AUDITORS' REPORT

TO THE MEMBERS OF BHARAT SANCHAR NIGAM LIMITED

A. We have audited the attached Balance Sheet of Bharat Sanchar Nigam Limited as at 31st March 2006 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

B. 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 of our opinion.

Our report has taken into consideration the audited accounts and Branch auditors reports of 48 units (circles, districts, regions, training institutions, stores, factories) appointed by the Comptroller and Auditor's General of India and noted by the Board of Directors of the company.

C. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of 'The Companies Act, 1956 of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us and reports of other auditors, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in paragraph ‘C’ above:

D. Attention is invited to the facts stated in the following paragraph:

1. **Assets taken over from Department of Telecommunications (D.O.T) and D.O.T balances**

   a) As referred to in Note no. 2 on Schedule U, the process of taking over the assets and liabilities from Department of Telecommunications (D.O.T) is still in progress and the fact that the value of net assets identified subsequent to 01.10.2000 has been credited to Capital Reserves.

   b) The title to the various immovable properties taken over from D.O.T. are yet to be transferred in the name of the Company.

   c) The fact that the method of valuation adopted for assets taken over is also the basis for treating them as original cost for the purpose of providing depreciation.

2. **Fixed Assets and Capital Work-in-Progress**

   a) As stated in Note no. 1 on Schedule – D, amortization has been made only in respect of leasehold land which have been identified as leasehold.

   b) As referred to in note 5.4 on Schedule - U, the fact that some excess depreciation could have been provided on the analog exchanges which had been impaired and provided for and the fact that no adjustment has been made to write back such excess depreciation.

   c) As referred to in Note No. 5.5 on Schedule – U, certain assets still shown under ‘Capital-work-in-progress’ though completed and put to use, has not been capitalized and depreciation provided on them.

   d) As referred to in Note No. 5.8 on Schedule – U, there is a net difference of Rs. 717 lacs in CWIP between subsidiary ledger and financial ledger, in a Circle.

3. **Depreciation**

a) **As reported by the branch auditor, the depreciation on some assets in U.P. (West) Circle has not been computed at the rate and in the manner prescribed in Schedule XIV to the Companies Act; the impact thereof on the profit for the year and on fixed assets of that circle are not ascertainable.**

b) **As referred to in Accounting Policy 4 in 'Schedule T', depreciation on factory buildings & administrative buildings have been provided at the rate applicable to the normal buildings.**

4. **Current Assets, Loans and Advances and Current Liabilities**

a) **As referred to in Note No. 7.1 & 8.2 of Schedule – U, the fact that no adjustment has been made for the difference of Rs. 28969 lacs between the General Ledger and Subsidiary Ledger of Sundry Debtors and the difference between similar sets of accounts in respect of loans and advances (amount unascertained) pending reconciliation.**

b) **As referred to in Note 10.1 on Schedule U, Bank Reconciliation Statements have not been prepared in few units.**

c) **As stated in Note No. 10.2 & 10.3 of Schedule – U, Cheques and TTs deposited with the Bank for Rs. 1744 lacs but not credited by the banks and unlinked debit & credit items appearing in Bank Reconciliation for Rs. 1803 lacs and Rs. 2678 lacs, respectively are still in the process of reconciliation and hence, not adjusted in the accounts.**

d) **The balances due to and due from DOT, M.T.N.L., DOP on current account are subject to confirmation, reconciliation and consequential adjustments.**

5. **Frauds**

Frauds have been reported in 9 circles amounting to Rs. 1836.29 lacs which includes Rs. 23 lacs due to misappropriation of ITC cards and Rs. 835 lacs on account of unauthorized ISD calls, which have been defrauded before the income could be recognized.

6. **Inter/ Intra Circle Remittance Account**

As stated in Note No. 14 on Schedule U, the possible effect of reconciliation of inter/intra circle remittances on the income, expenditure, assets and liabilities could not be ascertained.

7. **Others**

(a) As stated in Note no 25 (d) on Schedule U, the company has not identified the SSIs with whom they are dealing and hence disclosure as required under Schedule VI could not be made.

(b) As stated in Note no 26(f) on Schedule U, in certain units, contingent liabilities and estimated amount of contracts remaining to be executed have not been ascertained.

(c) The fact that certain assumptions as stated in note no. (1) & (2) on Cash Flow Statement have been made for the purpose of preparation of 'Cash Flow Statement'.

(d) The branch auditor have reported that Accounts of GMTD Gorakhpur & TDM Ballia have not been properly compiled for want of necessary information and hence unable to express any opinion on such accounts; however, the financial impact of the above qualification has not been quantified.

