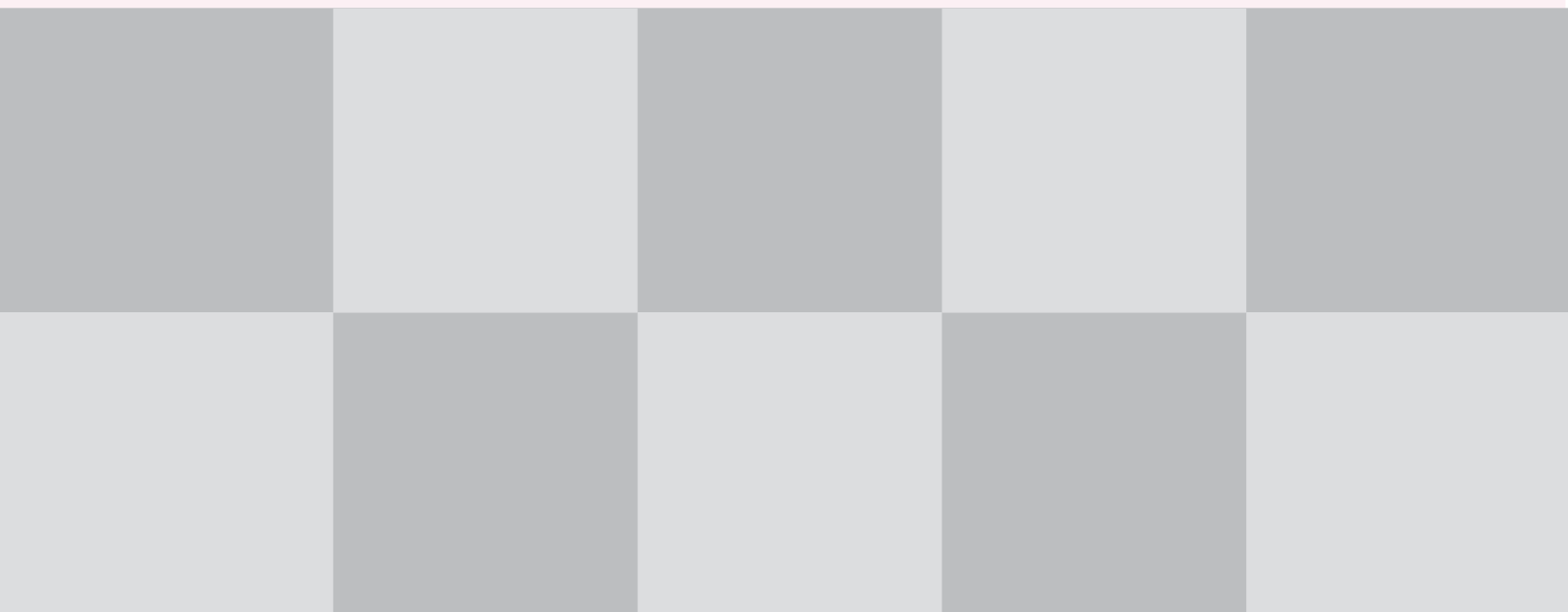


**Bharti Broadband Limited**  
**(Formerly Comsat Max Limited)**



# Directors' Report

The Directors are pleased to present the Eleventh Annual Report and Audited Accounts for the year ended March 31, 2005.

## FINANCIAL RESULTS

During the year under review, the Company faced tremendous pressure on its margins due to the changes on various fronts including market, manpower and regulatory. Increased competition and availability of low cost effective network solutions through dedicated Lease Line/ISDN lines had an adverse effect on the competitiveness of the business. The drop in the price realization was much more than the drop in the input facilities and hence the Company had no option but to offer its products at very competitive rates. The change in license norms by Department of Telecommunication (DoT) for VPN services forced the Company to discontinue and exit from this line of business.

The Company witnessed one of the highest attrition rates in the industry and this affected the smooth functioning of business during the year. These developments had an adverse impact on the performance of the Company resulting in a drop in the turnover for the year under review to Rs.35.75 crores as compared to Rs.43.60 crores during the previous year.

Summary of financials for the year ended March 31, 2005 is as under :

(Rs. in Thousand)

| Particulars           | As on<br>March 31, 2005 | As on<br>March 31, 2004 |
|-----------------------|-------------------------|-------------------------|
| Gross Revenue         | 357,538                 | 436,095                 |
| Total Expenditure     | 411,368                 | 354,436                 |
| EBITDA                | (53,830)                | 81,659                  |
| Finance Expenses      | 16,863                  | 27,519                  |
| Depreciation          | 45,703                  | 35,120                  |
| Amortisation          | 491                     | 491                     |
| Deferred Tax Expenses | –                       | (8,485)                 |
| Net Profit/(Loss)     | (116,887)               | 27,014                  |

Further, the accounting policies of the Company have been realigned with that of Bharti group policies. As a result, additional provisions have been made in respect of receivables and spares. The net result of all these changes have been that the Company has made a loss of Rs.11.69 crores for the year ended 2004-05 as against Profit of Rs. 2.70 crore for the previous year.

## DIVIDEND

In view of the accumulated losses, the Directors are unable to recommend any dividend on Equity Shares.

## BUSINESS OPERATIONS

The Company's planned foray into Overseas Technical Support Services paid rich dividends and orders worth Rs.0.58 crore were executed during the year. However, other initiatives in value added services have not yielded the desired results. The large potential in the area of extension of VSAT support systems in the form of rental deals could not be implemented in view of the financial constraints.

However, with the acquisition of the Company by Bharti Group, the operations of the Company are expected to see a substantial change with respect to focus of business segment.

## CHANGE OF NAME OF THE COMPANY

Consequent upon acquisition of 100% equity stake of M/s. Max India Limited in the parent Company by M/s. Bharti Infotel Limited (since merged with Bharti Tele-Ventures Limited w.e.f. from 9th June 2005), the Company has become a part of the Bharti Group. In order to reflect the association with Bharti Group, the name of the Company has been changed from Comsat Max Limited to Bharti Broadband Limited. The Registrar of Companies, Maharashtra, Mumbai has issued a fresh certificate of Incorporation 23rd June, 2005 approving the said change of name.

## FIXED DEPOSITS

During the year, Company has not sought or accepted any deposits from the Public.

## DIRECTORS

During the year Mr. Sudipta K. Sen, Mr. Anajit Singh, Mr. B. Anantharaman and Mr. Surendra Kaul resigned from the directorship of the Company. The Board places on record its sincere appreciation for the services rendered by them during their tenure as Directors of the Company.

During the year under review, Mr. Akhil Gupta, Mr. Anil Nayar and Mr. Badri Agarwal were appointed as Additional Directors of the Company, pursuant to the provision of Section 260 of the Companies Act, 1956 read with Article 29 of Articles of Association of the Company and the said Directors hold office until the date of this AGM. The Company has received notices in writing from a Member of the Company proposing the names of the said Directors for appointment as Directors liable to retire by rotation at the AGM.

## AUDIT COMMITTEE

In view of the changes in the composition of Board of Directors of the Company, the Audit Committee of the Company has been reconstituted comprising of the following members, viz., Mr. Akhil Gupta, Mr. Anil Nayar and Mr. Badri Agarwal. The current terms of reference of this committee fully conform to the requirements of the Companies Act, 1956.

