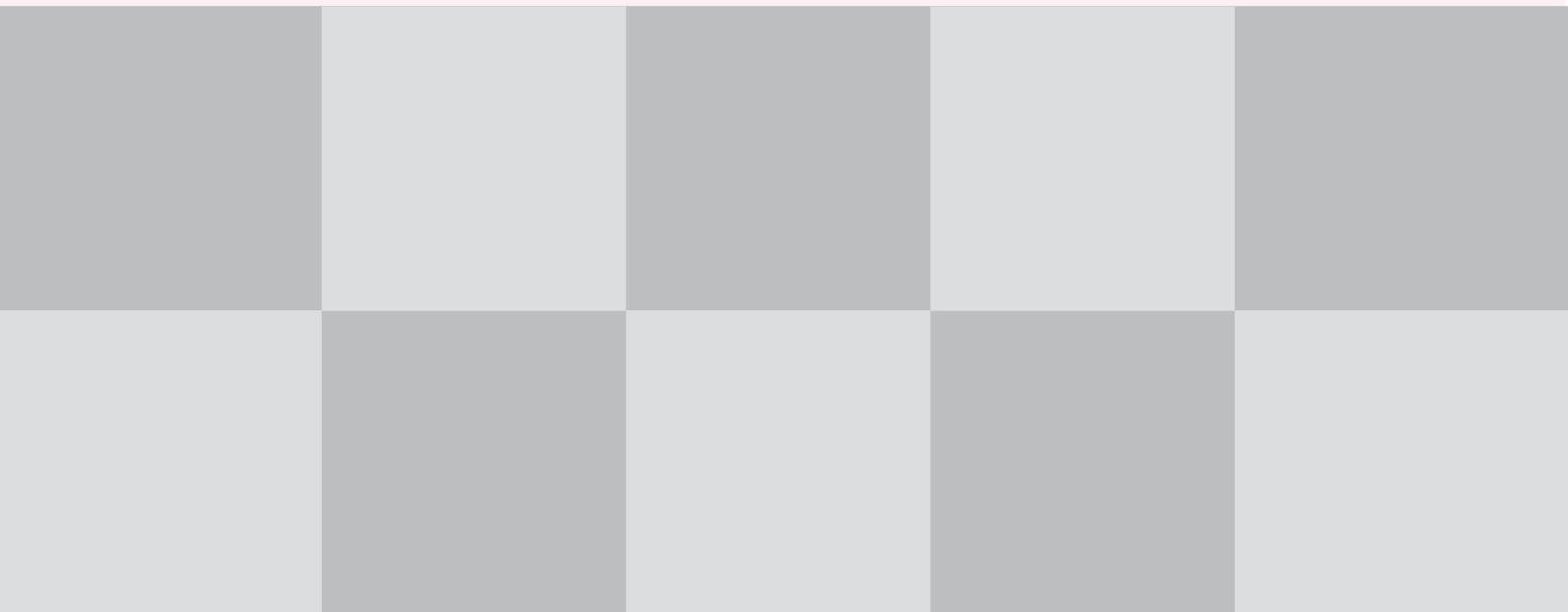


**Bharti Comtel Limited**



## Directors' Report

The Directors have pleasure in presenting the Seventh Annual Report and the Audited Accounts for the financial year ended 31st March, 2005.

### OPERATIONS REVIEW

The Company continues to engage mainly in selling of hardware for Internet and Satellite business. The Company has also strengthened its market position in the field of value added services viz. Annual Maintenance Contracts (AMC), Programme Management and Installations. There was pressure on the margins during the year in view of competitive scenarios as a result of which the year ended with the loss of Rs. 20 Million (Previous year Profit Rs. 3 Million).

### BUSINESS REVIEW

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

Particulars	As on March 31, 2005 (Rs. in Thousand)	As on March 31, 2004 (Rs. in Thousand)
Sales and other income	375,297	390,882
Profit before Finance Expense, Depreciation and Amortisation	(30,842)	16,372
Finance Expenses	(8,101)	(7,337)
Profit before Depreciation and Amortisation	(22,741)	23,709
Depreciation and Amortisation	7,661	16,426
Profit before Tax	(30,402)	7,283
Income Tax	–	5,500
Deferred Tax	(10,452)	(1,254)
<b>Profit after Tax</b>	<b>(19,950)</b>	<b>3,037</b>

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

### DIVIDEND

In view of the accumulated losses, the Directors' of the Company are unable to recommend any dividend for the financial year under review.

### DIRECTORS

Mr. Narender Gupta, Director of the Company is due to retire by rotation and being eligible, has offered himself for re-appointment. The Board recommends his re-appointment as Director of the Company.

### AUDITORS' REPORT

The Auditors' Report on Accounts has been duly considered by the Board and clarification(s), 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 under Section 224(1B) of the Companies Act, 1956.

### FIXED DEPOSITS

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

### STATUTORY STATEMENTS

The Company does not carry on any manufacturing activity and accordingly the provision to furnish information as per Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to Conservation of Energy, Research and Development and Technology Absorption are not applicable.

There has been no foreign exchange earnings and outgo during the year. There are no employees during the year under review whose particulars are to be provided in terms of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

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

The secretarial compliance report in terms of Section 383A(1) is annexed.

**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 along with 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.

**ACKNOWLEDGEMENT**

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

On behalf of the Board

**K.L. JAIN**   **BADRI AGARWAL**  
Director                      Director

Place : New Delhi  
Date : July 25, 2005

# Secretarial Compliance Certificate

To,  
The Members  
Bharti Comtel Limited  
'Qutab Ambience'  
H-5/12, Mehrauli Road  
New Delhi – 110 030

I have examined the register, records, books and papers of Bharti Comtel Limited as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2005. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers agents and audited Balance Sheet, Profit & Loss A/c and Auditors' Report, I certify that in respect of the aforesaid financial year :