8. **License Fee, Spectrum Charges, Inter connect Usage Charges**

a) **The fact that the licence fee has been accrued based on note no. 13.2 and the inter connect revenue between BSNL & MTNL based on note no. 12.2 of Schedule – U, and the accounting for the revenues from D.O.T, & M.T.N.L. has been made as stated in the accounting policy 2(c) of Schedule 'T'.**

b) **As referred to in Note 12.4 on Schedule U, no provision has been made for telecom traffic charges payable and receivable to and from Pakistan Telecom Company Limited.**

9. **Revenue**

(a) **The exchange wise reconciliation of outgoing metered calls and calls billed has not been done by the company for 15 circles as reported by the branch auditors. Consequently the completeness and the correctness of the provision for revenue sharing as well as for licence fee payable, to that extent, could not be adjusted.**

(b) **The booking of rental income on disconnected telephones as stated in Note no. 12.6 of Schedule – U.**

E. 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 accounts as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;

In addition to the matters covered in our report under CARO 2003, the system of accruing income and expenditure is to be strengthened as evidenced by the fact that the large amount of prior period income and expenditure are being accounted for during each of the subsequent years.

(c) We have received reports on accounts of branch offices audited by other auditors and the same has been dealt with by us in our report.

(d) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of accounts and with the audited returns from branches.

(e) 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 Companies Act, 1956 **except for :**

- **Accounting Standard 2 for valuation of inventory have not been followed in 13 circle as reported by branch auditors.**

- **Accounting Standard 10 for charging of overhead on the basis of predetermined / estimated basis to the Capital Work-in-Progress (Note No. 5.7 of Schedule - U) instead of on actual basis.**

- **Accounting Standard 15 regarding provision for leave encashment of absorbed employees as well as directly recruited employees and gratuity liabilities in respect of eligible employees has been provided for on estimated basis pending ascertainment of actuarial valuation (Note No. 11.2 & 11.3 of Schedule - U).**

(f) On the basis of written representations received from the directors as on 31st March, 2006 and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

(g) ***Subject to item 2,3,4,6,7,8&9 contained in D above, to which attention has been drawn and the consequential effect of adjustment on the value of assets, liabilities, the quantum of income and expenditure and their effect on the profit for the year (which are unascertainable)*** in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Accounting Policies and notes thereon give the information required by the Companies Act, 1956, **except for the non disclosure of the matters referred to in Note no. 25 (a), 25 (b) & 25 (d) of Schedule 'U' and information relating thereto** in the manner so required 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 31st March, 2006; and

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

(iii) in the case of the Cash Flow Statement, of the cash flow for the year ended on that date.

For Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants

M.P. Thakur
Partner
M.No. 052473

Place - New Delhi
Date - 31.07.2006

NOTES TO ACCOUNTS
(SCHEDULE - U)

1. In pursuance of New Telecom Policy 1999, the Government of India formed a Company named "Bharat Sanchar Nigam limited" (BSNL) on 15th September 2000. BSNL took over the ongoing business of Department of Telecom Services ("DTS") and Department of Telecom Operations ("DTO") on 01st October 2000.

2. Assets and Liabilities taken over from DOT

2.1 In pursuance of the Memorandum of Understanding dated 30th September 2000 executed between Government of India and BSNL, all assets and liabilities in respect of business carried on by DTS and DTO were transferred to the Company with effect from 01st October 2000 at a provisional value of Rs. 6,300,000 lakh and up to previous financial year BSNL has identified net assets of Rs. 6,339,730 lakh against it.

During the current financial year, the management based on physical verification of fixed assets and inventory and reconciliation of various subsidiary and general ledgers, has additionally identified the following assets and liabilities taken over as on 01st October 2000 amounting to net assets of Rs. 37,750 lakh (P.Y. - Rs. 91,538 lakh):

(Figures in lakh of Rupees)

Particulars	Up to March 31, 2005	During the year	Up to March 31, 2006
Assets			
Fixed Assets	5,412,264	6,761	5,419,025
Capital Work-in-progress	500,955	620	501,575
Inventory	184,480	3,540	188,020
Sundry Debtors	662,165	31,384	693,549
Advance to contractors	39,448	-	39,448
Deposit with Electricity Boards /others	1,879	132	2,011
Total-A	**6,801,191**	**42,437**	**6,843,628**
Liabilities			
Customer Deposits	386,470	1,216	387,686
Earnest Money deposits	12,120	341	12,461
Security Deposits from Contractors /Suppliers	28,127	204	28,331
Working Expenses Liability as on 1st October 2000	36,798	959	37,757
Contractors Bills payable as on 1st October 2000	(2,054)	1967	(87)
Total-B	**461,461**	**4,687**	**466,148**
Net Assets taken over by the Company (A-B)	**6,339,730**	**37,750**	**6,377,480**
Previous Year	**6,248,193**	**91,538**	**6,339,730**

The net assets and the contingent liabilities transferred to the Company as on 1st October 2000 are subject to confirmation by DoT as regard to their ownership and the value.