#### **AUDITORS' REPORT**

The observations made by the Auditors in their report are self-explanatory and have also been further amplified in the Notes to the Accounts, wherever required.

#### **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 as Auditors of the Company.

The Company has received a certificate from M/s. Price Waterhouse as required under Section 224 (1B) of the Companies Act, 1956 to the effect that their re-appointment, if made, will be in conformity with the limits specified in that Section.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

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 31st March, 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.

#### **ANNEXURE TO DIRECTORS' REPORT**

##### **a. Particulars of employees**

A statement giving particulars under Section 217(2A) of the Companies Act, 1956 as amended, read with the Companies (Particulars of Employees) Rules, 1975, for the year ended March 31, 2005 is annexed to the Report as Annexure - A.

##### **b. Additional information**

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the prescribed format annexed to the Report as Annexure - B.

#### **ACKNOWLEDGEMENT**

Your Directors take this opportunity to place on record their appreciation of wholehearted support received from State Government, Department of Telecommunication, WPC and TRAI of Government of India, COAI, various banks and Statutory and Internal Auditors, the subscribers, Dealers, Suppliers and all other Business Associates. The Directors also wish to place on record their sense of appreciation for the devoted services of all employees of the Company.

For and on behalf of the Board of Directors

**BADRI AGARWAL**      **AKHIL GUPTA**  
Managing Director      Director

Place : New Delhi  
Date : July 15, 2005

## ANNEXURE - A

### PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) read with Companies (Particulars of Employees) rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2005.

| Sl No. | Name                  | Age | Designation                                 | Nature of Duties                      | Remuneration (in Rs.) | Qualification                | Date of Commencement of employment | Experiences | Last Employment held Organisation | Designation               |
|--------|-----------------------|-----|---|---------------------------------------|-----------------------|------------------------------|------------------------------------|-------------|-----------------------------------|---------------------------|
| 1.     | Mr. C.S. Raghav Rao   | 41  | General Manager – OTSS & Tech. Services     | Technical & Overseas Support Services | 2,910,500             | B.Tech. (Elec. & Comn.), MBA | 20.11.1994                         | 18          | C-DOT                             | Senior Engineer           |
| 2.     | Mr. Sudipta K. Sen*   | 51  | Managing Director                           | General Management                    | 3,074,799             | B.Sc, MBA                    | 08.12.1995                         | 27          | Tata Information Systems Ltd.     | Country Head - Sales      |
| 3.     | Mr. Joyjit Chatterji* | 40  | Vice President – Sales & EDC Operation      | Sales & EDC Operation                 | 2,492,528             | B.E. (Elect. & Comn.)        | 20.09.1996                         | 18          | DDE ORG Systems Ltd.              | Regional Manager          |
| 4.     | Mr. Shrikant Mate*    | 43  | Chief Financial Officer & Company Secretary | Financial & Secretarial               | 1,465,007             | B.Com, ACA, ACS              | 11.10.1999                         | 20          | Bayer India Ltd.                  | General Manager - Finance |

Notes :

1. Remuneration comprises Salary, Allowances, Gratuity, Company's contribution to Provident Fund and Taxable value of perquisites.
2. \* Employed for part of the year.
3. None of the above Employees is related to any Director of the Company.
4. None of the above Employees hold any shares in the Share Capital of the Company.
5. The nature of Employment of all Employees is permanent except that of Mr. Sudipta K. Sen which was contractual.

For and on behalf of the Board of Directors

**BADRI AGARWAL**    **AKHIL GUPTA**  
Managing Director    Director

Place : New Delhi

Date : July 15, 2005

## ANNEXURE - B

### A. CONSERVATION OF ENERGY

- |   |     |
|---|-----|
| a. Energy Conservation  | Nil |
| b. Additional Investment and proposals, if any, for reduction of consumption of energy. | Nil |

### B. TECHNOLOGY ABSORPTION

- |   |     |
|---|-----|
| 1. Specific areas in which R&D carried out by the Company | Nil |
| 2. Benefits derived as a result of above                  | NA  |
| 3. Future Plan of Action                                  | NA  |
| 4. Expenditure on R&D                                     | NA  |

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to Exports, initiatives taken to increase exports, develop New Export Markets, Export Plans etc. NA

(Rs. in Millions)

|          | Year ended<br>31.03.2005 | Year ended<br>31.03.2004 |
|----------|--------------------------|--------------------------|
| Earnings | 24.0                     | 21.6                     |
| Outgo    | 22.1                     | 17.9                     |

For and on behalf of the Board of Directors

**BADRI AGARWAL**    **AKHIL GUPTA**  
Managing Director    Director

Place : New Delhi

Date : July 15, 2005

## Auditors' Report

### TO THE MEMBERS OF BHARTI BROADBAND LIMITED (FORMERLY COMSAT MAX LIMITED)

1. We have audited the attached Balance Sheet of Bharti Broadband Limited (Formerly Comsat Max 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 :
  1. (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 of by the company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) 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) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. 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 is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. 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 system.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Act.

6. 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.
  7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
  8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 for any of the products of the company.
  9. (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 generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.  
  
(b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2005 which have not been deposited on account of a dispute are disclosed in Note 3 on Schedule 21.
  10. The Company has accumulated losses as at March 31, 2005 and has incurred any cash losses in the financial year ended on that date and in the immediately preceding financial year. Also refer Note 17 on Schedule 21.
  11. According to the records of the company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
  12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the company.
  14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
  15. 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.
  16. The company has not obtained any term loans.
  17. 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.
  18. 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.
  19. The Company has not issued any debentures.
  20. The Company has not raised any money by public issues during the year.
  21. 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 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, as on March 31, 2005 and taken on record by the Board of Directors, 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 read with Note 10 on Schedule 21, 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 loss 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.