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has filed the forms and returns as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
3. The Company being a public limited company, has the minimum prescribed paid up capital.
4. The Board of Directors duly met the requirement of meeting once ever three months. In the financial year 2004-05 they met 5 (Five) times. The dates of the Board Meeting are 20-04-2004, 28-06-2004, 23-09-2004, 22-12-2004 and 30-03-2005 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions, if any, passed in the Minutes Book maintained for the purpose.
5. The Company was not required to close its register of members during the financial year.
6. The Annual General Meeting for the financial year ended on 31-03-2004 was held on 24-06-2004. The meeting was held at a shorter notice. The resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. One extra-ordinary meeting was held on 28-06-04 during the financial year ending 31-03-2005. The resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
8. The Company has not given any advance and loan to its directors and/or persons or firms or companies referred in the Section 295 of the Companies Act.
9. The Company has duly complied with the provisions of Section 297 of the Act, in the respect of contracts specified in that Section.
10. The Company has made the necessary entries in the register maintained under Section 301 of the Act.
11. There are no instances falling within the purview of Section 314 of the Act. Hence the Company has not obtained any approvals from the Board of Directors, Members or the Central Government as the case may be.
12. The Company has not issued any duplicate share certificates during the financial year.
13. (i) There were no allotment/transfer/transmission of securities during the financial year.  
(ii) As no dividend was declared (including interim dividend) during the financial year the Company has not deposited any amount in separate bank account.  
(iii) The Company has not posted warrants for dividends to any member of the Company as no dividend was declared during the financial year.  
(iv) The Company has no unpaid dividend lying unclaimed/unpaid for a period of seven years.  
(v) Duly complied with the provisions Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of Directors, Additional Directors, Alternate Directors and Directors to fill casual vacancies during the financial year.
15. The Company has not appointed any Managing Director, Manager, Wholetime Director during the financial year, thus the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956 are not applicable.
16. The Company has not appointed any sole-selling agents during the year under review.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.

19. The Company has not issued any shares, debentures or any other securities during the financial year ending 31-03-2005.
20. The Company has not bought back any share during the financial year ending 31-03-2005.
21. The Company has not redeemed any preference shares/debentures during the year under review.
22. The Company has not kept in abeyance rights to dividend. There are no rights shares and bonus shares pending registration of transfer.
23. The Company has not accepted any deposits including unsecured loans falling within the purview of Section 58 A during the financial year.
24. The Company has taken necessary approval in terms of Section 293(1)(d) for borrowing from group companies, bank, financial institutions and the borrowings made are within the limits approved by the shareholders.
25. The Company has not made any loans, investments, or given guarantees or provided securities to other body corporate. Thus the Company was not required to make any entries in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year.
27. The Company has not altered the provisions of the Memorandum with respect to the Objects of the Company during the year.
28. The Company has not altered the provisions of the Memorandum with respect to the Name of the Company during the year.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year.
30. The Company has not altered its Articles of Association during the financial year under review.
31. There were no prosecution initiated against or show cause notices received during the financial year for any offence under the Companies Act, 1956.
32. The Company has no employee and thus has not received any money as security during the year.
33. The Company has not constituted any provident fund trust under Section 418 of the Act, hence the provisions of 418 of the Companies Act are not applicable.

For **KIRAN SHARMA & CO.**  
Company Secretaries

Place : New Delhi  
Date : July 25, 2005

**(KIRAN SHARMA)**  
A.C.S.  
Proprietor  
C.P. No. 3116

#### **ANNEXURE – A**

The Company maintains following registers :

1. Register of Members u/s 150.
2. Register of Share Transfer and Transmission u/s 108.
3. Minutes Book of Board Meetings u/s 193.
4. Minutes of General Meetings u/s 193.
5. Proper Books of Accounts u/s 209.
6. Register u/s 301 for contracts and arrangements in which Directors are interested or concerned.
7. Register of Directors u/s 303.
8. Register of Directors' Shareholdings u/s 307.
9. Register of Charges u/s 143.
10. Register of Fixed Assets.
11. Register of Share Application and Allotment Book.
12. Register of Common Seal.

#### **ANNEXURE – B**

Returns and Forms as filed by the Company with the Registrar of Companies during the financial year ending 31st March, 2005 :  
Annual Return u/s 160 for the year ending on 31-03-2004 filed on 23-08-2004.  
Annual Report u/s 220 for the year ending on 31-03-2004 filed on 23-07-2004.  
Compliance Certificate u/s 383A for the year ending on 31-03-2004 filed on 23-07-2004.  
Form 17 & 13 under Section 138/125/127/135 filed on 17-03-2005.

# Auditors' Report

## TO THE MEMBERS OF BHARTI COMTEL LIMITED

1. We have audited the attached Balance Sheet of Bharti Comtel Limited, as at March 31, 2005 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
  2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
  3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we further report that:
    - i. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
    - (b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed.
    - (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
- ii. (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.
- iii. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, that need to be entered into the register maintained under Section 301 of the Act. Accordingly, clauses (iii) (b), (c), (d), (f) and (g) of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company for the current year.
  - iv. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and 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 procedures.

- v. According to the information and explanations given to us, there have been no contracts or arrangement referred to in Section 301 of Act during the year to be entered in the register required to be maintained under that Section. Accordingly, commenting on transactions made in pursuance of such contracts or arrangements does not arise. Accordingly, clause (v) (b) of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 is not applicable to the Company for the current year.
- vi. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- viii. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
- ix. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.  
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales tax, income-tax, customs duty, wealth-tax, excise duty and cess which have not been deposited on account of any dispute.
- x. As explained in Note 13 on Schedule 18, the net worth of the Company has completely eroded as at the year-end. The company has accumulated losses as at March 31, 2005 which exceeds 50% of its net worth as at that date and it has incurred cash losses in the financial year under report and in the financial year immediately preceding such financial year.
- xi. 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 bank as at the balance sheet date.
- xii. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the provisions of any special statute applicable to chit fund/nidhi/ mutual benefit fund/societies are not applicable to the company.
- xiv. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
- xv. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi. The company has not obtained any term loans during the year.
- xvii. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, funds amounting to Rs. 134,584 thousand raised on a short-term basis (primarily representing capital creditors) have been used for long-term investment (primarily represented by fixed assets).
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xix. The Company has not issued any Debentures during the year.
- xx. The Company has not raised any money by public issues during the year.

- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
  - (e) On the basis of written representations received from the directors, and taken on record by the

Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

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

Place : New Delhi  
Date : July 25, 2005

**U. Rajeev**  
Partner  
Membership No. F87191  
For and on behalf of  
**Price Waterhouse**  
Chartered Accountants



## Balance Sheet as at March 31, 2005

Particulars	Schedule No.	As at March 31, 2005 (Rs. '000)	As at March 31, 2004 (Rs. '000)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	1,000	1,000
<b>Loan Funds</b>			
Secured Loan	2	19,765	23,742
Unsecured Loan	3	182,718	261,441
		<u>203,483</u>	<u>286,183</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	4	149,683	122,345
Less : Depreciation		37,806	30,145
<b>Net Block</b>		<u>111,877</u>	<u>92,200</u>
Capital Work-in-Progress		–	19
<b>Total Fixed Assets</b>		<u>111,877</u>	<u>92,219</u>
<b>Deferred Tax Asset (Net)</b>		<u>12,105</u>	<u>1,653</u>
(Refer Note 9 on Schedule 17 and Note 7 on Schedule 18)			
<b>Current Assets, Loans and Advances</b>			
Inventories	5	190,511	116,659
Sundry Debtors	6	116,254	114,126
Cash and Bank Balances	7	17,923	37,092
Other Current Assets, Loans and Advances	8	81,030	71,850
		<u>405,718</u>	<u>339,727</u>
<b>Less : Current Liabilities and Provisions</b>	9		
Current Liabilities		342,691	143,014
Provisions		7,233	8,159
		<u>349,924</u>	<u>151,173</u>
<b>Net Current Assets</b>		<u>55,794</u>	<u>188,554</u>
<b>Profit and Loss Account</b>		<u>23,707</u>	<u>3,757</u>
		<u>203,483</u>	<u>286,183</u>
<b>Statement of Significant Accounting Policies</b>	17		
<b>Notes to Accounts</b>	18		

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

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

On behalf of the Board

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

**BADRI AGARWAL**  
Director

**K.L. JAIN**  
Director

Place : New Delhi  
Date : July 25, 2005

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

Particulars	Schedule No.	For the year ended March 31, 2005 (Rs. '000)	For the year ended March 31, 2004 (Rs. '000)
<b>INCOME</b>			
Service Revenue		89,768	85,716
Sale of Goods		280,533	301,366
Other Income	10	4,996	3,800
		<u>375,297</u>	<u>390,882</u>
<b>EXPENDITURE</b>			
Operating Expenses	11	40,697	26,709
Cost of Sales of Goods	12	269,434	248,631
Personnel	13	46,783	66,060
Sales and Marketing	14	21,200	20,156
Administrative and Others	15	28,025	12,897
		<u>406,139</u>	<u>374,510</u>
<b>Profit including other income and before Finance Income (Net), Depreciation, Charity and Donation and Taxation</b>		<b>(30,842)</b>	<b>16,497</b>
Finance Expenses (Net)	16	(8,101)	(7,337)
Depreciation		7,661	16,426
Charity and Donation		–	125
<b>Profit/(Loss) before Tax</b>		<b>(30,402)</b>	<b>7,283</b>
Tax Expenses			
– Current [Net of write back for earlier year Nil, (Previous year Rs. 1,261 thousand)]		–	5,500
– Deferred Tax (Refer Note 9 on Schedule 17 and Note 7 on Schedule 18)		<u>(10,452)</u>	<u>(1,254)</u>
<b>Profit/(Loss) after Tax</b>		<b>(19,950)</b>	<b>3,037</b>
<b>(Loss) Brought Forward</b>		<b>(3,757)</b>	<b>(6,794)</b>
<b>(Loss) carried to the Balance Sheet</b>		<b>(23,707)</b>	<b>(3,757)</b>
<b>Earnings per Share in Rs. (Basic &amp; Diluted)</b> (Refer Note 11 on Schedule 17 and Note 10 on Schedule 18)		<b>(199.50)</b>	<b>30.37</b>
<b>Statement of Significant Accounting Policies</b>	17		
<b>Notes to Accounts</b>	18		

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

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

On behalf of the Board

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

**BADRI AGARWAL**  
Director

**K.L. JAIN**  
Director

Place : New Delhi  
Date : July 25, 2005

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

	(Rs. '000)	
Particulars	For the year ended March 31, 2005	For the year ended March 31, 2004
<b>A. Cash flow from operating activities :</b>		
Net (loss)/profit before tax but after exceptional/extraordinary items	(30,402)	7,283
<b>Adjustments for :</b>		
Depreciation	7,661	16,426
Finance Expense	2,477	5,676
Interest Income	(8,593)	(38)
Provision for Bad and Doubtful Debts	22,610	3,242
Provision for Gratuity and Leave Encashment	(432)	1,925
Provision for Inventory for obsolete/damaged stock	3,045	638
Unrealised foreign exchange (gain)/loss	(2,109)	–
Provision for Warranty	370	(3,302)
<b>Operating profit before working capital changes</b>	<b>(5,373)</b>	<b>31,850</b>
<b>Adjustments for changes in working capital :</b>		
– (INCREASE)/DECREASE in Sundry Debtors	(24,738)	(26,603)
– (INCREASE)/DECREASE in Other Receivables	(2,693)	(68,618)
– (INCREASE)/DECREASE in Inventories	(76,896)	(39,029)
– INCREASE/(DECREASE) in Trade and Other Payables	202,795	(196,641)
– INCREASE/(DECREASE) in Security Deposit from Customers	–	(27)
<b>Cash generated from operations</b>	<b>93,095</b>	<b>(299,068)</b>
Increase in Miscellaneous Expenditure		
– Taxes (Paid)/Received	(8,386)	(5,500)
<b>Net cash from operating activities</b>	<b>84,709</b>	<b>(304,568)</b>
<b>B. Cash flow from investing activities :</b>		
<b>Adjustments for changes in :</b>		
Purchase of fixed assets - Additions during the Year	(27,319)	(34,460)
Interest Received (Revenue)	8,618	7
<b>Net cash used in investing activities</b>	<b>(18,701)</b>	<b>(34,453)</b>

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

Particulars	(Rs. '000)	
	For the year ended March 31, 2005	For the year ended March 31, 2004
<b>C. Cash flow from financing activities :</b>		
Net movement in cash credit facilities and short term loans	(82,700)	279,274
Finance Expense Paid	(2,477)	(5,676)
<b>Net cash used in financing activities</b>	<u>(85,177)</u>	<u>273,598</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	(19,169)	(65,423)
<b>Opening Cash and Cash Equivalents</b>	<u>37,092</u>	<u>102,515</u>
<b>Cash and cash equivalents as at March 31, 2005</b>	<u><u>17,923</u></u>	<u><u>37,092</u></u>
(0) (0)		
<b>Cash and cash equivalents comprise</b>		
Balance with Scheduled Banks	17,923	37,092

### Notes :

1. Cash and cash equivalents includes Rs. 673 thousand deposited with banks as Margin money (Previous year Rs. 603 thousand) which are not available for use by the Company.
2. Previous period figures have been regrouped and recast wherever necessary to conform to the current period classification.