2.2 The Capital structure for BSNL concurred in by Ministry of Finance and conveyed by Department of Telecommunications vide their U.O. No. 1-2/2000-B (Pt.) dated 13th December 2001 as consideration for transferring the above stated assets and liabilities is as follows:

(Figures in lakh of Rupees)

Particulars	As at 01st October 2000 (as on 31.03.2005)	Additions during the year ended 31st March 2006	Total structure as at 01st October 2000 (as on 31.03.2006)
Equity	500,000	_	500,000
9% Non-Cumulative Preference Shares	750,000	–	750,000
15 year Government Loan (Interest at prevalent Government lending rate)	750,000		750,000
Loan from MTNL	305,600	_	305,600
Capital Reserves*	4,034,130	37,750	4,071,880
Total	**6,339,730**	**37,750**	**6,377,480**

* represents the difference between the total value of the assets taken over and the long term identified liabilities & the capital structure, as on 01.10.2000 as communicated by DOT.

2.3 In pursuance of clause 13 of Agreement of Transfer executed between the Government of India and BSNL dated 30th September 2000 all costs, charges and expenses including stamp duties, registration charges, transfer duties, any other taxes, levies, duties or charges relating to or in connection with completion of transfer of assets and liabilities shall be borne by the Government of India.

3. Loan from Government of India

The Government Loan of Rs. 750,000 lakh to the Company had a moratorium on repayment of the principal and interest thereon up to 31st March 2005. In the current financial year the company has repaid the loan amount of Rs. 200,000 lakh and the provision for interest @14.5 % p.a., as intimated by the DOT vide letter No. 1-43/2004-B dated 03.02.2005, has been made on the outstanding loan amount but BSNL has represented to the Government of India for reduction in the rate of interest, hence interest accrued and due has not been remitted.

4. The value of fixed assets, inventories, debtors and liabilities taken over by the Company is subject to remarks in Para 5, 6, 7 and 8 below.

5. Fixed Assets / Capital Work-In-Progress

5.1 Fixed Assets taken over from DOT as on 1st October 2000 are based on physical verification conducted by the management. The value of fixed assets taken over including capital work-in-progress has been determined by the management using the original cost of the asset (wherever available) or alternatively the value arrived at by applying Strategic Business Plan ("SBP") rates, which is based on technical assessment, as reduced by the depreciation up to 30th September 2000 on Straight Line Basis at the rates prescribed by DoT.

The provisional transfer values, as indicated above, in respect of assets transferred from DoT on 1st October 2000 have been treated as its original cost and depreciation has been provided on written down value method at the rates prescribed in Schedule XIV of the Companies Act without reassessing the remaining useful life of such assets as on that date. Similarly, the depreciation has been provided at the rates as stated above for all the assets capitalized after corporatization without assessing whether the possible useful life of such assets are likely to be lower than the life estimated in the Schedule XIV of the Companies Act. 1956.

5.2 Land at several locations has been taken over at a nominal value say Rs. 1, wherever original cost is not available. Cost of land includes leasehold and free hold land including those, which have not been segregated separately as leasehold land. In the absence of the information relating to such acquisition, no adjustment has been made for amortizing the cost of lease hold land over the lease period in many Circles.

5.3 Pending transfer in the name of the Company, documents in respect of land & buildings acquired during the periods are under legal process/execution. Further in respect of assets taken over from DOT, formalities for vesting the assets in favour of the Company wherever necessary/applicable are under process. Further some of the assets acquired by the Company during the year are yet to be registered in the name of the Company.

5.4 In accordance with the decision of the Board of the Company to phase out 1 million lines of analogue exchange during the year ended 31st March 2001, provision of Rs. 33,325 lakh being the net book value of such exchanges had been made in the financial statements. Out of these provision net assets amounting to Rs. 22,730 lakh (P. Y. Rs. 22,699 lakh) has been utilized for write off up to March 31, 2006.

Balance net assets of Rs. 10,595 lakh (P. Y. Rs. 10,626 lakh) are still to be identified and the provisions adjusted. However, the Company has been depreciating these unidentified assets resulting in a possible provision of excess depreciation. The exact quantum of such excess depreciation has not been identified. The management is in the process of identifying all such assets as well as excess depreciation so as to carry out necessary adjustments.

5.5 Certain assets that have been completed and put to use, have not been capitalized in 7 Circles pursuant to the policy of capitalizing only after completion certificates have been obtained and these are still shown as capital work-in-progress. The amount involved is Rs. 11,382 lakh (P. Y. Rs. 567 lakh). To that extent, these have not been depreciated on account of the fact that the total expenditure on capital works is still to be classified under the proper heads.

5.6 The Capital Work-In-Progress includes expenditure incurred on the works done for the Railways amounting to Rs. 1872 lakh (P. Y. Rs. 1,972 lakh), for which claims are raised but not accounted for in the books of account since the amount reimbursable is to be mutually agreed upon which is still pending.