**V. NIJHAWAN**

Partner

Membership No. F87228

For and on behalf of

**PRICE WATERHOUSE**

Chartered Accountants

Place : New Delhi

Dated : July 15, 2005

## Balance Sheet as at March 31, 2005

| Particulars  | Schedule No. | As at March 31, 2005<br>(Rs. '000) | As at March 31, 2004<br>(Rs. '000) |
|--|--------------|------------------------------------|------------------------------------|
| <b>SOURCES OF FUNDS</b>  |              |                                    |                                    |
| <b>Shareholders' Funds</b>   |              |                                    |                                    |
| Share Capital  | 1            | 292,000                            | 292,000                            |
| Reserves and Surplus   | 2            | 51,083                             | 51,083                             |
| <b>Loan Funds</b>  |              |                                    |                                    |
| Secured Loans  | 3            | 1,235                              | 82,184                             |
| Unsecured Loans  | 4            | 173,369                            | 85,740                             |
| <b>Deferred Tax Liability (Net)</b><br>(Refer Note 13 on Schedule 20 and Note 15 on Schedule 21)                 |              | 8,811                              | 8,811                              |
|  |              | <u>526,498</u>                     | <u>519,818</u>                     |
| <b>APPLICATION OF FUNDS</b>  |              |                                    |                                    |
| <b>Fixed Assets</b>  |              |                                    |                                    |
| Gross Block  | 5            | 584,111                            | 573,463                            |
| Less: Depreciation   |              | 360,396                            | 317,910                            |
| Net Block  |              | <u>223,715</u>                     | <u>255,553</u>                     |
| Capital Work-in-Progress   |              | —                                  | 2,589                              |
|  |              | <u>223,715</u>                     | <u>258,142</u>                     |
| <b>Current Assets, Loans and Advances</b>  |              |                                    |                                    |
| Inventories  | 6            | 16,986                             | 54,425                             |
| Sundry Debtors   | 7            | 75,406                             | 107,295                            |
| Cash and Bank Balances   | 8            | 6,934                              | 437                                |
| Other Current Assets, Loans and Advances   | 9            | 131,799                            | 132,951                            |
|  |              | <u>231,125</u>                     | <u>295,108</u>                     |
| <b>Less: Current Liabilities and Provisions</b>  |              |                                    |                                    |
| Current Liabilities  | 10           | 134,259                            | 121,393                            |
| Provisions   |              | 1,794                              | 3,354                              |
|  |              | <u>136,053</u>                     | <u>124,747</u>                     |
| <b>Net Current Assets</b>  |              | <u>95,072</u>                      | <u>170,361</u>                     |
| <b>Miscellaneous Expenditure</b><br>(Refer Note 7 on Schedule 20)<br>(to the extent not written off or adjusted) | 11           | —                                  | 491                                |
| <b>Profit and Loss Account</b>   |              | <u>207,711</u>                     | <u>90,824</u>                      |
|  |              | <u>526,498</u>                     | <u>519,818</u>                     |
| <b>Statement of Significant Accounting Policies</b>  | 20           |                                    |                                    |
| <b>Notes to Accounts</b>   | 21           |                                    |                                    |

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.

**V. NIJHAWAN**  
Partner  
Membership No. F87228  
For and on behalf of  
**PRICE WATERHOUSE**  
Chartered Accountants

On behalf of the Board

**BADRI AGARWAL**  
Managing Director

**AKHIL GUPTA**  
Director

**A. VENKATESAN**  
Company Secretary

Place : New Delhi  
Date : July 15, 2005



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

|   | Schedule No. | For the year ended March 31, 2005<br>(Rs. '000) | For the year ended March 31, 2004<br>(Rs. '000) |
|---|--------------|---|---|
| <b>INCOME</b>   |              |   |   |
| Service Revenue   |              | 340,203   | 376,835   |
| Sale of Goods   |              | 17,224  | 50,189  |
| Other Income  | 12           | 111   | 9,071   |
|   |              | <u>357,538</u>                                  | <u>436,095</u>                                  |
| <b>EXPENDITURE</b>  |              |   |   |
| Network Operating Expenditure   | 13           | 160,453   | 170,492   |
| Cost of Sales of Goods  | 14           | 54,293  | 49,390  |
| Personnel   | 15           | 62,905  | 55,931  |
| Sales and Marketing   | 16           | 2,888   | 1,402   |
| Administrative and Others   | 17           | 130,829   | 77,221  |
|   |              | <u>411,368</u>                                  | <u>354,436</u>                                  |
| <b>Operating Profit/(Loss) before Finance Expense (Net), Depreciation, Amortisation and Tax</b> |              | (53,830)  | 81,659  |
| Finance Expenses (Net)  | 18           | 16,863  | 27,519  |
| Depreciation  |              | 45,703  | 35,120  |
| Amortisation of Preliminary Expenditure   | 19           | 491   | 491   |
| <b>Profit/(Loss) before Tax</b>   |              | <u>(116,887)</u>                                | <u>18,529</u>                                   |
| – Deferred Tax  |              | –   | (8,485)   |
| (Refer Note 13 on Schedule 20 and Note 15 on Schedule 21)                                       |              |   |   |
| <b>Profit/(Loss) for the year</b>   |              | (116,887)                                       | 27,014  |
| <b>Profit/(Loss) brought forward</b>  |              | (90,824)  | (117,838)                                       |
| <b>Profit/(Loss) carried to the Balance Sheet</b>   |              | <u>(207,711)</u>                                | <u>(90,824)</u>                                 |
| <b>Earning/(Loss) per Share (in Rs.)</b>  |              | (4.00)  | 0.93  |
| (Refer Note 11 on Schedule 20 and Note 16 on Schedule 21)                                       |              |   |   |
| <b>Statement of Significant Accounting Policies</b>   | 20           |   |   |
| <b>Notes to Accounts</b>  | 21           |   |   |

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

**V. NIJHAWAN**  
Partner  
Membership No. F87228  
For and on behalf of  
**PRICE WATERHOUSE**  
Chartered Accountants

On behalf of the Board

**BADRI AGARWAL**  
Managing Director

**AKHIL GUPTA**  
Director

**A. VENKATESAN**  
Company Secretary

Place : New Delhi  
Date : July 15, 2005

# Cash Flow Statement for the year ended March 31, 2005

|  | For the year<br>ended<br>March 31, 2005 |
|--|---|
| <b>A. Cash flow from operating activities:</b>                         |   |
| Net (loss)/profit before tax but after exceptional/extraordinary items | (116,887)                               |
| <b>Adjustments for:</b>  |   |
| Depreciation   | 45,703                                  |
| Interest Expense   | 17,866                                  |
| Interest Income  | (628)                                   |
| Deferred revenue expenditure written off                               | 53                                      |
| Preliminary Expenditure Written Off                                    | 438                                     |
| Provision for Bad and Doubtful Debts/Advances                          | 43,881                                  |
| Provision for Gratuity and Leave Encashment                            | (1,596)                                 |
| Provision for warranty   | 36                                      |
| <b>Operating profit before working capital changes</b>                 | <b>(11,134)</b>                         |
| <b>Adjustments for changes in working capital :</b>                    |   |
| – (INCREASE)/DECREASE in Sundry Debtors                                | (11,992)                                |
| – (INCREASE)/DECREASE in Other Receivables                             | 1,152                                   |
| – (INCREASE)/DECREASE in Inventories                                   | 37,439                                  |
| – INCREASE/(DECREASE) in Trade and Other Payables                      | 12,866                                  |
| <b>Cash generated from operations</b>                                  | <b>28,331</b>                           |
| <b>Net cash from operating activities</b>                              | <b>28,331</b>                           |
| <b>B. Cash flow from Investing activities:</b>                         |   |
| <b>Adjustments for changes in :</b>                                    |   |
| Purchase of fixed assets - Additions during the Year                   | (14,580)                                |
| Proceeds from Sale of fixed assets                                     | 3,304                                   |
| Interest Received (Revenue)  | 628                                     |
| <b>Net cash used in investing activities</b>                           | <b>(10,648)</b>                         |
| <b>C. Cash flow from financing activities:</b>                         |   |
| <b>Proceeds from long term borrowings</b>                              |   |
| RECEIPTS   | 87,629                                  |
| PAYMENTS   | –                                       |
| Net Proceeds from short term borrowings                                | (80,949)                                |
| Interest Paid  | (17,866)                                |
| <b>Net cash used in financing activities</b>                           | <b>(11,186)</b>                         |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>            | <b>6,497</b>                            |
| <b>Opening Cash and Cash Equivalents</b>                               | <b>437</b>                              |
| <b>Cash and cash equivalents as at March 31, 2005</b>                  | <b>6,934</b>                            |
| <b>Cash and cash equivalents comprise</b>                              |   |
| Cash, Cheques and Drafts (in hand) and Remittances in Transit          | 25                                      |
| Balance with Scheduled Banks   | 6,909                                   |