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

On behalf of the Board

**BADRI AGARWAL**  
Director

**K.L. JAIN**  
Director

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

## Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2005 (Rs. '000)	As at March 31, 2004 (Rs. '000)
<b><u>SCHEDULE : 1</u></b>		
<b><u>SHARE CAPITAL</u></b>		
<b>Authorised</b>		
1,000,000 Equity Shares of Rs. 10/- each (Previous year 1,000,000 Equity Shares of Rs. 10/- each)	<u>10,000</u>	<u>10,000</u>
<b>Issued, Subscribed and Paid up</b>		
100,000 Equity Shares of Rs. 10/- each (Previous year 100,000 Equity Shares of Rs. 10/- each)	<u>1,000</u>	<u>1,000</u>
Of the above, 100,000 (Previous year 100,000) Equity Shares of Rs. 10/- each held by erstwhile Bharti Infotel Limited the holding company, now amalgamated with Bharti Tele-Ventures Limited, the ultimate holding Company.	<u>1,000</u>	<u>1,000</u>
<b><u>SCHEDULE : 2</u></b>		
<b><u>SECURED LOANS</u></b>		
<b>From Bank :</b>		
– Cash Credit (Secured by hypothecation by way of first charge of all present and future goods and book debts, outstanding moneys, receivables and claims and also guaranteed by Bharti Tele-Ventures Limited, the holding Company.)	<u>19,765</u>	<u>23,742</u>
	<u>19,765</u>	<u>23,742</u>
<b><u>SCHEDULE : 3</u></b>		
<b><u>UNSECURED LOANS</u></b>		
<b>Short Term Loans and Advances</b>		
Bharti Tele-Ventures Limited, the holding Company	<u>182,718</u>	<u>261,441</u>
	<u>182,718</u>	<u>261,441</u>

**SCHEDULE 4 :  
FIXED ASSETS**

(Rs. '000)

Particulars	Gross Block Value				Depreciation				Net Block Value	
	As at April 1, 2004	Additions during the year	Sale/ Adjustment during the year	As at March 31, 2005	As at April 1, 2004	For the year	Sale/ Adjustment during the year	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
<b>Tangible Fixed Assets</b>										
Freehold Land	43,500	–	–	<b>43,500</b>	–	–	–	–	<b>43,500</b>	43,500
Plant and Machinery (1)	39,820	27,083	–	<b>66,903</b>	14,094	4,849	–	<b>18,943</b>	<b>47,960</b>	25,726
Building and Leasehold Improvements (2)	25,184	–	–	<b>25,184</b>	3,989	1,259	–	<b>5,248</b>	<b>19,936</b>	21,195
Office Equipment	1,763	65	–	<b>1,828</b>	1,420	292	–	<b>1,712</b>	<b>116</b>	343
Computer	8,068	190	–	<b>8,258</b>	7,610	489	–	<b>8,099</b>	<b>159</b>	458
Vehicle	665	–	–	<b>665</b>	447	133	–	<b>580</b>	<b>85</b>	218
Furniture and Fixture	3,345	–	–	<b>3,345</b>	2,585	639	–	<b>3,224</b>	<b>121</b>	760
<b>TOTAL</b>	<b>122,345</b>	<b>27,338</b>	<b>–</b>	<b>149,683</b>	<b>30,145</b>	<b>7,661</b>	<b>–</b>	<b>37,806</b>	<b>111,877</b>	<b>92,200</b>
Capital Work-in-Progress									–	19
<b>GRAND TOTAL</b>	<b>122,345</b>	<b>27,338</b>	<b>–</b>	<b>149,683</b>	<b>30,145</b>	<b>7,661</b>	<b>–</b>	<b>37,806</b>	<b>111,877</b>	<b>92,219</b>
Previous Year	87,903	34,442	–	122,345	13,719	16,426	–	30,145		

(1) Plant and Machinery includes assets given on operating lease :

	Gross Block		Depreciation		Net Block
	As at March 31, 2005	As at April 1, 2004	For the year	As at March 31, 2005	As at March 31, 2005
Plant and Machinery	63,575	11,778	4,164	15,942	47,633
Previous Year	37,504	378	11,400	11,778	25,726

(2) Building includes assets given on operating lease :

	Gross Block		Depreciation		Net Block
	As at March 31, 2005	As at April 1, 2004	For the year	As at March 31, 2005	As at March 31, 2005
Building	25,184	3,989	1,259	5,248	19,936
Previous Year	25,184	2,726	1,263	3,989	21,195

## Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2005 (Rs. '000)	As at March 31, 2004 (Rs. '000)
<b>SCHEDULE : 5</b>		
<b>INVENTORY</b>		
(Refer Note 6 on Schedule 17 and Note 3 on Schedule 18)		
Stock-in-Trade	190,511	116,659
[Including Goods in transit Rs.5,250 thousand, (Previous Year Nil )]		
	<u>190,511</u>	<u>116,659</u>
<b>SCHEDULE : 6</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured - considered good unless otherwise stated)		
(Refer Note 4 on Schedule 17)		
<b>Billing Debtors :</b>		
Debts outstanding for a period exceeding six months		
– Considered doubtful	27,005	4,032
Less: Provision	<u>(27,005)</u>	<u>(4,032)</u>
Others		
– Considered good	116,254	114,126
– Considered doubtful	7,425	7,788
Less : Provision	<u>(7,425)</u>	<u>(7,788)</u>
	<u>116,254</u>	114,126
	<u>116,254</u>	<u>114,126</u>
<b>SCHEDULE : 7</b>		
<b>CASH AND BANK BALANCES</b>		
<b>Balances with Scheduled Banks</b>		
– in Current Account	17,022	36,309
– in Fixed Deposits	228	180
– in Deposit Account as Margin Money	673	603
	<u>17,923</u>	<u>37,092</u>
<b>SCHEDULE : 8</b>		
<b>OTHER CURRENT ASSETS, LOANS AND ADVANCES</b>		
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received*	75,351	71,794
Interest Accrued on Fixed Deposit with Bank	31	56
Advance Tax paid [Net of provision for tax of Rs. 8,261 thousand ,(Previous year Nil)]	5,648	–
	<u>81,030</u>	<u>71,850</u>

