercial operations on July 19, 2002.

2. The Company had obtained licenses under the EPCG scheme for importing capital goods at a concessional rate of customs duty against submission of bank guarantee and bonds.

The said scheme provided that the company is required to export goods of FOB value equivalent to, or more than, eight times the duty saved on the capital goods imported, within a period of eight years from the date of respective licenses. Accordingly, the Company is now required to export goods of FOB value of Rs. 42,074 thousand (Previous year Rs. 1,384,798 thousand).

3. Estimated amount of contracts to be executed on the capital account and not provided for (net of advances) as on March 31, 2005 – Nil (Previous year Nil).

	(Rs. '000)	
	For the year ended March 31, 2005	For the year ended March 31, 2004
4. a) Expenditure/Earnings in Foreign Currency :		
Traveling Expenses	–	72
Service Revenue	13,854	23,482
b) CIF Value of Imports :		
Fixed Assets	2,136	–
5. Remuneration to the auditors :		
Audit Fees *	200	205
* Excluding Service Tax.		

	(Rs. '000)	
	For the year ended March 31, 2005	For the year ended March 31, 2004
6. Computation of Earnings per Share (Basic and Diluted)		
a) Profit after tax attributable to Equity Shareholders (Rs. '000) (A)	14,061	24,971
b) Weighted average number of equity shares outstanding during the year (B)	2,500,000	2,500,000
c) Nominal value of equity shares (Rs.)	10/-	10/-
d) Profit/Loss per Share (Rs.) (A)/(B)	5.62	9.99

7. The balances as assessed for the year ended March 31, 2005 of deferred tax asset / (liability) are as follows:

	(Rs. '000)	
	2004-2005	2003-2004
Deferred Tax Assets / (Liability) arising from:		
(i) Expenses charged in the financial statements but allowable as deductions in the future years under the Income Tax Act (to the extent considered realizable)	357	118
(ii) Difference between depreciation as per financial statements and depreciation as per Income Tax Return.	(6,420)	(4,753)
Net Deferred Tax Liability	(6,063)	(4,635)

Schedules Annexed to and forming part of Accounts

The Tax impact for the above purpose has been arrived at by applying a tax rate of 33.66% being the prevailing tax rate for Indian Companies under the Income Tax Act, 1961.

8. Related Party Disclosures :

In accordance with the requirements of Accounting Standard (AS)-18 on Related Party Disclosures, the names of the related parties where control exists and/or with whom transactions have taken place during the year and description of relationships, as identified and certified by the management are:

Name of the Related Party	Relationship
Bharti Tele-Ventures Limited	Holding Company
Network i2i Limited	Associate Company

2004-05		(Rs. '000)	
Nature of Transaction	Bharti Tele-Ventures Limited	Network i2i Limited	
Opening Balance	8,218	3,272	
Fund transferred	13,629	-	
Fund received	(75,986)	-	
Payment received for expenses incurred	(6,449)	-	
Expenses incurred on behalf of Group Companies	20,282	1,802	
Expenses incurred by Group Companies	(182)	-	
Sale of services to Group Companies	46,992	13,475	
Payment received against sale of services	-	(10,185)	
Purchase of Services from Group Companies	(113)	-	
Payment made to Group Companies for purchase of service rendered	113	-	
Employee Related Transaction incurred on behalf of Group Companies	554	-	
Employee related transaction incurred by group company on behalf of us	(771)	-	
Closing Balance	6,287	8,364	
Loan and Advances	3,660	-	
Debtors	2,627	8,364	
Closing Balance	6,287	8,364	

Note : The above excludes provision of telephone services free of cost among the group Companies.