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

**V. NIJHAWAN**  
Partner  
Membership No. F87228  
For and on behalf of  
**PRICE WATERHOUSE**  
Chartered Accountants

On behalf of the Board

**BADRI AGARWAL**  
Managing Director

**AKHIL GUPTA**  
Director

**A. VENKATESAN**  
Company Secretary

Place : New Delhi  
Date : July 15, 2005

## Schedules Annexed to and forming part of Accounts

| Particulars   | As at<br>March 31, 2005<br>(Rs. '000) | As at<br>March 31, 2004<br>(Rs. '000) |
|---|---------------------------------------|---------------------------------------|
| <b><u>SCHEDULE : 1</u></b>  |                                       |                                       |
| <b><u>SHARE CAPITAL</u></b>   |                                       |                                       |
| <b>Authorised</b>   |                                       |                                       |
| 32,000,000 Equity Shares of Rs.10/- each  | <u>320,000</u>                        | <u>320,000</u>                        |
| <b>Issued, Subscribed and Paid up</b>   |                                       |                                       |
| 29,200,000 (Previous year 29,200,000) Equity Shares of Rs.10/- each   | <u>292,000</u>                        | <u>292,000</u>                        |
| Of the above, 29,200,000 (Previous year Nil) Equity Shares of Rs. 10/- each are held by Satcom Broadband Equipment Limited (formerly CMax Infocom Private Limited), the Holding Company | <u>292,000</u>                        | <u>292,000</u>                        |
| <b><u>SCHEDULE : 2</u></b>  |                                       |                                       |
| <b><u>RESERVES AND SURPLUS</u></b>  |                                       |                                       |
| <b>Capital Reserve</b>  |                                       |                                       |
| Opening Balance   | <u>51,083</u>                         | –                                     |
| Additions during the period   | –                                     | <u>51,083</u>                         |
|   | <u>51,083</u>                         | <u>51,083</u>                         |
| <b><u>SCHEDULE : 3</u></b>  |                                       |                                       |
| <b><u>SECURED LOANS</u></b>   |                                       |                                       |
| Loans and Advances from Banks :   |                                       |                                       |
| – Term Loan   | –                                     | 50,000                                |
| – Cash Credit   | <u>1,235</u>                          | <u>32,184</u>                         |
| (From ICICI Bank Limited repayable on demand. Secured by first charge on inventories, book debts and all other current assets and second charge on immovable properties)                | <u>1,235</u>                          | <u>82,184</u>                         |
| <b><u>SCHEDULE : 4</u></b>  |                                       |                                       |
| <b><u>UNSECURED LOANS</u></b>   |                                       |                                       |
| Rupee Loan From Max India Limited   | <u>12,263</u>                         | <u>25,027</u>                         |
| Rupee Loan From New Delhi House Service Limited (erstwhile Max House Services Limited)  | <u>24,500</u>                         | <u>50,000</u>                         |
| Rupee Loan From Pharmax Corporation Limited   | <u>2,940</u>                          | <u>6,000</u>                          |
| Rupee Loan From Bharti Tele-Ventures Limited (erstwhile Bharti Infotel Ltd.)  | <u>129,905</u>                        | –                                     |
| Interest Accrued and Due  | <u>3,761</u>                          | <u>4,713</u>                          |
|   | <u>173,369</u>                        | <u>85,740</u>                         |
| Amount repayable within one year  | <u>40,938</u>                         | <u>4,713</u>                          |

**SCHEDULE 5 : FIXED ASSETS**

(Refer Notes 2, 3 and 12 on Schedule 20 and Note 13 on Schedule 21)

(Rs. '000)

| Particulars             | Gross Block          |                             |                                     |                      | Depreciation         |                |                                     |                      | Net Block            |                      |
|-------------------------|----------------------|-----------------------------|-------------------------------------|----------------------|----------------------|----------------|-------------------------------------|----------------------|----------------------|----------------------|
|                         | As at April 01, 2004 | Additions during the Period | Sale / Adjustment during the period | As at March 31, 2005 | As at April 01, 2004 | For the Period | Sale / Adjustment during the period | As at March 31, 2005 | As at March 31, 2005 | As at March 31, 2004 |
| Leasehold Land          | 8,625                | –                           | –                                   | 8,625                | 576                  | 97             | –                                   | 673                  | 7,952                | 8,049                |
| Plant & Machinery       | 473,762              | 13,511                      | 1,798                               | 485,475              | 275,825              | 34,640         | 463                                 | 310,002              | 175,473              | 197,937              |
| Building                | 21,729               | –                           | –                                   | 21,729               | 4,814                | 1,086          | –                                   | 5,900                | 15,829               | 16,915               |
| Leasehold Improvements  | 7,143                | –                           | –                                   | 7,143                | 1,569                | 792            | –                                   | 2,361                | 4,782                | 5,574                |
| Office Equipment        | 45,898               | 3,473                       | 1,053                               | 48,318               | 20,994               | 8,409          | (2,592)                             | 31,995               | 16,323               | 24,904               |
| Computer                | 13,821               | 185                         | 1,526                               | 12,480               | 11,966               | 565            | 3,289                               | 9,242                | 3,238                | 1,855                |
| Vehicle                 | 2,485                | –                           | 2,144                               | 341                  | 2,166                | 114            | 2,057                               | 223                  | 118                  | 319                  |
| <b>TOTAL</b>            | <b>573,463</b>       | <b>17,169</b>               | <b>6,521</b>                        | <b>584,111</b>       | <b>317,910</b>       | <b>45,703</b>  | <b>3,217</b>                        | <b>360,396</b>       | <b>223,715</b>       | <b>255,553</b>       |
| Capital Wok-in-Progress | 2,589                | 1,415                       | 4,004                               | –                    | –                    | –              | –                                   | –                    | –                    | 2,589                |
| <b>GRAND TOTAL</b>      | <b>576,052</b>       | <b>18,584</b>               | <b>10,525</b>                       | <b>584,111</b>       | <b>317,910</b>       | <b>45,703</b>  | <b>3,217</b>                        | <b>360,396</b>       | <b>223,715</b>       | <b>258,142</b>       |
| Previous Year           | 595,609              | 24,025                      | 46,171                              | 573,463              | 285,352              | 67,119         | 34,561                              | 317,910              |                      |                      |