[\*Includes Rs. 55,359 thousand (Previous Year Rs. 65,770 thousand)  
for assets given on finance lease]

## Schedules Annexed to and forming part of Accounts

Particulars	As at March 31, 2005 (Rs. '000)	As at March 31, 2004 (Rs. '000)
<b>SCHEDULE : 9</b>		
<b><u>CURRENT LIABILITIES AND PROVISIONS</u></b>		
<b>Current Liabilities</b>		
Sundry Creditors		
– Total outstanding dues of small scale industrial undertakings*	–	–
– Total outstanding dues of creditors other than small scale industrial undertakings	<u>213,328</u>	<u>94,335</u>
Security Deposit	6,200	6,270
Advance Billing	103,136	28,467
Advance Received from customers	12,979	7,915
Other Liabilities	<u>7,048</u>	<u>6,027</u>
	<u><u>342,691</u></u>	<u><u>143,014</u></u>
* This information has been compiled in respect of parties to the extent they could be identified as Small Scale and ancillary undertakings on the basis of information available with the Company.		
<b>Provisions</b>		
(Refer Notes 5 and 12 on Schedule 17 and Note 15 on Schedule 18)		
Gratuity	671	1,063
Leave Encashment	822	862
Provision for Warranty	5,740	5,370
Provision for Tax [Net of advance tax Nil (Previous year Rs. 7,397 thousand)]	–	864
	<u><u>7,233</u></u>	<u><u>8,159</u></u>



## Schedules Annexed to and forming part of Accounts

Particulars	For the year ended March 31, 2005 (Rs. '000)	For the year ended March 31, 2004 (Rs. '000)
<b>SCHEDULE : 10</b>		
<b>OTHER INCOME</b>		
Rent	3,800	3,800
Liabilities no longer required written back	1,196	–
	<u>4,996</u>	<u>3,800</u>
<b>SCHEDULE : 11</b>		
<b>OPERATING EXPENDITURE</b>		
Installation	12,463	9,789
Repair and Maintenance Others	25,836	16,093
Others	2,398	827
	<u>40,697</u>	<u>26,709</u>
<b>SCHEDULE : 12</b>		
<b>COST OF SALES OF GOODS</b>		
Opening Stock	116,659	78,268
Add : Purchases	368,261	323,847
Less : Internal issues/capitalized	24,975	36,825
Less : Closing Stock [Notes (a) and (b) below]	190,511	116,659
	<u>269,434</u>	<u>248,631</u>
<b>Notes :</b>		
(a) Net of obsolete inventory written off Rs. 11,267 thousand (Previous year Rs. 2,425 thousand)		
(b) Net of provision for diminution in value Rs. 3,045 thousand (Previous year Rs. 638 thousand)		
<b>SCHEDULE : 13</b>		
<b>PERSONNEL EXPENDITURE</b>		
Salaries, Wages and Bonus	44,501	63,381
Contribution to Provident and Other Funds	1,914	2,162
Staff Welfare	265	386
Recruitment and Training	103	131
	<u>46,783</u>	<u>66,060</u>
<b>SCHEDULE : 14</b>		
<b>SALES AND MARKETING EXPENDITURE</b>		
Advertisement and Marketing	700	856
Sales Commission and Incentive	4,610	3,082
Sales Promotion	–	5,294
Freight Outwards	13,679	9,918
Other	2,211	1,006
	<u>21,200</u>	<u>20,156</u>

## Schedules Annexed to and forming part of Accounts

Particulars	For the year ended March 31, 2005 (Rs. '000)	For the year ended March 31, 2004 (Rs. '000)
<b>SCHEDULE : 15</b>		
<b>ADMINISTRATIVE AND OTHER EXPENDITURE</b>		
Legal and Professional	1,134	841
Rates and Taxes	440	60
Telephone, Telex and Postage	34	74
Travelling and Conveyance	318	288
Rent	277	6,542
Repairs and Maintenance - Others	6	128
Provision for doubtful debts	22,610	3,229
Provision for diminution in value of stock	3,045	638
Miscellaneous	161	1,029
	<b>28,025</b>	<b>12,829</b>
<b>SCHEDULE : 16</b>		
<b>FINANCE EXPENSES</b>		
<b>Interest :</b>		
– On Security Deposit	–	2,680
– On Cash Credit	828	1,645
Other Finance Charges	1,649	1,351
	<b>2,477</b>	<b>5,676</b>
<b>Less: Interest Income</b>		
– From Current Investments		
[Gross of TDS Rs. 10 thousand (Previous year Rs.8 thousand)]	58	38
Exchange Fluctuation Gain (Net)	1,985	2,144
Income from assets given on lease	8,535	10,831
	<b>10,578</b>	<b>13,013</b>
	<b>(8,101)</b>	<b>(7,337)</b>

## Schedules Annexed to and forming part of Accounts

### **SCHEDULE : 17**

#### **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted by the Company in respect of these financial statements, are set out below.

#### **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. Capital work-in-progress is stated at cost.

#### **3. DEPRECIATION**

Depreciation is provided on straight-line method at the rates prescribed by Schedule XIV to the Companies Act, 1956, except for the following on which depreciation is provided on straight-line method to write off the cost of the fixed assets over their estimated useful lives as below :

	<b>Rate of Depreciation</b>
Building	5%
Office Equipment	20%/50%
Computer	33.33%
Vehicles	20.00%
Furniture & Fixtures	20.00%
Plant & Machinery	10%

Assets individually costing Rs.5 thousand or less are fully depreciated in the month of purchase.

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

#### **4. REVENUE RECOGNITION AND RECEIVABLES**

Revenue, net of discount from sale of goods is recognised on transfer of all significant risks and rewards to the customers and when no significant uncertainty exists regarding realisation of the consideration. Installation charges are recognised on satisfactory completion of installation. Revenue from audio-conferencing is recognised on the actual usage basis and is net of discount. Provision for doubtful debts is made for dues outstanding for more than 90 days.

