

# Bharti Aquanet Limited

# Directors' Report

To Our Members

The Directors take pleasure in presenting the Fourth Annual Report and Audited Statement of Accounts for the year ending March 31, 2004.

## BUSINESS REVIEW

During first full year of operations, your Company has provisioned 19 STM1s at its landing station in Chennai. In all 24 STM1s have been provisioned out of which one is under implementation/testing.

Network uptime of 99.9999% has been achieved for the month of March 2004 in respect of 23 operational STM1s.

The Company is fully equipped to provide 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, 2004 as compared with the earlier year as under:

Particulars	As on March 31, 2004 (Rs. in Thousand)	As on March 31, 2003 (Rs. in Thousand)
Service Revenue and other income	67,955	14,987
Profit/(Loss) before Finance Expense, Depreciation and Amortisation	41,808	(2,235)
Finance Expenses	926	782
Profit before Depreciation and Pre-operative income and Amortisation	40,882	(3,017)
Depreciation and Amortisation	9,259	6,865
Profit Before Tax	31,623	(8,783)
Income Tax	2,017	-
Deferred Tax	4,635	-
<b>Profit After Tax</b>	<b>24,971</b>	<b>(8,783)</b>

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

## DIVIDEND

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

## DIRECTORS

- During the period under review, Mr. Ng Seng Sum resigned from the Board of Directors. The Board places on record their sincere appreciation for the services rendered by him during his tenure as Director of the Company.

- Ms. Lian Bee Leng was appointed as an Additional Director on the Board of the Company. Pursuant to the provisions of Section 260 of the Companies Act, 1956, Ms. Lian Bee Leng 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 Ms. Lian Bee Leng as Director of the Company. Ms. Lian Bee Leng has also given a confirmation to the Company that she is, otherwise, not disqualified, in terms of Section 274 of the Companies Act, 1956.

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

- Mr. Badri Agrawal and Ms. Jeann Low Ngiap Jong, 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 sought or accepted any deposits from the Public and is therefore not required to furnish information in respect of outstanding deposits under Non-Banking Non-Financial Companies (Reserve Bank) Directions, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.

## 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.

Your Directors recommend 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. 23,482,000. The total Foreign Exchange outgo was Rs. 72,000 as compared to nil Foreign Exchange Earnings and 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, 2004 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 the Board  
**BADRI AGRAWAL**      **VIRESH DAYAL**  
Director                      Director

Place: New Delhi  
Date : April 20, 2004

# 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, 2004 and the related Profit and Loss Account 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 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 (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 of the Company have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
    - (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)
    - (a) As indicated in Schedule 3, the Company has taken interest free unsecured loans from its holding Company and ultimate holding Company during the year, of which the balance outstanding at the year-end aggregates to Rs. 7,994 thousands. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
    - (b) In our opinion, the terms and conditions of the aforesaid unsecured loans taken by the Company are not prima facie prejudicial to the interest of the Company.
    - (c) As per the information made available to us, the interest free loans taken by the Company are repayable on demand and repayments made during the year are as mutually agreed.
    - (d) In respect of the aforesaid loans, as per the information made available to us, there is no overdue amount more than Rupees One Lakh.
  - (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. There is no purchase of inventories and sale of goods. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India we have neither come across nor have been informed of any instance of continuing failure to correct major weaknesses in the aforesaid internal control procedures.
  - (v) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into the register in pursuance of Section 301 of Act. Accordingly, clause (v)(b) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company for the current year.
  - (vi) The Company has not accepted any deposits under the provisions 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 services 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 records of the Company examined by us and the information and explanations given to us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues in respect of 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 records of the Company examined by us and the information and explanations given to us, there are no dues of sale 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 is not applicable to the Company for the current year.
- (xi) The Company did 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) Other than the short-term loans, repayable on demand, taken by the Company from its holding Company and ultimate holding Company as referred to in paragraph (iii)(a) above, the Company has not taken 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. The Company has not raised any funds on long term basis.
- (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 issue 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, no fraud (i.e., intentional material misstatements resultant from fraudulent financial reporting and misappropriation of assets) on or by the Company has been noticed or reported during the year by the Company.