## Schedules Annexed to and forming part of Accounts

|  | As at<br>March 31, 2005<br>(Rs. '000) | As at<br>March 31, 2004<br>(Rs. '000) |
|--|---------------------------------------|---------------------------------------|
| <b>SCHEDULE : 6</b>  |                                       |                                       |
| <b>INVENTORY</b>   |                                       |                                       |
| (Refer Note 5 on Schedule 20)  |                                       |                                       |
| Stock in Trade   | 16,986                                | 54,425                                |
|  | <u>16,986</u>                         | <u>54,425</u>                         |
| <b>SCHEDULE : 7</b>  |                                       |                                       |
| <b>SUNDRY DEBTORS</b>  |                                       |                                       |
| (Unsecured, considered good)   |                                       |                                       |
| <b>Billing Debtors :</b>   |                                       |                                       |
| Outstanding for more than six months   |                                       |                                       |
| – Considered good  | 33,404                                | 99,329                                |
| – Considered doubtful  | 38,348                                | 21,963                                |
| Less : Provision   | <u>(38,348)</u>                       | <u>(21,963)</u>                       |
|  | 33,404                                | 99,329                                |
| <b>Other Debts :</b>   |                                       |                                       |
| – Considered good  | 42,002                                | 7,966                                 |
| – Considered doubtful  | 27,496                                | –                                     |
| Less : Provision   | <u>(27,496)</u>                       | <u>–</u>                              |
|  | 42,002                                | 7,966                                 |
|  | <u>75,406</u>                         | <u>107,295</u>                        |
| <b>SCHEDULE : 8</b>  |                                       |                                       |
| <b>CASH AND BANK BALANCES</b>  |                                       |                                       |
| Cash in hand   | 25                                    | 75                                    |
| Balances in Scheduled Banks  |                                       |                                       |
| – in Current Account   | 6,909                                 | 232                                   |
| – in Deposit Account as Margin Money   | –                                     | 130                                   |
|  | <u>6,934</u>                          | <u>437</u>                            |
| <b>SCHEDULE : 9</b>  |                                       |                                       |
| <b>OTHER CURRENT ASSETS, LOANS AND ADVANCES</b>  |                                       |                                       |
| (Unsecured, considered good)   |                                       |                                       |
| Advances recoverable in cash or in kind or for value to be received                            | 61,509                                | 56,134                                |
| Accrued Billing Revenue  | 3,337                                 | –                                     |
| Advance Tax [Net of provision for tax Rs.2,150 thousand<br>(Previous year Rs. 2,150 thousand)] | 17,917                                | 26,306                                |
| Satcom Broadband Equipment Limited<br>(formerly CMax Infocom Private Limited)                  | 49,036                                | 32,761                                |
| Others   | –                                     | 17,750                                |
|  | <u>131,799</u>                        | <u>132,951</u>                        |

## Schedules Annexed to and forming part of Accounts

|   | As at<br>March 31, 2005<br>(Rs. '000) | As at<br>March 31, 2004<br>(Rs. '000) |
|---|---------------------------------------|---------------------------------------|
| <b>SCHEDULE : 10</b>                        |                                       |                                       |
| <b>CURRENT LIABILITIES AND PROVISIONS</b>   |                                       |                                       |
| <b>Current Liabilities</b>                  |                                       |                                       |
| Sundry Creditors                            |                                       |                                       |
| Due to Small Scale Industrial Undertakings* | –                                     | –                                     |
| Due to Others                               | <u>88,407</u>                         | <u>76,414</u>                         |
| Advance Received From Customers             | 18,844                                | 12,374                                |
| Interest accrued but not due                | –                                     | 326                                   |
| Other Liabilities                           | 17,877                                | 17,107                                |
| Advance Billing Revenue                     | 9,131                                 | 15,172                                |
|   | <u>134,259</u>                        | <u>121,393</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.

### Provisions

(Refer Note 9 and 10 on Schedule 20)

|                        |                |                |
|------------------------|----------------|----------------|
| Gratuity               | 1,075          | 3,354          |
| Leave Encashment       | 683            | –              |
| Provision for warranty | <u>36</u>      | <u>–</u>       |
|                        | <u>1,794</u>   | <u>3,354</u>   |
|                        | <u>136,053</u> | <u>124,747</u> |

### SCHEDULE : 11

#### MISCELLANEOUS EXPENDITURE

(Refer Note 7 on Schedule 20)

(to the extent not written off or adjusted)

#### Deferred Revenue Expenditure

|                                   |            |            |
|-----------------------------------|------------|------------|
| Opening Balance                   | 438        | 876        |
| Less: Charged off during the year | <u>438</u> | <u>438</u> |

#### Closing Balance

|  |          |            |
|--|----------|------------|
|  | <u>–</u> | <u>438</u> |
|--|----------|------------|

#### Preliminary Expenses

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| Opening Balance                   | 53        | 106       |
| Less: Charged off during the year | <u>53</u> | <u>53</u> |

|  |          |           |
|--|----------|-----------|
|  | <u>–</u> | <u>53</u> |
|--|----------|-----------|

|  |          |            |
|--|----------|------------|
|  | <u>–</u> | <u>491</u> |
|--|----------|------------|

## Schedules Annexed to and forming part of Accounts

|  | For the year ended<br>March 31, 2005<br>(Rs. '000) | For the year ended<br>March 31, 2004<br>(Rs. '000) |
|--|--|--|
| <b>SCHEDULE : 12</b>                                   |  |  |
| <b>OTHER INCOME</b>                                    |  |  |
| Miscellaneous Income                                   | 45   | 518  |
| Liabilities/Provisions no longer required written back | 55   | 8,543  |
| Profit on sale of assets (Net)                         | 11   | 10   |
|  | 111  | 9,071  |
| <b>SCHEDULE : 13</b>                                   |  |  |
| <b>NETWORK OPERATING EXPENDITURE</b>                   |  |  |
| (Refer Note 11 on Schedule 21)                         |  |  |
| Installation Charges                                   | 41,505   | 37,187   |
| Wireless Planning Coordination Fee                     | 30,721   | 35,743   |
| Communication and Space Segment Charges                | 43,922   | 97,562   |
| Leased Line Charges                                    | 43,688   | -  |
| Insurance  | 617  | -  |
|  | 160,453  | 170,492  |
| <b>SCHEDULE : 14</b>                                   |  |  |
| <b>COST OF SALES</b>                                   |  |  |
| Opening Stock  | 54,425   | 58,793   |
| Add : Purchases  | 18,602   | 53,758   |
| Less: VSATs/subnet given on lease, capitalised         | 1,748  | 8,736  |
| Less : Closing Stock                                   | 16,986   | 54,425   |
|  | 54,293   | 49,390   |
| <b>SCHEDULE : 15</b>                                   |  |  |
| <b>PERSONNEL EXPENDITURE</b>                           |  |  |
| (Refer Note 11 on Schedule 21)                         |  |  |
| Salaries, Wages and Bonus                              | 56,266   | 51,565   |
| Contribution to Provident and Other Funds              | 2,387  | 2,393  |
| Staff Welfare  | 1,838  | 1,500  |
| Recruitment and Training                               | 2,414  | 473  |
|  | 62,905   | 55,931   |
| <b>SCHEDULE : 16</b>                                   |  |  |
| <b>SALES AND MARKETING EXPENDITURE</b>                 |  |  |
| Advertisement and Marketing Expenses                   | 2,888  | 1,402  |
|  | 2,888  | 1,402  |