#### **5. WARRANTY**

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

#### **6. INVENTORIES**

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

#### **7. 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.

## Schedules Annexed to and forming part of Accounts

### 8. LEASES

#### a) As Lessor- Operating Lease

Lease income in respect of 'Operating Lease' is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

#### b) As Lessor- Finance Lease

Finance leases as a dealer lessor are recognized as a sale transaction in the Profit and Loss Account and are treated like other outright sales.

Finance Income is recognized based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the lease.

#### c) As Lessee- Operating Lease

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.

#### d) Initial direct costs are expensed in the Profit and Loss Account at the inception of the lease.

### 9. 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.

### 10. SEGMENTAL REPORTING

#### a) Primary Segment :

The Company operates only in one business segment viz. 'Trading Division'.

#### b) Secondary Segment :

The Company operates only in India representing a singular economic environment with similar risks and rewards.

### 11. EARNING 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 EPS is the weighted average number of shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effects of potential dilutive equity shares.

### 12. RETIREMENT BENEFITS

Contribution to provident fund is made at predetermined rates and is charged to Profit & Loss Account. The Company has provided for the liability at the year end on account of unavailed earned leave and gratuity as per the actuarial valuation based on the Projected Unit Credit Method.

### 13. BORROWING COST

Borrowing costs 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.

## Schedules Annexed to and forming part of Accounts

### SCHEDULE : 18 NOTES TO ACCOUNTS

#### 1. Contingent Liabilities

	(Rs. '000)	
	As at March 31, 2005	As at March 31, 2004
Income Tax *	6,244	-
<b>Total</b>	<b>6,244</b>	<b>-</b>

\* During the year ended March 31, 2005 an income tax demand of Rs. 6,244 thousand was raised on the Company for the assessment year 2002-03. The dispute is currently pending before CIT (Appeals).

2. a) Bank Guarantees outstanding as at March 31, 2005 Rs. 114,795 thousand (Previous year Rs. 8,595 thousand) Secured by way of pari-passu first charge on all movable assets of the Company.
- b) Estimated amount of contracts to be executed on capital account and not provided for (net of advances) Rs. Nil thousand (Previous year Rs. Nil thousand).

#### 3. Quantitative Information

##### a. Details of purchases and sales :

Particulars	Purchases 2004-2005		Purchases 2003-2004		Sales 2004-2005		Sales 2003-2004	
	Qty. Nos.	Value (Rs. '000)	Qty. Nos.	Value (Rs. '000)	Qty. Nos.	Value (Rs. '000)	Qty. Nos.	Value (Rs. '000)
I. PAMA VSATs	-	43,260	-	16,593	-	11,592	-	15,435
II. Internet Modems	9,671	102,174	28,535	184,050	9,322#	106,360	20,799	146,591
III. BIT	1,560	206,006	1,174	118,989	1,309#	159,841	1,252 *	136,367
IV. Gateways	-	10,304	-	2,615	-	979	-	2,426
V. Others	-	6,517	-	1,600	-	1,761	-	547
<b>Total</b>		<b>368,261</b>		<b>323,847</b>		<b>280,533</b>		<b>301,366</b>

\* Excludes 13 nos. issued for internal use.

# Excludes 5 nos. of BIT and 820 nos. of Internet Modems capitalised during the year.

##### b. Details of Inventories :

Particulars	As at March 31, 2005		As at March 31, 2004	
	Qty. Nos.	Value (Rs. '000)	Qty. Nos.	Value (Rs. '000)
I. PAMA VSATs @	-	30,563	-	15,380
II. Internet Modems	8,223	57,322	8,694	43,443
III. BIT	764	86,975	518	47,467
IV. Gateways @	-	12,441	-	9,315
V. Others	-	3,210	-	1,054
<b>Total</b>		<b>190,511</b>		<b>116,659</b>

@ In view of heterogeneous nature of PAMA VSATs and Gateways quantitative particulars have not been disclosed.

##### c. CIF Value of Imports

	Year ended March 31, 2005 (Rs. '000)	Year ended March 31, 2004 (Rs. '000)
Stock-in-trade	121,993	78,148
HCD Cards	-	702

## Schedules Annexed to and forming part of Accounts

### 4. Expenditure/Earnings in Foreign Currency (on accrual basis) :

	Year ended March 31, 2005 (Rs. '000)	Year ended March 31, 2004 (Rs. '000)
Expenditure :		
Repair and Maintenance	25,098	12,757
Conference Expenses	389	-
Earnings :		
Billing Revenue	7,379	3,384

5. During the year, the Company has revised the useful life of VSAT assets from three years to ten years and has provided depreciation as per the revised estimate of useful life, resulting in a lower charge of depreciation by Rs. 12,742 thousand with corresponding impact on loss for the year and net assets of the Company as at March 31, 2005.

6. During the year, the Company has revised the accounting policy to recognize revenue on sale of goods from time of dispatch to transfer of all significant risks and rewards, resulting in revenue for the year being lower by Rs. 99,712 thousand with corresponding impact on loss for the year and net assets of the Company as at March 31, 2005.

### 7. Break-up of net Deferred tax asset into major components of respective balances is as follows :

	2005 (Rs. '000)	2004 (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 (to the extent considered realisable)	12,590	1,153
(ii) Unabsorbed depreciation allowance and business loss (to the extent considered realisable)	8,214	500
(iii) Difference between depreciation as per financial statements and depreciation as per Income Tax Return	(8,699)	-
Net Deferred Tax Asset/(Liability)	<u>12,105</u>	<u>1,653</u>

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

### 8. Auditors' Remuneration \*

	For the Year ended March 31, 2005 (Rs. '000)	For the Year ended March 31, 2004 (Rs. '000)
Audit Fee	580	225
Tax Audit fee	-	40
Certification Charges	-	20
<b>Total</b>	<u>580</u>	<u>285</u>

\* Excluding service tax

### 9. Leases

#### i) Operating Lease – As lessor

- a) The Company has given VSAT assets like BIT, routers, modem etc. on operating lease basis to various customers, which are capitalized under fixed assets. The agreements are cancellable and are generally of one year. The lease rentals recognized in the Profit and Loss Account on a straight line basis over the lease term amount to Rs. 32,873 thousand (Previous year Rs. 31,728 thousand).