5.7 In some of the circles, overheads are charged on the basis of predetermined percentages or estimation basis.

5.8 In one unit, there is a difference of Rs. 717 lakh (net) between the CWIP subsidiary ledger and general control ledger - the general control ledger balance being more.

6. Inventories

6.1 At several locations physical verification of stock has been conducted by the management during the period. Physical inventory taken is being reconciled with the detailed inventory records and the same will be further reconciled with the balance as per the financial books since the store depots maintained only numerical accounts and the financial accounting is done by the accounts branch at a later date. In four circles, the difference between the physical stock and the financial records amounting to Rs. 3,544 Lakh (net shortage in physical stock) has been noticed and is under reconciliation. Further in four circles difference between general record and stores sub ledger amounting to Rs. 7,430 lakh has been noticed and still is under reconciliation. The consequential adjustment will be made after the process of reconciliation is over.

6.2 Prices for the sale of stock from Telecom Factories to circles for self-consumption are predetermined. The predetermined rates include direct cost plus overhead allocation at a fixed rate. This practice has resulted in internal loss of Rs. 2,179 lakh (P. Y. Rs. 3,343 lakh) for the year ended 31st March 2006 arising out of such transfer. The said amount has been treated as the administrative expenses in the profit and loss statement for the year since it is not possible to identify the individual items of stores, which have been capitalized or expensed off.

6.3 In some of the circles the non-moving, slow moving, obsolete inventories and replaced/ decommissioned assets are in the process of identification. Pending finalization of the process, no provision, if any, that may be required has been made.

7. Sundry Debtors

7.1 In many Circles, the difference in the closing balance of subsidiary sub ledger and the sundry debtor figure of the General Ledger has been noticed - the General Ledger balance being more by Rs. 28,969 lakh. The management is in the process of reconciling these differences; pending reconciliation no adjustment has been made.

7.2 The age-wise analysis of the sundry debtors as per sub ledger for the current year is given below:

(Fig. in Lakh)

Particulars	Year (2005-06)
Debtors exceeding six months	488,741
Other Debtors	200,197
Total	**688,938**

7.3 The classification of the sundry debtors as secured (to the extent of the security deposits held by the company) and unsecured, to the extent available for the current financial year is as follows:

(Fig. in Lakh)

Particulars	Year (2005-06)
Considered good in respect of which the company is fully secured	195,398
Considered good but unsecured	163,431
Doubtful Debts	330,109
Total	**688,938**

Corresponding details for the previous financial year are not available in respect of item 7.2 and 7.3.

7.4 The requirement of Schedule VI of the Companies Act 1956, of disclosure has not been fully complied with respect to classification of Sundry Debtors as Secured & Unsecured and amount outstanding for a period exceeding six months.

8. Loans & Advances

8.1 The amount of Rs. 149,180 lakh (P.Y. Rs. 73,390 lakh) under ‘advances recoverable in cash or in kind or for value to be received’ includes an amount due from employees of Rs. 46,718 lakh (P.Y. Rs. 42,365 lakh) whose break up is as under:

(Fig. in Lakh)

Particulars	2005-06	2004-05
Considered good in respect of which the company is fully secured	24,224	24,928
Considered good but unsecured	22,494	17,437
Total	**46,718**	**42,365**

8.2 In some of the Circles, it has been noticed that there are differences in the subsidiary ledger of loan & advances and other current assets with those appearing in the General Ledger. The management is in the process of reconciling these differences.

9. DoT Balances

9.1 Net amount of Rs.59,912 lakh (P. Y. Rs. 50,760 lakh) recoverable on current account from DoT is subject to confirmation, reconciliation and consequential adjustment.

9.2 There is no agreement between the Company and DoT for interest recoverable / payable on outstanding amounts of DoT, hence no accrual for interest has been made on the amount payable to/ recoverable from DoT.

10. Cash and Bank Balances

10.1 Bank reconciliation statements have not been prepared in few units of certain circles in respect of some bank accounts.

10.2 In some of the units, it has been noticed that cheque/TT had been deposited with the bank but the same has not been credited in the relevant bank accounts of the company amounting to Rs. 1,744 lakh (P. Y. Rs. 1,309 lakh) as on 31.03.2006. The management has taken up the case with the concerned banks for early crediting of the amount in the respective account.

10.3 In some of the units, unlinked debit and credit items are appearing in the bank reconciliation statement amounting to Rs. 1,803 lakh (P. Y. Rs. 1,738 lakh) and Rs. 2,678 lakh (P. Y. Rs. 4,078 lakh) respectively as at 31.03.2006. The management is in the process of reconciling all such items at the earliest possible.

11. Employee Cost

11.1 The Company has made pension contribution as per applicable rates to DoT on the basis of pay scales for absorbed employees and for other employees working on deemed deputation, as per the CDA pay scales in accordance with Financial Rule 116 of the Government of India. The liability on account of pension payable to all such employees will be that of Government of India as communicated by the Secretary, Department of Telecommunication vide their DO No. 1-45/2003-B dated 15.03.2005.