## Schedules Annexed to and forming part of Accounts

|   | For the year ended<br>March 31, 2005<br>(Rs. '000) | For the year ended<br>March 31, 2004<br>(Rs. '000) |
|---|--|--|
| <b>SCHEDULE : 17</b>                        |  |  |
| <b>ADMINISTRATIVE AND OTHER EXPENDITURE</b> |  |  |
| (Refer Note 11 on Schedule 21)              |  |  |
| Electricity and Water                       | 11,150   | 11,936   |
| Legal and Professional Charges              | 8,904  | 10,177   |
| Rates and Taxes                             | 913  | 428  |
| Printing and Stationery                     | 959  | 1,290  |
| Travelling and Conveyance                   | 15,210   | 9,311  |
| Rent  | 11,353   | 10,787   |
| Telephone, Telex and Postage                | 7,553  | 6,067  |
| Repairs and Maintenance – Building          | 3,126  | 2,633  |
| – Plant and Machinery                       | 12,644   | 7,610  |
| – Others                                    | 3,114  | 939  |
| Insurance                                   | –  | 679  |
| Provision for Doubtful Debts/Advances       | 48,880   | 8,855  |
| Security Expenses                           | –  | 1,572  |
| Billing and Software Expenses               | 542  | 371  |
| Miscellaneous                               | 6,481  | 4,566  |
|   | <u>130,829</u>                                     | <u>77,221</u>                                      |
| <b>SCHEDULE : 18</b>                        |  |  |
| <b>FINANCE EXPENSES</b>                     |  |  |
| <b>Interest Expense:</b>                    |  |  |
| – On Term Loan                              | 6,850  | 18,223   |
| – On Others                                 | 9,679  | 7,319  |
| Finance Charges                             | 1,337  | 2,798  |
|   | <u>17,866</u>                                      | <u>28,340</u>                                      |
| <b>Less :</b>                               |  |  |
| Interest Income on Income Tax Refund        | 628  | 212  |
| Exchange Fluctuation Gain                   | 375  | 609  |
|   | <u>16,863</u>                                      | <u>27,519</u>                                      |
| <b>SCHEDULE : 19</b>                        |  |  |
| <b>AMORTISATION</b>                         |  |  |
| (Refer Note 7 on Schedule 20)               |  |  |
| Preliminary Expenses                        | 438  | 438  |
| Deferred Revenue Expenditure written off    | 53   | 53   |
|   | <u>491</u>   | <u>491</u>   |



## Schedules Annexed to and forming part of Accounts

### SCHEDULE: 20

#### STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### 1. BASIS OF PREPARATION

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.

Inventory transferred to Fixed Assets is recognised at Weighted Average Cost and vice-versa at Written Down Value as on date.

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    | 10.00%  |
| Office Equipment       | 20.00%  |
| Computer/Software      | 33.33%  |
| Furniture and Fixtures | 20.00%  |
| Leasehold Land         | Period of Lease                               |
| Leasehold Improvements | Period of Lease or 10 years whichever is less |
| Vehicles               | 20%   |

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 AND RECEIVABLES

Revenue from Traded Goods is recognised upon acceptance of goods by customers when title is transferred on endorsement.

Service Revenues comprise revenues from installation and provision of Internet and Satellite services. Installation charges are recognised as revenue on satisfactory completion of installation of hardware and service revenue is recognised from the date of satisfactory installation of equipment and software at the customer site and provisioning of Internet and Satellite services.

##### **Provision for doubtful debts :**

Provision for doubtful debts is made for dues outstanding for more than 90 days in case of active subscriber and dues from customers who have been deactivated other than those covered by security deposit or in specific cases where management is of the view that the amounts are recoverable.

##### 5. INVENTORIES

Inventories are valued at the lower of weighted average cost and net realisable value.

## Schedules Annexed to and forming part of Accounts

### 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. MISCELLANEOUS EXPENDITURE

Expenditure incurred by the Company from the date of incorporation of the Company up to the date of commencement of commercial operations, not directly attributable to fixed assets are charged to the Profit and Loss Account in the year in which such expenditure is incurred. Preliminary expenses are charged to the Profit and Loss Account on commencement of commercial operations.

### 8. BORROWING COST

Borrowing cost attributable to the acquisition or construction of a qualifying asset is capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

### 9. WARRANTY

Provision for warranty is based on past experience and technical estimates.

### 10. 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.

### 11. EARNINGS PER SHARE

The earnings considered in ascertaining the Company's earnings per share (EPS) comprise 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.

### 12. LEASES

#### a. Operating Leases – As Lessor

Assets 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. Financial Leases – As Lessee

Assets taken on Finance Lease are accounted for as assets by the Company. Lease rentals payable are apportioned between principle and interest using the internal rate of return method and finance charge is recognised accordingly.

### 13. 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 is recognised only for such timing differences which reverse after tax holiday period. 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: 21

#### NOTES TO ACCOUNTS

1. The Company was incorporated in India with the object of providing VSAT Services.
2. With effect from June 23, 2005 name of the Company has changed to Bharti Broadband Limited.
3. **Contingent Liabilities**
  - a) Total Counter Guarantees outstanding as at March 31, 2005 amounting to Rs. 49,202 thousand (March 31, 2004 Rs.43,645 thousand) have been taken from the banks.
  - b) Claims against the Company not acknowledged as debt :

| Particulars                                  | As at<br>March 31, 2005<br>(Rs. '000) | As at<br>March 31, 2004<br>(Rs. '000) |
|--|---------------------------------------|---------------------------------------|
| Income Tax demand under appeal (see d below) | 89,955                                | 16,275                                |
| Income Tax demand (see e below)              | 50,334                                | 73,680                                |
| DoT demand (see f below)                     | 101,152                               | -                                     |
| Sales Tax (see c below)                      | 3,568                                 | -                                     |
| Total  | <u>245,009</u>                        | <u>89,955</u>                         |

- c) The Company has received a notice from the Intelligence department of Commercial Taxes department of Government of Karnataka, quantifying the Sales Tax Amount of Rs. 3,568 thousand – for the period 2000-01 to August 2004. No provision is made in the books as the Company all the sales have been made from New Mumbai and the necessary documents have been produced the authorities. (included in b above)
- d) In respect of Income Tax demand of Rs. 16,275 thousand and Rs. 73,680 thousand for the assessment year 2000-01 and 2002-03 respectively, order from CIT (Appeals) has been received allowing all deductions, except disallowances relating to License fee amounting to Rs. 25,263 thousand and Rs. 55,683 thousand respectively, which is held be amortised under Sec. 35ABB of Income Tax Act over the license period. Company has filed appeals with the ITAT disputing the applicability of Section 35ABB. No provision has been made in the books as in the opinion of the Company; the license fee is to be allowed as deduction being in the nature of revenue expenditure. (included in b above)
- e) The Company has received a demand for Income Tax amounting to Rs. 50,334 thousand for the assessment year 2003-04. No provision has been made in the books as the order passed without setting off carry forward losses and depreciation and disallowing license fee, which in the opinion of the Company is in the nature of revenue expenditure. (included in b above)
- f) The Company has received a demand from the Department of Telecommunications for payment of Rs. 17,316 thousand and Rs. 83,836 thousand for the Financial years 2001-02 and 2002-03 respectively towards penalty and interest on account of alleged short fall and delay in payment of license fee. The Company has made a representation to set aside the demand and refund excess payment of Rs. 11,381 thousand. For the said years. (included in b above)
4. Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Nil. (March 31, 2004 Nil).
5. The Company had entered into 'Business Transfer Agreement with Max Ateev Ltd., for transfer of all the assets and liabilities of Max Ateev Ltd. in April 2004. This agreement has since been annulled consequent to divestment of interest in Bharti Broadband Limited (formerly Comsat Max Limited) by Max India. Revenue amounting to Rs. 914 thousand and expenditure amounting to Rs. 716 thousand pertaining to this business for the period April, 2004 to December, 2004 has been included in the respective head of income and expenditure.
6. Deposits included under Other Current Assets include an amount of Rs.10,000 thousand placed as Security Deposit for Office premises. Consequent upon relocation of the said office, a Court Receiver under consent terms filed by both parties had been appointed for securing the refund of the same. Subsequently, the Court has directed the Court Receiver to sell the said premises and/or the property by public auction and/or private treaty and utilize the sale proceeds for satisfaction of the Company's dues. A sum of Rs. 5,000 thousand has provided in the books based on Management's assessment of net realisation of the deposit.