4. Further to our comments 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet and Profit and Loss Account 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 as on March 31, 2004 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2004 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, 2004; and
  - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

Place : New Delhi  
Date : April 20, 2004

**U. RAJEEV**  
Partner  
Membership No. F 87191  
For and on behalf of  
**PRICE WATERHOUSE**  
Chartered Accountants

## Balance Sheet as at March 31, 2004

Particulars	Schedule No.	As at March 31, 2004 (Rs. '000)	As at March 31, 2003 (Rs. '000)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	25,000	25,000
Reserves and Surplus	2	186,958	175,000
<b>Loan Funds</b>			
Unsecured Loans	3	7,994	16,552
<b>Deferred Tax Liability (Net)</b> (Refer Note 9 on Schedule 16)		4,635	–
		<u>224,587</u>	<u>216,552</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>	4		
Gross Block		222,347	212,068
Less: Depreciation		16,889	7,630
<b>Net Block</b>		205,458	204,438
Capital Work-in-Progress		–	182
		<u>205,458</u>	<u>204,620</u>
<b>Current Assets, Loans and Advances</b>			
Sundry Debtors	5	7,743	–
Cash and Bank Balances	6	792	145
Other Current Assets, Loans and Advances	7	18,014	19,711
		<u>26,549</u>	<u>19,856</u>
<b>Less : Current Liabilities and Provisions</b>	8		
Current Liabilities		7,164	20,184
Provisions		256	753
		<u>7,420</u>	<u>20,937</u>
<b>Net Current Assets</b>		19,129	(1,081)
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	9	–	–
<b>Profit and Loss Account</b>		–	13,013
		<u>224,587</u>	<u>216,552</u>
<b>Statement of Significant Accounting Policies</b>	15		
<b>Notes to Accounts</b>	16		

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  
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 : April 20, 2004

## Profit and Loss Account for the year ended March 31, 2004

Particulars	Schedule No.	For the year ended March 31, 2004 (Rs. '000)	For the year ended March 31, 2003 (Rs. '000)
<b>INCOME</b>			
Service Revenue		45,186	1,060
Rent		22,505	13,927
Provision no longer required written back		264	–
		<u>67,955</u>	<u>14,987</u>
<b>EXPENDITURE</b>			
Network Operating	10	13,399	6,861
Personnel	11	5,323	3,875
Administrative and Others	12	7,425	6,486
		<u>26,147</u>	<u>17,222</u>
Operating Profit/( Loss) before Finance Expenses (Net), Depreciation, Amortisation and Tax		41,808	(2,235)
Finance Expenses (Net)	13	926	782
Depreciation		9,259	6,505
Amortisation of Preliminary Expenditure	9	–	360
Pre-operative Income (Net)	14	–	1,099
Profit/(Loss) for the year		<u>31,623</u>	<u>(8,783)</u>
Tax Expense			
– Current Tax		2,017	–
– Deferred Tax		4,635	–
(Refer Note 9 on Schedule 16)		<u>–</u>	<u>–</u>
Profit/(Loss) for the year		24,971	(8,783)
(Loss) brought forward		(13,013)	(4,230)
Profit/(Loss) carried to Balance Sheet		<u>11,958</u>	<u>(13,013)</u>
Earning/(Loss) per Share (in Rs.) (Refer Note 8 on Schedule 15 and Note 6 on Schedule 16)		9.99	(3.51)
Statement of Significant Accounting Policies	15		
Notes to Accounts	16		

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  
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 : April 20, 2004



## Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2004 (Rs. '000)	As at March 31, 2003 (Rs. '000)
<b><u>SCHEDULE : 1</u></b>		
<b><u>SHARE CAPITAL</u></b>		
<b>Authorised</b>		
5,000,000 (Previous year 5,000,000) Equity Shares of Rs. 10/- each	50,000	50,000
<b>Issued, Subscribed and Paid-up</b>		
2,500,000 (Previous year 2,500,000) Equity Shares of Rs.10/- each	25,000	25,000
	25,000	25,000
Of the above, 1,275,000 (Previous year 1,275,000) Equity Shares of Rs. 10/- each are held by Bharti Infotel Limited, the Holding Company		
<b><u>SCHEDULE : 2</u></b>		
<b><u>RESERVES AND SURPLUS</u></b>		
Share Premium Account	175,000	175,000
Profit and Loss Account	11,958	-
	186,958	175,000
<b><u>SCHEDULE : 3</u></b>		
<b><u>UNSECURED LOANS</u></b>		
Short Term – Others :		
From Bharti Tele-Ventures Limited, the ultimate Holding Company	305	-
From Bharti Infotel Limited, the Holding Company	7,689	16,552
	7,994	16,552

## Schedules Annexed to and forming part of Accounts

### SCHEDULE 4 : FIXED ASSETS

[Refer Notes 2, 3 and 9(a) on Schedule 15 and Note 7 on Schedule 16]

Particulars	Gross Block			Depreciation			Net Block	
	As at April 1, 2003	As at March 31, 2004	As at April 1, 2003	For the Year	As at March 31, 2004	As at March 31, 2004	As at March 31, 2003	
	Additions							
Freehold Land	89,282	89,282	—	—	—	89,282	89,282	
Plant and Machinery	44,259	53,217	3,644	5,093	8,737	44,480	40,615	
Building	77,376	78,697	3,755	3,883	7,638	71,059	73,621	
Office Equipment	624	624	55	125	180	444	569	
Computers	392	392	148	131	279	113	244	
Furniture and Fixtures	135	135	28	27	55	80	107	
<b>Total</b>	<b>212,068</b>	<b>222,347</b>	<b>7,630</b>	<b>9,259</b>	<b>16,889</b>	<b>205,458</b>	<b>204,438</b>	
Previous year	309	211,759	26	7,604	7,630			