11.2 The provision for leave encashment has been made on an estimated basis for the absorbed and directly recruited employees in the current financial year amounting to Rs. 70,862 lakh (P. Y. Rs. 210,835 lakh). The cumulative provision up to 31.03.2006 is Rs. 405,153 lakh (Rs. 334,103 lakh up to 31.03.2005) pending adoption of actuarial valuation method.

11.3 The company has completed five years from its incorporation during the financial year. Accordingly, the provision of the gratuity liability in respect of the eligible employees has been made on estimated basis amounting to Rs.490 lakh (P.Y. NIL) pending adoption of actuarial valuation method.

12. Revenues

12.1 In the current financial year the TRAI has changed the IUC regulation w.e.f. 01.03.2006 under which BSNL is eligible to receive Access Deficit Charges (ADC) @ 1.5% of Adjusted Gross Revenue (AGR) of other Basic, CMTS, USAL, NLD & ILD operators in place of the per minute based ADC amount for above mentioned license services. However, per minute based ADC will also remain applicable for outgoing and incoming ILD calls in addition to AGR based ADC. In future years, the above change in the method is likely to have a significant impact on the revenue.

12.2 No interconnect (IUC) agreement exists between BSNL and MTNL for carriage of traffic in each others network. During the year the company has computed and accounted for the interconnect charges based on the rates prescribed by TRAI in IUC regulation. The claims raised by both the parties are disputed. As per BSNL books net claims receivable from MTNL as on 31.03.2006 is Rs. 141,701 lakh (P. Y. Rs. 73,512 lakh), which is subject to confirmation by MTNL.

12.3 The BSNL has started inter operator billing system based on call data record (CDR) instead of metered calls units (MCU) in the current financial year for ensuring the reciprocity in commercial and billing matters.

12.4 No claim has been received from Pakistan Telecom Company Limited on account of telecom traffic for the period from 01.01.2002 to 31.03.2006 (telephone), 01.09.2002 to 31.03.2006 (telex) and 01.07.2003 to 31.03.2006 (telegraph). In the absence of relevant details of traffic data, no recognition of income and provisioning for expenditures relating to it has been accounted for the above period.

12.5 No claim has been received from Bangladesh Telegraph & Telephone Board (BTTB) for the period from 01.04.2005 to 31.03.2006 during the current financial year however, the accounting entry has been made based on BSNL data.

12.6 Telephones disconnected due to non-payment up to three months' period are considered as working connection and are processed for permanent closure after this period. Pending permanent closure of such telephone the bills for rental amount are issued and accounted for as income.

13. License Fee

13.1 The Department of Telecommunications has reduced the licence fee from 15% to 6% of AGR w.e.f. 01.01.2006 for NLD, ILD and VSAT licenses.

13.2 The Company does not have a system of identifying the revenue from National Long Distance (NLD) & International Long Distance (ILD) services. In the current financial year also the Company has computed the NLD revenue as 30% of circuit revenue and 10 % of POI Revenue as in the previous financial year. However, for the basic service excluding circuit revenue the company has computed NLD & ILD revenue respectively as 3.69 % and 0.53% of AGR from such services for the first nine months and 2.47% and 0.19% of AGR for the last three months of the current financial year. Similarly for cellular service revenue, the company has computed NLD & ILD revenue respectively as 7.33% and 0.98% of AGR for the first nine months and 2.98% and 0.35% of AGR for the last three months of the current financial year. However, in the previous financial year the company has computed NLD revenue as 4.61% of basic revenue (excluding circuits) and 8.25% of cellular service revenue.

Accordingly, the amount of the license fee of the current financial year is not comparable with the corresponding previous financial year.

13.3 DoT in its approval of a package of measures in the form of financial/fiscal relief for BSNL has decided that the Company will be liable to pay license fee and spectrum charges in full, and at the same time BSNL will be allowed reimbursement of license fee (excluding USF levy) for losses incurred on account of rural telephony operations or other socially desirable project. According to the said package BSNL has got reimbursement to the extent of 1/3rd of license fee (excluding USF Levy) paid in the current financial year. In the previous financial year, the reimbursement was restricted to the extent of 2/3rd of license fee (excluding USF Levy) paid. For the financial year 2006-07, no such reimbursement commitment is communicated by the Government of India.

13.4 As per package mentioned in Para 13.3 BSNL was reimbursed an amount of Rs. 58,296 lakh (P.Y. Rs. 176,590 lakh) in the current financial year. This reimbursed amount has been disclosed as 'extraordinary item'.

13.5 During the year, the Company has received re-imbursement for provision, operation & maintenance of VPTs (including replacement of MARR VPTs) and rural household connections from Universal Service Fund amounting to Rs. 176,575 lakh (P.Y. Rs. 111,707 lakh) as front loaded and equated annual subsidy which has been accounted for as other income.