## Schedules Annexed to and forming part of Accounts

7. Debtors over 180 days include an amount of Rs. 7,134 thousand disputed by the customer who has subsequently been referred to Arbitration. Management is confident of the eventual recovery of the entire amount.
8. Pursuant to new guidelines issued by Department of Telecommunication, Government of India, requiring separate license for offering VPN services, Company discontinued the services with effect from 15th February, 2005 and transferred all the business to Bharti Tele-Ventures Ltd.(BTVL) (erstwhile Bharti Infotel Ltd.). Loss of revenue as consequence of this change amounted to Rs. 9,352 thousand for the period 15th February, 2005 to 31st March, 2005.
9. As on December 13, 2004 the entire shareholding of the Company, which had been held by Max India Limited and Max Telecom Ventures Limited, has been transferred to Satcom Broadband Equipment Limited ('SBEL') (formerly CMax Infocom Private Limited). Accordingly, the Company is now a 100% subsidiary of SBEL.
10. Pursuant to the share purchase agreement entered on January 27, 2005, between Max India Limited, BTVL (erstwhile Bharti Infotel Ltd.) and SBEL (formerly CMax Infocom Private Limited) the entire shareholding of SBEL (formerly CMax Infocom Private Limited) will be transferred to BTVL. Consequently, till March 31, 2005, 51% of the share capital of the Company has been transferred to BTVL (erstwhile Bharti Infotel Ltd) for a consideration of Rs. 126,976 thousand. The balance 49% has been transferred on April 16, 2005. Further, the loans outstanding from Max India Limited and the group companies amounting to Rs. 81,027 thousand have been repaid by BTVL (erstwhile Bharti Infotel Ltd.) to the extent of Rs. 41,324 thousand.
- Pursuant to the divestment by Max India Limited in favour of erstwhile Bharti Infotel Ltd., the company has made the following changes in its accounting policies to align with that of BTVL (erstwhile Bharti Infotel Ltd.) :
- The depreciation rates have been realigned as per Bharti's Policy resulting lower depreciation charge of Rs. 11,706 thousand to the Profit and Loss Account. Consequently, loss for the year is lower by the same amount.
11. Pursuant to agreement for sharing of common costs with SBEL (formerly CMax Infocom Private Limited), following expenses are net of amounts transferred to SBEL (formerly CMax Infocom Private Limited):

| Particulars                        | As at                        | As at                        |
|------------------------------------|------------------------------|------------------------------|
|                                    | March 31, 2005<br>(Rs. '000) | March 31, 2004<br>(Rs. '000) |
| Employee Remuneration and Benefits | 6,469                        | 5,174                        |
| Power and Fuel                     | 2,934                        | 2,387                        |
| Rent                               | 2,988                        | 2,157                        |
| Repair and Maintenance – Building  | Nil                          | 3                            |
| – Plant and Machinery              | 3,876                        | 2,101                        |
| Insurance                          | 162                          | 136                          |
| Other Operating Expenses           | 8,207                        | 5,231                        |
| Interest                           | 5,124                        | 3,737                        |
| <b>Total</b>                       | <b>29,760</b>                | <b>20,926</b>                |

12. Additional Information pursuant to provisions of Part II of Schedule VI to the Companies Act, 1956.

a) **Details of Purchases and Sales**

| Particulars                            | Purchase           |                      |                    |                      | Sales              |                      |                    |                      |
|--|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
|  | 2004-05            |                      | 2003-04            |                      | 2004-05            |                      | 2003-04            |                      |
|  | Quantity<br>(Nos.) | Amount<br>(Rs. '000) | Quantity<br>(Nos.) | Amount<br>(Rs. '000) | Quantity<br>(Nos.) | Amount<br>(Rs. '000) | Quantity<br>(Nos.) | Amount<br>(Rs. '000) |
| Satellite Communication Equipments * # | –                  | 5,806                | 153                | 11,377               | 38                 | 822                  | 55                 | 10,751               |
| Others                                 | –                  | 12,796               | –                  | 38,182               | –                  | 16,402               | –                  | 39,438               |
| <b>Total</b>                           | <b>–</b>           | <b>18,602</b>        | <b>153</b>         | <b>49,559</b>        | <b>38</b>          | <b>17,224</b>        | <b>55</b>          | <b>50,189</b>        |

\* includes Indoor Unit, Outdoor Unit, Antenna, Low Noise Blowdown Converter, Network Interface Unit and Extended Serial Port Cards

\* includes amount transferred from Fixed Assets at Written Down Value

# excludes 23 sets (2004:108) capitalised during the year

# excludes 74 sets which are issued internally during the year

## Schedules Annexed to and forming part of Accounts

### b) Details of Inventories

| Particulares            | Opening Stock      |                      |                    |                      | Closing Stock      |                      |                    |                      |
|-------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
|                         | 2004-05            |                      | 2003-04            |                      | 2004-05            |                      | 200304             |                      |
|                         | Quantity<br>(Nos.) | Amount<br>(Rs. '000) | Quantity<br>(Nos.) | Amount<br>(Rs. '000) | Quantity<br>(Nos.) | Amount<br>(Rs. '000) | Quantity<br>(Nos.) | Amount<br>(Rs. '000) |
| Satellite Communication |                    |                      |                    |                      |                    |                      |                    |                      |
| Equipments *            | 135                | 49,789               | 145                | 49,139               | –                  | 3,778                | 135                | 49,789               |
| Others                  | –                  | 4,636                | –                  | 9,654                | –                  | 13,208               | –                  | 4,636                |
| <b>Total</b>            | <b>135</b>         | <b>54,425</b>        | <b>145</b>         | <b>58,793</b>        | <b>–</b>           | <b>16,986</b>        | <b>135</b>         | <b>54,425</b>        |

\* includes Indoor Unit, Outdoor Unit, Antenna, Low Noise Blowdown Converter, Network Interface Unit and Extended Serial Port Cards

\* includes amount transferred from Fixed Assets at Written Down Value

### c) CIF Value of Imports

| Particulars   | 2004-05<br>Amount<br>(Rs. '000) | 2003-04<br>Amount<br>(Rs. '000) |
|---------------|---------------------------------|---------------------------------|
| Traded Items  | –                               | 1,161                           |
| Capital Goods | 11,571                          | 4,205                           |
| <b>Total</b>  | <b>11,571</b>                   | <b>5,366</b>                    |

### d) Expenditure/Earnings in Foreign Currency

| Particulars  | 2004-05<br>Amount<br>(Rs. '000) | 2003-04<br>Amount<br>(Rs. '000) |
|--|---------------------------------|---------------------------------|
| Expenditure  |                                 |                                 |
| Travelling (net of costs recovered Rs. 228, in 2004 Rs. 107) | 1,987                           | 1,366                           |
| Others (net of costs recovered Rs. 225, in 2004 Rs. 413)     | 8,577                           | 11,186                          |
|  | <b>10,564</b>                   | <b>12,552</b>                   |
| Earnings   |                                 |                                 |
| Income from Sale of Networking Equipment and Services        | 24,028                          | 21,564                          |
|  | <b>24,028</b>                   | <b>21,564</b>                   |

## 13. Leases

a) Fixed Assets include following Assets acquired under Finance Lease for duration of 36 months which ended in March 2005. Necessary discharge of obligation has been obtained by the Company by the Vendor.