(Rs. '000)

Capital Work-in-Progress [including capital advances Rs. Nil (Previous year Rs. 182 thousand)]

182

205,458

204,620

Note :

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

	Gross Block		Depreciation		Net Block	
	As at March 31, 2004	As at April 1, 2003	For the year	As at March 31, 2004	As at March 31, 2004	As at March 31, 2004
Previous Year	60,746	2,816	181	2,997	57,749	57,749
	58,033	—	2,816	2,816	55,217	55,217

## Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2004 (Rs. '000)	As at March 31, 2003 (Rs. '000)
<b><u>SCHEDULE : 5</u></b>		
<b><u>SUNDRY DEBTORS</u></b>		
(Unsecured, considered good)		
<b>Billing Debtors :</b>		
Other debts	7,743	-
	<u>7,743</u>	<u>-</u>
<b><u>SCHEDULE : 6</u></b>		
<b><u>CASH AND BANK BALANCES</u></b>		
Balance with Scheduled Banks - in Current Account	792	145
	<u>792</u>	<u>145</u>
<b><u>SCHEDULE : 7</u></b>		
<b><u>OTHER CURRENT ASSETS, LOANS AND ADVANCES</u></b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	14,654	19,711
Advance Billing Revenue	3,297	-
Advance Tax [Net of provision for tax Rs. 2,622 thousand (PREVIOUS YEAR Rs. Nil)]	63	-
	<u>18,014</u>	<u>19,711</u>
<b><u>SCHEDULE : 8</u></b>		
<b><u>CURRENT LIABILITIES AND PROVISIONS</u></b>		
<b>Current Liabilities</b>		
Sundry Creditors		
- Due to Small Scale Industrial Undertakings*	-	-
- Due to Others	5,160	10,114
	<u>5,160</u>	<u>10,114</u>
Security Deposit	-	10,000
Advance received from customers	518	-
Other Liabilities	1,486	70
	<u>7,164</u>	<u>20,184</u>
* The above 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.		
<b>Provisions</b>		
(Refer Note 6 on Schedule 15)		
Gratuity	131	72
Leave Encashment	125	76
Provision for Tax	-	605
	<u>256</u>	<u>753</u>
	<u>7,420</u>	<u>20,937</u>
<b><u>SCHEDULE : 9</u></b>		
<b><u>MISCELLANEOUS EXPENDITURE</u></b>		
(to the extent not written off)		
<b>Preliminary Expenses</b>		
Opening Balance	-	360
Less: Charged-off during the year	-	360
	<u>-</u>	<u>-</u>

## Schedules Annexed to and forming part of Accounts

Particulars	For the year ended March 31, 2004 (Rs. '000)	For the year ended March 31, 2003 (Rs. '000)
<b><u>SCHEDULE : 10</u></b>		
<b><u>NETWORK OPERATING EXPENDITURE</u></b>		
Power and Fuel	9,453	5,605
Repair and Maintenance - Plant and Machinery	3,946	1,256
	13,399	6,861
<b><u>SCHEDULE : 11</u></b>		
<b><u>PERSONNEL EXPENDITURE</u></b>		
Salaries, Wages and Bonus	4,836	3,532
Contribution to Provident and Other Funds	244	159
Staff Welfare	201	184
Recruitment and Training	42	-
	5,323	3,875
<b><u>SCHEDULE : 12</u></b>		
<b><u>ADMINISTRATIVE AND OTHER EXPENDITURE</u></b>		
[Refer Note 9(b) on Schedule 15 and Note 8 on Schedule 16]		
Legal and Professional Charges	295	262
Rates and Taxes	556	531
Printing and Stationery	128	84
Travelling and Conveyance	143	1,304
Rent	4,922	2,741
Repairs and Maintenance - Others	665	584
Insurance	103	280
Security	429	444
Miscellaneous	184	256
	7,425	6,486
<b><u>SCHEDULE : 13</u></b>		
<b><u>FINANCE EXPENSES</u></b>		
Finance Charges	926	812
	926	812
<b>Less:</b>		
Profit on Sale of Current Investments (Net)	-	17
Interest Income from Current Investment [Gross, Tax Deducted at Source Nil (Previous Year Nil)]	-	13
	-	30
	926	782



## Schedules Annexed to and forming part of Accounts

### 3. DEPRECIATION

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

	<b>Rate of Depreciation</b>
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. 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.