14. Inter/Intra Circle Remittance Balance

The management is in the process of reconciling the various differences between the subsidiary records and the corresponding control accounts and the balance of Rs. 92,839 lakh (P.Y. Rs. 94,502 lakh) in Inter/Intra-Circle Remittances account. The cumulative impact of such differences between control accounts and subsidiary ledger and the un-reconciled balance in Inter/Intra Circle Remittance account on the affected accounts of income, expenditure, assets and liabilities is presently not ascertainable.

15. Others

(i) The foreign exchange rate fluctuation gain/loss (net) in the current year is Rs. 298 lakh (P.Y. loss of Rs. 4 lakh)

(ii) Insurance charges of Rs. 328 Lakh (P.Y. Rs. 648 lakh) recovered from WLL subscribers for WLL handset insurance are shown in the current liabilities pending final adjustments.

(iii) In the absence of any agreement between BSNL and MTNL/DOT, generally no income and expenditure have been recognized on account of use of jointly occupied buildings and other infrastructure owned by either party.

16. Segmental Information

Primary Segment: Basic and Cellular services have been considered as primary business segments for reporting under AS-17 "Segment Reporting" issued by ICAI.
Secondary Segment: The Company caters only to the Indian market representing a singular economic environment with similar risks and returns and hence there are no reportable geographical segments.

Information about Business Segments – Primary **(Rs. In lakh)**

	2005-06				2004-05			
Particulars	**Business Segments**		**Un - allocable**	**Total**	**Business Segments**		**Un - allocable**	**Total**
Revenue	**Basic**	**Cellular**			**Basic**	**Cellular**		
Income From Services	2,967,218	646,676	-	3,613,894	2,960,740	384,264	-	3,345,004
Inter Segment Revenue	43,509	23,701	-	67,210	24,615	11,380	-	35,995
Other Income	224,776	5,829	-	230,605	172,783	11,166	-	183,949
Net Segment Revenue	**3,235,503**	**676,206**	**-**	**3,911,709**	**3,158,138**	**406,810**	-	**3,564,948**
Segment Results								
Operating Profit Before Interest & Taxes	**376,716**	**388,055**	**(2,179)**	**762,592**	**365,801**	**225,994**	**(62)**	**591,733**
Interest Income	1,257	7	172,076	173,340	1,314	1	78737	80,052
Interest Expenses	(2,495)	0	(106,485)	(108,980)	(2,827)	0	(102)	(2,929)
Profit Before Prior Period and Extra-Ordinary Items	**375,478**	**388,062**	**63,412**	**826,952**	**364,288**	**225,995**	**78,573**	**668,856**
Prior Period Adjustment	(37,274)	(3,276)	-	(40,550)	(54,516)	1,078	0	(53,438)
Profit Before Extra-Ordinary Items	**338,204**	**384,786**	**63,412**	**786,402**	**309,772**	**227,073**	**78,573**	**615,418**
Extraordinary Items	58,296	-	-	58,296	176,590	-	-	176,590
Profit Before tax	**396,500**	**384,786**	**63,412**	**844,698**	**486,362**	**227,073**	**78,573**	**792,008**
Provision for current tax	-	-	(80,130)	(80,130)	-	-	(78,816)	(78,816)
Provision for Wealth tax	-	-	(501)	(501)	-	-	(992)	(992)
Provision for Fringe Benefit Tax	-	-	(4,100)	(4,100)				
Excess Corporate tax provision written back	-	-	-	-	-	-	130,196	130,196
Provision for Deferred Tax	-	-	134,002	134,002	-	-	175,933	175,933
Profit After Tax				**893,969**		**-**		**1,018,329**
Other Information								
Segment Assets	7,458,371	935,711	3,547,658	11,941,740	7,841,910	497,911	2,407,231	10,747,051
Segment Liabilities	1,516,071	562,977	1,165,037	3,244,085	1,321,296	277,791	1,048,054	2,647,141
Capital Expenditure	453,636	228,156	(499)	681,293	481,225	275,598	0	756,823
Depreciation	867,067	70,604	-	937,671	915,413	47,073	0	962,486
Non cash expense other than Depreciation	194,372	12,203	-	206,575	92,305	7,530	-	99,835

17. Related Party Disclosure

17.1 Key Management Personnel

A.K.Sinha	Chairman-cum-Managing Director since 16.09.2004.
S.D.Saxena	Director (Finance) since 29.10.2003
R.L. Dube	Director (PL & NS) since 15.12.2004
Niranjan Singh	Director (HRD) since 01.05.2005
G.S.Grover	Director (C&M) since 01.05.2005
J.R.Gupta	Director (Operation) since 02.11.2005
Y.S.Bhave	Director (Government Nominee) since 21.12.2004
M. Sahu	Director (Government Nominee) since 08.03.2006
S. K. Jain	Director (HRD) up to 30.04.2005.
S.C. Choudhury	Director (Operation) up to 31.10.2005
N. K. Mangla	Director (C&M) up to 30.04.2005
R.N.Prabhakar	Director (Government Nominee) up to 31.01.2006
Arun Bharat Ram	Director up to 28.07.2005
Ashok Jhunjhunwala	Director up to 28.07.2005
Vivek Singhal	Director up to 28.07.2005

17.2 Disclosure of transactions between the Company and related parties and the status of outstanding balances as on 31st March 2006.