1. Networking Equipments for PoPs – Rs. 8,491 thousand.
2. Computer Servers – Rs. 16,730 thousand.

b) Operating Lease

The Company has entered into operating leases for its office premises that are renewable on a periodic basis and cancelable at the Company's option.

Lease Rentals charged in the Profit & Loss Account for the year is Rs. 7,920 thousand. (2004: Rs. 7,893 thousand).

## Schedules Annexed to and forming part of Accounts

The total of future minimum lease payments under the aforesaid leases is as follows :

### Future obligation:

| Particulars                                       | As at<br>March 31, 2005<br>(Rs. '000) | As at<br>March 31, 2004<br>(Rs. '000) |
|---|---------------------------------------|---------------------------------------|
| Not Later than one year                           | 2,838                                 | 1,801                                 |
| Later than one year but not later than five years | –                                     | 86                                    |
| Later than five years                             | –                                     | 1,887                                 |
| Total   | <u>2,838</u>                          | <u>1,887</u>                          |

### 14. Managerial Remuneration:

| Particulars                               | Year ended<br>March 31, 2005<br>Amount<br>(Rs. '000) | Year ended<br>March 31, 2004<br>Amount<br>(Rs. '000) |
|---|--|--|
| Salary                                    | 1,810  | 2,665  |
| Contribution to Provident and other Funds | 161  | 308  |
| Other Perquisites                         | 610  | 331  |
| Total                                     | <u>2,581</u>   | <u>3,304</u>   |

Note : Central Government approval for appointment and payment of remuneration to the Managing Director has been obtained.

### 15. Break-up of net deferred tax into major components is as follows:-

| Particulars   | 2004-05<br>Amount<br>(Rs. '000) | 2003-04<br>Amount<br>(Rs. '000) |
|---|---------------------------------|---------------------------------|
| Deferred Tax Assets/(Liabilities) arising from :  |                                 |                                 |
| (i) Expenses charged in the financial statements but allowed as deductions in the future years under the Income Tax Act | 10,994                          | 10,994                          |
| (ii) Difference between depreciation as per financial statements and depreciation as per Income Tax Return              | (19,805)                        | (19,805)                        |
| Net Deferred Tax Asset/(Liability)  | <u>(8,811)</u>                  | <u>(8,811)</u>                  |

### 16. Earnings Per Share

| Particulars  | 2004-05    | 2003-04    |
|--|------------|------------|
| Profit/(Loss) attributable to Equity Shareholders (Rs. '000) (A)     | (1,16,887) | 27,014     |
| Nominal value of equity shares (Rs.)                                 | 10         | 10         |
| Weighted Average number of equity shares outstanding during the year | 29,200,000 | 29,200,000 |
| Earnings Per Share (Rs.) (A) (B)                                     | (4.00)     | 0.93       |

17. The accumulated losses of the Company amount to Rs. 207,711 thousand as against the Share Capital and free reserves of Rs. 292,000 thousand resulting in substantial erosion of the Company's net worth. The Management is confident that the aforesaid erosion in its net worth is temporary based on its future plans which include improved liquidity, growing sales and reduction in overheads.

18. The Company operates only in one single business and secondary segment. Therefore segment information as per AS-17 is not required to be disclosed.

## Schedules Annexed to and forming part of Accounts

### 19. Related Party Transaction :

In accordance with the requirements of Accounting Standards (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 :

#### List of Related Parties

| Name of the Related Party   | Relationship             |
|---|--------------------------|
| Bharti Tele-Ventures Limited  | Ultimate Holding Company |
| Satcom Broadband Equipment Limited<br>(formerly CMax Infocom Private Limited) | Holding Company          |

| Nature of transaction                            | Holding Company | Ultimate Holding Company |
|--|-----------------|--------------------------|
| Opening Balance                                  | 46,903          | –                        |
| Fund transferred                                 | –               | –                        |
| Fund received                                    | –               | (129,905)                |
| Payment made for expenses incurred on our behalf | –               | –                        |
| Payment received for expenses incurred           | –               | –                        |
| Sale/transfer of assets                          | –               | –                        |
| Purchase of assets                               | –               | –                        |
| Expenses incurred on behalf of Group Companies   | 2,133           | –                        |
| Expenses incurred by Group Companies             | –               | (8,991)                  |
| Closing Balance                                  | 49,036          | (138,896)                |

### 20. Auditors' Remuneration \*

|               | (Rs. '000)                           |                                      |
|---------------|--------------------------------------|--------------------------------------|
|               | For the year ended<br>March 31, 2005 | For the year ended<br>March 31, 2004 |
| Audit Fee     | 370                                  | 370                                  |
| Tax Audit Fee | –                                    | 100                                  |
| <b>Total</b>  | <b>370</b>                           | <b>470</b>                           |

\* Excluding service tax

21. 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.  State Code

Balance Sheet Date  -  -   
Date Month Year

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

### Public Issue

### Bonus Issue

### Rights Issue

### Private Placement

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

|                      |                           |   |                                  |   |
|----------------------|---------------------------|---|----------------------------------|---|
|                      | <b>Total Liabilities</b>  | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="8"/> | <b>Total Assets</b>              | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="8"/>   |
| Sources of funds     | <b>Paid up Capital</b>    | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> | <b>Reserves &amp; Surplus</b>    | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="3"/>  |
|                      | <b>Secured Loans</b>      | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="5"/>                                 | <b>Unsecured Loans</b>           | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="9"/>   |
| Application of funds | <b>Net Fixed Assets</b>   | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="5"/> | <b>Investments</b>               | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> |
|                      | <b>Net Current Assets</b> | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="2"/>                                | <b>Miscellaneous Expenditure</b> | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> |
|                      | <b>Accumulated Losses</b> | <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="1"/> |                                  |   |

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

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

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

Item Code No. (ITC Code)   
Product Description DIGITAL COMMUNICATION SERVICES FOR DATA, FAX AND VEDEO USING SATELLITE TECHNOLOGY

On behalf of the Board

**BADRI AGARWAL**  
Managing Director

**AKHIL GUPTA**  
Director

**A. VENKATESAN**  
Company Secretary

Place : New Delhi  
Date : July 15, 2005