9. The details of investments as per Schedule VI are provided below :

(A) Details of Investment held as at March 31, 2005

Particulars	Rate of Interest	(Rs. '000)					
		As at March 31, 2005	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004	As at March 31, 2004	As at March 31, 2004
		Number(s)	Face Value	Cost	Number(s)	Face Value	Cost
TFRSIG Tata floating rate short term inst. plan growth		2,387,490	23,875	24,520	-	-	-
Total		2,387,490	23,875	24,520	-	-	-

Schedules Annexed to and forming part of Accounts

(B) Details of Investment purchased and redeemed / sold during the year

Particulars	Numbers	Face Value	(Rs. '000)		
			Balance as on April 1, 2004	Purchased during the year	Proceeds from Sale / Redemption
Grindlays Cash Fund	168,692.38	1,687	–	2,000	2,044
Grindlays Cash Fund	421,730.95	4,217	–	5,000	5,109
Grindlays Cash Fund	167,060.65	1,671	–	2,000	2,024
Grindlays Floating Rate Inst. Plan - B	413,493.11	4,135	–	5,000	5,033
Grindlays Floating Rate Inst. Plan - B	413,493.11	4,135	–	5,000	5,033
Grindlays Floating Rate Fund Growth	844,199.91	8,442	–	9,177	9,190
Grindlays Floating Rate Inst. Plan - B	185,583.85	1,856	–	1,992	2,000
Grindlays Floating Rate Inst. Plan - B	855,301.40	8,553	–	9,190	9,318
Grindlays Floating Rate Inst. Plan - B	368,595.65	3,686	–	4,000	4,016
Grindlays Floating Rate Inst. Plan - B	275,732.76	2,757	–	3,000	3,004
Grindlays Floating Rate Inst. Plan - B	752,112.96	7,521	–	8,074	8,194
TFRSIG Tata Floating Rate Short Term Inst. Plan Growth	2,387,490	23,875	–	24,520	–
Total				78,953	54,965

10. Leases

(a) Operating Lease – As a Lessee

The Company had taken an office at Mumbai on operating lease basis for an initial period of 3 years, which was non-cancellable. The Lease was terminated during the year March 31, 2004. The Lease rental charged on account of the full and final settlement amounts to Rs.454 thousands (Previous year Lease rental Rs. 4,922 thousands).

(b) Operating Lease – As a Lessor

The Company has given a building at Chennai on operating lease basis to certain companies, which is cancellable. The building is capitalized under fixed assets of the company and the rental income of Rs.20,334 thousands (Previous year Rs. 22,505 thousands) is accounted for on a straight line basis over the lease term.

11. Segmental Results

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company.

Schedules Annexed to and forming part of Accounts

The following table presents the revenue, profit/(loss), assets and liabilities information relating to the respective Business Segments for the year ended March 31, 2005.

Information about Business Segment - Primary

For the year ended March 31, 2005

	(Rs. '000)		
Reportable Segments	Long Distance Services	Others	Total
REVENUE			
Billing Revenue and Other Income	42,343	20,334	62,677
TOTAL REVENUE	42,343	20,334	62,677
RESULTS			
Segment Result, Profit/(Loss)	6,800	17,373	24,173
Net Finance Expenses/(Income)	–	178	178
NET PROFIT/(LOSS)	6,800	17,195	23,995
Provision for Tax	–	8,506	8,506
Deferred Tax (Expense)/Income	–	1,428	1,428
NET PROFIT/(LOSS) AFTER TAX	6,800	7,261	14,061
OTHER INFORMATION			
Segment Assets	184,092	56,345	240,437
Inter Segment Assets	–	–	–
Advance Tax (Net of Provision for Tax)	–	472	472
TOTAL ASSETS	184,092	56,817	240,909
Segmental Liabilities	8,827	–	8,827
Deferred Tax Liability	–	6,063	6,063
TOTAL LIABILITIES	8,827	6,063	14,890
Capital Expenditure	7,572	–	7,572
Depreciation	6,651	2,960	9,611

Notes :

1. 'Others' represents the unallocated revenue, profit/(loss), assets and liabilities of the Company.
2. Capital expenditure pertains to gross additions made to fixed assets during the year.
3. Segment Assets include Fixed Assets, Capital Work-in-Progress and Current Assets.
4. Segment Liabilities include Current Liabilities and Provisions.
5. The Accounting Policies used to derive reportable segment results are consistent with those described in the 'Significant Accounting Policies' note to the financial statements.