Name of the party	Description of transactions	Amount of transactions	Outstanding balances as on 31st March 2006
		(Rs. In lakh)	(Rs. In lakh)
Key Management Personnel	Payment of salary and allowances	36.96 (34.09)	-
	Advance given: Opening balance Extended During the year Total	 1.13 13.61 14.74 (14)	
	Repayment of Advance	9.91 (13)	4.83 (1)

Note: Figures in bracket denotes previous year figures.

17.3 The Company being a wholly State owned enterprise, no disclosure as regards to related party relationship with other State controlled enterprises and transactions with such enterprises has been made.

18. Earning Per Share

Description	2005-06	2004-05
Profit after Tax	893,969	1,018,329
(-) Extra-ordinary income (net of taxes)	52,766	159,017
Profit after taxation excluding Extraordinary Income net of tax (Rs. in lakh)	841,203	859,312
Preference dividend including tax (Rs. in lakh)	76,967	76,967
Balance for Equity Shareholders	764,236	782,345
Weighted average number of Equity shares outstanding (in number)	5,000,000,000	5,000,000,000
Face value of shares (in Rs.)	10	10
Basic and Diluted earnings per share (in Rs.)	**15.28**	**15.65**

19. Taxes on Income

19.1 Deferred Tax

The deferred tax has been dealt with in accordance with the contention of the Company before the tax authorities. The Company contends that the Capital reserve arising out of the capital structure at the time of incorporation of the company is not in the nature of grant and hence not to be reduced from the value of fixed assets. According to the company's contention, the depreciation provided in the book on the value of assets without deducting the amount involved in capital reserve is admissible in income tax. On this basis, the Company is recognizing the deferred tax assets/liabilities.

The break up of deferred tax assets and liabilities into major components is as under:

(Rs. in lakh)

	2005-06	2004-05
(A) The movement in deferred tax account is as follows		
Opening Balance	304,402	480,335
(Write back)/Provision for deferred tax liability (Net)	(134,002)	(175,933)
Closing Balance	**170,400**	304,402

(B) Deferred Tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing taxation laws. The following amounts are shown in the balance sheet:

	2005-06	2004-05
Deferred Tax Assets	633,497	602,477
Deferred Tax Liabilities	803,897	906,879
Net Deferred Tax Liability	170,400	304,402

(C) Break up of deferred tax assets/liabilities

	2005-06	2004-05
Deferred Tax Liabilities:		
Depreciation	881,903	984,885
Others	19,438	19,438
Previous year's Deferred Tax liabilities written back (Net)	(97,444)	(97,444)
Total	**803,897**	**906,879**
Deferred Tax Assets:		
Provision for debtors	113,731	100,829
Unabsorbed Depreciation	381,703	378,353
Provision for leave encashment	44,358	44,276
Provision for decommissioned asset, wage revision etc.	71,899	60,256
Provision for obsolete inventory and CWIP	21,806	18,763
Total	**633,497**	**602,477**

Notes:

a. The Company, being a company providing telecommunication services, is eligible to claim deduction under Section 80 IA of the Income Tax Act 1961 with respect 100 % of the profits and gains derived from this business for the first five years and thereafter at 30% of the profits for the second five years (referred to as the Tax Holiday Period).

b. In accordance with Accounting Standard Interpretation (ASI)-3 issued by the Institute of Chartered Accountants of India, the deferred tax in respect of timing differences which originate and reverse during the tax holiday period have not been recognized. Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period, have been recognized in the year in which the timing differences have originated.

19.2 **Current Tax**

During the Year the Company has claimed 100% deductions on Business Income under Section 80-IA of the Income Tax Act, 1961. Hence, the Company has made Current Tax Provisions for MAT (Minimum Alternative Tax) on Book Profit under Section 115-JB of the Income Tax Act, 1961.