## Schedules Annexed to and forming part of Accounts

b) The Company has also given office building on operating lease basis, which is cancellable, to erstwhile Bharti Cellular Limited, a subsidiary of BTVL, the ultimate holding Company, now amalgamated with BTVL. The building is capitalized under fixed assets and rental income is recognized on a straight line basis over the lease term.

### ii) Operating Lease – As a Lessee

The Company has taken office warehouses on operating lease basis, which is cancellable. The lease rentals paid charged to the Profit and Loss Account on a straight line basis over the lease term are Rs. 277 thousand (Previous year Rs. 6,542 thousand).

### iii) Finance Lease – As a Lessor

The Company has given Broadband Interactive Terminals ('BIT') on finance lease basis. The gross investment in assets given on finance lease as at March 31, 2005 and their present value as at that date are as follows :

	(Rs. '000)		
	Gross Investment	Unearned Finance Income	Present value of Future Lease receivables
Not later than one year	29,730	4,585	25,145
Later than one year but not later than five years	33,699	3,485	30,214
<b>Total</b>	<b>63,429</b>	<b>8,070</b>	<b>55,359</b>

### As at March 31, 2004

	(Rs. '000)		
	Gross Investment	Unearned Finance Income	Present value of Future Lease receivables
Not later than one year	35,690	8,305	27,385
Later than one year but not later than five years	44,014	5,629	38,385
<b>Total</b>	<b>79,704</b>	<b>13,934</b>	<b>65,770</b>

Note : The unguaranteed residual accruing to the benefit of the Company is Nil (Previous year Nil).

## 10. Earnings/(Loss) per Share

	2004-05	2003-04
<b>Basic and Diluted Earnings per Share :</b>		
a) Profit/(Loss) attributable to equity shareholders (Rs. '000) (A)	(19,950)	3,037
b) Weighted average number of equity shares outstanding during the year (B)	100,000	100,000
c) Nominal value of equity shares (Rs.)	10/-	10/-
d) Basic and Diluted Earnings/(Loss) per Share (Rs.) (A)/(B)	(199.50)	30.37

## Schedules Annexed to and forming part of Accounts

### 11. Segmental Results

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

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

REPORTABLE SEGMENTS	TRADING DIVISION (Rs. '000)	OTHER (Rs. '000)	ELIMINATIONS (Rs. '000)	TOTAL (Rs. '000)
<b>REVENUE</b>				
Billing Revenue/Sale of Goods and Other Income	371,497	3,800	–	375,297
<b>TOTAL REVENUE</b>	<b>371,497</b>	<b>3,800</b>	<b>–</b>	<b>375,297</b>
<b>RESULTS</b>				
EBITDA	(34,553)	3,711	–	(30,842)
Segment Result, Profit/(Loss)	(39,902)	1,399	–	(38,503)
<b>OPERATING PROFIT</b>	<b>(39,902)</b>	<b>1,399</b>	<b>–</b>	<b>(38,503)</b>
Net Finance Expenses/(Income)	(8,101)	–	–	(8,101)
<b>NET PROFIT/(LOSS)</b>	<b>(31,802)</b>	<b>1,400</b>	<b>–</b>	<b>(30,402)</b>
Deferred Tax (Expense)/Income	–	(10,452)	–	(10,452)
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>(31,802)</b>	<b>11,852</b>	<b>–</b>	<b>(19,950)</b>
<b>OTHER INFORMATION</b>				
Segment Assets	449,801	62,146	–	511,947
Inter Segment Assets	97,216	–	(97,216)	–
Deferred Tax Asset	–	12,105	–	12,105
Advance Tax (Net of Provision for tax)	–	5,648	–	5,648
<b>TOTAL ASSETS</b>	<b>547,017</b>	<b>79,899</b>	<b>(97,216)</b>	<b>529,700</b>
Segmental Liabilities	439,008	113,399	–	552,407
Inter Segment Liabilities	–	97,216	(97,216)	–
<b>TOTAL LIABILITIES</b>	<b>439,008</b>	<b>210,615</b>	<b>(97,216)</b>	<b>552,407</b>
Capital Expenditure	27,338	–	–	27,338
Depreciation	5,347	2,314	–	7,661
Non-Cash Expenses other than Depreciation	370	–	–	370



## Schedules Annexed to and forming part of Accounts

For the year ended March 31, 2004

REPORTABLE SEGMENTS	TRADING DIVISION (Rs. '000)	OTHER (Rs. '000)	ELIMINATIONS (Rs. '000)	TOTAL (Rs. '000)
<b>REVENUE</b>				
Billing Revenue/Sale of Goods and other Income	387,082	3,800	–	390,882
<b>TOTAL REVENUE</b>	<b>387,082</b>	<b>3,800</b>	<b>–</b>	<b>390,882</b>
<b>RESULTS</b>				
EBITDA	12,705	3,667	–	16,372
Segment Result, Profit/(Loss)	(224)	170	–	(54)
<b>OPERATING PROFIT</b>	<b>(224)</b>	<b>170</b>	<b>–</b>	<b>(54)</b>
Net Finance Expenses/(Income)	(10,041)	2,704	–	(7,337)
<b>NET PROFIT/(LOSS)</b>	<b>9,817</b>	<b>(2,534)</b>	<b>–</b>	<b>7,283</b>
Provision for Tax	–	5,500	–	5,500
Deferred Tax (Expense)/Income	–	(1,254)	–	(1,254)
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>9,817</b>	<b>(6,780)</b>	<b>–</b>	<b>3,037</b>
<b>OTHER INFORMATION</b>				
Segment Assets	218,483	214,327	–	432,810
Inter Segment Assets	100,263	–	(100,263)	–
Deferred Tax Asset	–	1,653	–	1,653
Advance Tax (Net of Provision for tax)	–	(864)	–	(864)
<b>TOTAL ASSETS</b>	<b>318,746</b>	<b>215,116</b>	<b>(100,263)</b>	<b>433,599</b>
Segmental Liabilities	269,570	166,786	–	436,356
Inter Segment Liabilities	–	100,263	(100,263)	–
<b>TOTAL LIABILITIES</b>	<b>269,570</b>	<b>267,049</b>	<b>(100,263)</b>	<b>436,356</b>
Capital Expenditure	34,461	–	–	34,461
Depreciation	12,930	3,496	–	16,426