Schedules Annexed to and forming part of Accounts

Information about Geographical Segment – Secondary

The Company has operations within India as well as with entities located in other countries. The information relating to the Geographical Segments in respect of operations within India, Mauritius and the remaining portion being attributable to others, is presented below:

Particulars	(Rs. '000)
	Year ended March 31, 2005
Segment Revenue from external customers based on geographical location of customers (including Other Income)	
India	48,824
Mauritius	13,145
Others	708
	<u>62,677</u>
Carrying amount of Segment Assets by geographical location	
India	232,496
Mauritius	8,413
Others	–
	<u>240,909</u>
Cost incurred during the year to acquire segment assets by geographical location	
India	7,572
Mauritius	–
Others	–
	<u>7,572</u>

Notes :

- 'Others' represents the unallocated revenue, assets and acquisition of segment assets of the Company.
- Assets include Fixed Assets, Capital Work-in-Progress and Current Assets.
- Cost incurred to acquire segment assets pertain to gross additions made to Fixed Assets during the year.
- The Company has adopted AS-29 'Provision, Contingent Liabilities and Contingent Assets' issued by the Institute of Chartered Accountants of India during the year ended March 31, 2005. The movement of provision made for leave encashment is given below :

	(Rs. '000)	
	Year ended March 31, 2005	Year ended March 31, 2004
Opening Balance as on April 1, 2004	125	75
Addition during the year	169	50
Less : Utilised during the year	–	–
Closing Balance as on March 31, 2005	<u>294</u>	<u>125</u>

- Previous year figures have been regrouped or reclassified wherever necessary to conform to the classification adopted in the current year.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. 1 0 8 0 0 6 State Code 5 5

Balance Sheet Date 3 1 - 0 3 - 0 5
Date Month Year

II. Capital raised during the year (Amount in thousands)

Public Issue

N I L

Bonus Issue

N I L

Rights Issue

N I L

Private Placement

N I L

III. Position of mobilisation and deployment of funds (Amount in thousands)

	Total Liabilities	<input type="text" value=""/> <input type="text" value=""/> 2 3 2 0 8 2	Total Assets	<input type="text" value=""/> <input type="text" value=""/> 2 3 2 0 8 2
Sources of funds	Paid up Capital	<input type="text" value=""/> <input type="text" value=""/> 2 5 0 0 0	Reserves & Surplus	<input type="text" value=""/> <input type="text" value=""/> 2 0 1 0 1 9
	Secured Loans	<input type="text" value=""/> -	Unsecured Loans	<input type="text" value=""/> -
Application of funds	Net Fixed Assets	<input type="text" value=""/> <input type="text" value=""/> 1 9 3 5 0 4	Investments	<input type="text" value=""/> <input type="text" value=""/> 2 4 5 2 0
	Net Current Assets	<input type="text" value=""/> <input type="text" value=""/> 1 4 0 5 8	Miscellaneous Expenditure	<input type="text" value=""/> -
	Accumulated Losses	<input type="text" value=""/> -		

IV. Performance of the Company (Amount in thousands)

Turnover	<input type="text" value=""/> <input type="text" value=""/> 6 2 6 7 7	Total Expenditure	<input type="text" value=""/> <input type="text" value=""/> 3 8 6 8 2
Profit/(Loss) Before Tax	<input type="text" value=""/> <input type="text" value=""/> 2 3 9 9 5	Profit/(Loss) After Tax	<input type="text" value=""/> <input type="text" value=""/> 1 4 0 6 1
Earning per Share in Rs.	<input type="text" value=""/> <input type="text" value=""/> 5 . 6 2	Dividend Rate	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> N I L

V. Generic names of three principal products/services of the Company (as per monetary terms)

Item Code No. (ITC Code) N O T A P P L I C A B L E

Product Description N O T A P P L I C A B L E

On behalf of the Board

BADRI AGARWAL
Director

VIRESH DAYAL
Director

ANUPAM GARG
Company Secretary

VIVEK AGRAWAL
Chief Financial Officer

Place : New Delhi
Date : July 7, 2005