### 6. 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.

### 7. PRE-OPERATIVE EXPENDITURE

Expenditure incurred by the Company upto the date of commencement of commercial operations is treated as Pre-operative expenditure and amortised upon such commencement.

### 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.

### 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.

## Schedules Annexed to and forming part of Accounts

### SCHEDULE : 16

#### 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 CIF value of capital goods at a concessional rate of customs duty against submission of bank guarantee and bonds.

The scheme originally stipulated that the Company was required to export goods of FOB value equivalent to, or more than, five times the CIF value of imports within a period of eight years from the date of respective licences.

During the year, the above export obligation has been re-fixed by the order of Director General Foreign Trade, Ministry of Finance, whereby 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, under the re-fixed obligation, the Company is now required to export goods of FOB value of 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, 2004 – Nil (Previous year Rs. 5,298 thousand).

	(Rs. '000)	
	<u>March 31, 2004</u>	<u>March 31, 2003</u>
4. Expenditure/Earnings in Foreign Currency :		
Traveling Expenses	72	–
Service Revenue	23,482	–
5. Remuneration to the auditors :		
Audit Fees *	205	167
* Excluding Service Tax.		
6. Computation of Earnings per Share (Basic and Diluted)		
	<u>For the year ended</u> <u>March 31, 2004</u>	<u>For the year ended</u> <u>March 31, 2003</u>
a) Profit/Loss after tax attributable to Equity Shareholders (Rs. '000) (A)	24,971	(8,783)
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)	9.99	(3.51)

7. 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 is accounted for on a straight line basis over the lease term.

8. The Company has taken an office at Mumbai on operating lease basis for an initial period of 3 years, which is non-cancellable. The lease rentals paid are charged to the Profit and Loss Account on a straight-line basis over the lease term and the future obligations on the said lease are as follows :

## Schedules Annexed to and forming part of Accounts

Particulars	(Rs. '000)	
	March 31, 2004	March 31, 2003
Rent expense for the year charged to the Profit and Loss Account	4,922	3,542
Future obligation*:		
Not later than one year	–	3,442
Later than one year and not later than five years	–	2,008
<b>Total</b>	<b>–</b>	<b>5,450</b>

\* During the year, the above lease agreement has been terminated and accordingly, future obligation is nil as at March 31, 2004.

9. The balances as assessed for the year ended March 31, 2004 of deferred tax asset/(liability) are as follows :

	(Rs. '000)	
	2003-2004	2002-2003
Deferred Tax Assets/(Liability) arising from:		
(i) Expenses charged in the financial statements but allowable as deductions in other years under the Income Tax Act	118	156
(ii) Unabsorbed depreciation allowance and unabsorbed business loss carried forward (to the extent considered realisable)	Nil	3,975
(iii) Difference between carrying amount of fixed assets and license fee in the financial statements and the Income Tax Return.	(4,753)	(4,131)
<b>Net balance</b>	<b>(4,635)</b>	<b>Nil</b>

The Tax impact for the above purpose has been arrived at by applying a tax rate of 35.875% being the prevailing tax rate for Indian companies under the Income Tax Act, 1961.

10. 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 4  
Date Month Year

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

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

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

Sources of funds	Total Liabilities	Total Assets
	<input type="text" value=""/> <input type="text" value=""/> 2 2 4 5 8 7	<input type="text" value=""/> <input type="text" value=""/> 2 2 4 5 8 7
	Paid up Capital	Reserves & Surplus
	<input type="text" value=""/> <input type="text" value=""/> 2 5 0 0 0	<input type="text" value=""/> <input type="text" value=""/> 1 8 6 9 5 8
Application of funds	Secured Loans	Unsecured Loans
	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> -	<input type="text" value=""/> <input type="text" value=""/> 7 9 9 4
	Net Fixed Assets	Investments
	<input type="text" value=""/> <input type="text" value=""/> 2 0 5 4 5 8	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> -
	Net Current Assets	Miscellaneous Expenditure
	<input type="text" value=""/> <input type="text" value=""/> 1 9 1 2 9	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> -
	Accumulated Losses	
	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> -	

## IV. Performance of the Company (Amount in thousands)

Turnover (including other income)	Total Expenditure
<input type="text" value=""/> <input type="text" value=""/> 6 7 9 5 5	<input type="text" value=""/> <input type="text" value=""/> 3 6 3 3 2
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
<input type="text" value=""/> <input type="text" value=""/> 3 1 6 2 3	<input type="text" value=""/> <input type="text" value=""/> 2 4 9 7 1
Earning per Share in Rs.	Dividend Rate
<input type="text" value=""/> <input type="text" value=""/> 9 . 9 9	<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 : April 20, 2004