### Notes :

- I. 'Others' represents the unallocated revenue, profit/(loss), assets and liabilities of the Company.
- II. Segment results represents Profit/(loss) before Finance expenses and tax.
- III. Capital expenditure pertains to gross additions made to fixed assets during the year excluding goodwill.
- IV. Segment Assets include Fixed Assets, Capital Work in progress, Pre-operative expenses pending allocation, Current Assets and Miscellaneous Expenditure (to the extent not written off).
- V. Segment Liabilities include Secured and Unsecured loans and Current Liabilities.
- VI. Inter segment assets/liabilities represent the inter segment account balances.
- VII. Non Cash expenses other than depreciation represent provision for warranty

### 12. Related Party Disclosures :

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	Holding Company
Bharti Telesoft Limited	Associate Company
Bharti Teletech Limited	Associate Company

## Schedules Annexed to and forming part of Accounts

2004-2005

Nature of transaction	(Rs. '000)		
	Bharti Tele-Ventures Limited	Bharti Telesoft Limited	Bharti Teletech Limited
<b>Opening Balance</b>	<b>(264,507)</b>	–	<b>(7,607)</b>
Fund transferred	156,900	–	–
Fund received	(109,420)	–	–
Expenses incurred on behalf of Group Companies	16,139	–	–
Expenses incurred by Group Companies	(35,294)	–	–
Sale of services to Group Companies	11,426	75	7,607
Payment received against sale of services	(11,361)	–	–
Purchase of Services from Group Companies	(784)	–	–
<b>Closing Balance</b>	<b>(236,901)</b>	<b>75</b>	–
Unsecured Loan	(182,718)	–	–
Creditors	(54,183)	–	–
Debtors	–	75	–
<b>Closing Balance</b>	<b>(236,901)</b>	<b>75</b>	–

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

13. As at the year end, the accumulated losses exceed the paid up share capital of the Company and the networth of the Company is completely eroded. However, in view of the support from the holding Company, the accounts are prepared on a going concern basis.
14. Loans received from the holding Company are repayable on demand.
15. The Company has adopted AS-29 'Provisions, Contingent Liabilities and Contingent Assets' issued by the Institute of Chartered Accountants of India during the year ended March 31, 2005. The movement of provision made for warranty and leave encashment are given below :

**a) The movement of provision for warranty :**

	March 31, 2005 (Rs. '000)	March 31, 2004 (Rs. '000)
Opening Balance	5,370	8,672
Add : Additions	971	(2,931)
Less : Utilisations	(601)	(371)
Closing Balance	<u>5,740</u>	<u>5,370</u>

**b) The movement of provision for leave encashment :**

	March 31, 2005 (Rs. '000)	March 31, 2004 (Rs. '000)
Opening Balance	862	–
Add : Additions	113	956
Less : Utilisations	153	94
Closing Balance	<u>822</u>	<u>862</u>

16. Previous year figures have been regrouped/rearranged, wherever necessary to make them comparable with the current year figures.

## Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No. 

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 State Code 

5	5
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Balance Sheet Date 

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

<b>Public Issue</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table> <b>Bonus Issue</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L							N	I	L	<b>Rights Issue</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table> <b>Private Placement</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>							N	I	L							N	I	L
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### III. Position of mobilisation and deployment of funds (Amount in thousands)

<b>Sources of funds</b> <b>Total Liabilities</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td>2</td><td>0</td><td>3</td><td>4</td><td>8</td><td>3</td></tr></table> <b>Paid up Capital</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td>1</td><td>0</td><td>0</td><td>0</td></tr></table> <b>Secured Loans</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td>1</td><td>9</td><td>7</td><td>6</td><td>5</td></tr></table> <b>Net Fixed Assets</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td>1</td><td>1</td><td>1</td><td>8</td><td>7</td><td>7</td></tr></table> <b>Net Current Assets</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td>5</td><td>5</td><td>7</td><td>9</td><td>4</td></tr></table> <b>Accumulated Losses</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td>2</td><td>3</td><td>7</td><td>0</td><td>7</td></tr></table>			2	0	3	4	8	3					1	0	0	0				1	9	7	6	5			1	1	1	8	7	7				5	5	7	9	4				2	3	7	0	7	<b>Total Assets</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td>2</td><td>0</td><td>3</td><td>4</td><td>8</td><td>3</td></tr></table> <b>Reserves and Surplus</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table> <b>Unsecured Loans</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td>1</td><td>8</td><td>2</td><td>7</td><td>1</td><td>8</td></tr></table> <b>Investments</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table> <b>Miscellaneous Expenditure</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>			2	0	3	4	8	3							N	I	L				1	8	2	7	1	8							N	I	L							N	I	L
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### IV. Performance of the Company (Amount in thousands)

<b>Turnover</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td>3</td><td>7</td><td>5</td><td>2</td><td>9</td><td>7</td></tr></table> <b>Profit/(Loss) Before Tax</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td>(</td><td>3</td><td>0</td><td>4</td><td>0</td><td>2</td><td>)</td></tr></table> <b>Earning per Share in Rs.</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td>(</td><td>1</td><td>9</td><td>9</td><td>.</td><td>5</td><td>0</td><td>)</td></tr></table>			3	7	5	2	9	7			(	3	0	4	0	2	)			(	1	9	9	.	5	0	)	<b>Total Expenditure</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td>4</td><td>0</td><td>5</td><td>6</td><td>9</td><td>9</td></tr></table> <b>Profit/(Loss) After Tax</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td>(</td><td>1</td><td>9</td><td>9</td><td>5</td><td>0</td><td>)</td></tr></table> <b>Dividend Rate</b> <table border="1" style="width: 100%;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>I</td><td>L</td></tr></table>			4	0	5	6	9	9			(	1	9	9	5	0	)							N	I	L
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### 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
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Product Description 

N	O	T		A	P	P	L	I	C	A	B	L	E
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On behalf of the Board

**BADRI AGARWAL**  
Director

**K.L. JAIN**  
Director

Place : New Delhi  
Date : July 25, 2005