20. The disclosure relating to provisions in terms of AS 29, to the extent available, are as under:

(Rs. In Lakh)

Particulars	**Opening Balance as at 01.04.2005**	**Fresh Provision made during the year**	**Provision utilized during the year**	**Provision written back during the year**	**Closing balance as at 31.03.2006**
Other Provision	10,258	5,953	1,548	821	13,843
Contingencies	1,705	346	49	1,656	346
Total	**11,963**	**6,299**	**1,597**	**2,477**	**14,189**

21. **Remuneration to the Chairman-cum-Managing Director and other Directors.**

Particulars	**2005-06**	**2004-05**
	(Rs. In Lakh)	**(Rs. in Lakh)**
Salaries & Allowances	32.17	28.86
Perquisites	0.88	1.00
EPF Contribution	3.51	3.03
Sitting Fees	0.40	1.20
Total	**36.96**	**34.09**

22. **Amount due from Directors:**

Particulars	**2005-06**	**2004-05**
	(Rs. In Lakh)	**(Rs. In Lakh)**
Amount due at the end of the year (TA Advance)	4.83	1
Maximum amount due during the year	5.31	11

23. **Auditors Remuneration: (**Statutory/Branch Auditors):

Particulars	**2005-06 (Rs. in lakh)**		**2004-05 (Rs. in lakh)**	
	Statutory Auditor	**Branch Auditors**	**Statutory Auditor**	**Branch Auditors**
Statutory Audit Fee	9.60	172	9	173
Tax Audit Fee	-	20	-	17
As advisor or in any other capacity:				
Certification Charges	0.96	21	1	15
Management Services	2.00	-	4	-
Reimbursement of Expenses	0.75	18	4	20

Note: Fees exclusive of Service Tax & Education Cess wherever applicable.

24. Information required under para 4-D of part II of Schedule VI of the Companies Act, 1956, to the extent available, are as under:

i) Imports on CIF Basis:

Particulars	2005-06	2004-05
	(Rs. In Lakh)	(Rs. In Lakh)
Raw Material	-	-
Components & Spares Parts	-	5
Capital Goods	102,540	57,116
Total	**102,540**	**57,121**

ii) The expenditure in foreign currency:

Particulars	2005-06	2004-05
	(Rs. In lakh)	(Rs. In lakh)
Expenses on Services	1,790	775
Software License Fee	1,673	-
Travelling	53	99
Others	701	463
Total	**4,217**	**1,337**

iii) Compilation of imported and indigenous stores & spares parts (to the extent identified):

Particulars	2005-06		2004-05	
	(Rs. in lakh)	%	(Rs. in lakh)	%
Imported	40,887	43.69	36,500	49.40
Indigenous	52,689	56.31	37,381	50.60
Total	**93,576**	**100.00**	**73,881**	**100.00**

iv) Earnings in Foreign currency:

Particulars	2005-06	2004-05
	(Rs. In lakh)	(Rs. In lakh)
Training Fee	24	32
Income from Services	10,277	168
Total	**10,301**	**200**

25.

(a) Information required relating to consumption of stores & spare parts under paragraphs 3(x)(a) of Part II of Schedule VI of the Companies Act, 1956 is not ascertainable for the year ended 31st March 2006 (Previous Year - unascertainable), since (i) consumption of stores is included under the normal heads of capital expenditure and/or repairs & maintenance, and (ii) the issue of imported and indigenous items are not priced/identified.

(b) Information required under para 3 (II) (2) of part II of the Schedule VI of the Companies Act, 1956 in respect of opening stock, closing stock and sales of finished goods have not been furnished as the production of goods by the Company is for captive consumption.

(c) Information required under para 4 (c) of part II of the Schedule VI of the Companies Act, 1956 in respect of Licensed capacity, installed capacity and actual production details have not been furnished as the production of goods by the Company is for captive consumption.

(d) The Company has not identified the Small Scale Industrial Undertaking ("SSI") as defined under the Industries (Development & Regulation) Act, 1951 for the year ended 31st March 2005. Hence, the disclosure of total outstanding dues to SSIs as well as the names of SSIs to whom the Company owes any sum, which is outstanding for over 30 days, as required by Part I of Schedule VI to the Companies Act, 1956 has not been made (Previous Year: unascertainable). Further, the liability for interest, if any, payable in terms of Interest on delayed payments to SSI as per Small Scale and Ancillary Undertakings Act, 1993 is not presently determined (Previous Year: undeterminable).

26. Contingent Liabilities:

a) Claims not acknowledged as debts relating to TR Billing, enhanced Sales Tax in lieu of C/D Forms, Service Tax disputes, Sales Tax disputes, Customs duty disputes, Central Excise claims for delayed payment of Service Tax/Excise duty, License Fee, DOP claims, track rent and other claims.

Particulars	**2005-06**	**2004-05**
No. of cases	315	48,328
Amount (Rs. in Lakh)	36,002	23,292

b) Claims pending in court related to Land Acquisition, TR Billing, Service Tax, Central Excise & Sales tax, Arbitration cases and others.

Particulars	**2005-06**	**2004-05**
No. of cases	32,166	20,550
Amount (Rs. in Lakh)	137,976	66,001

c) Liability on account of bank guarantees given.

Particulars	**2005-06**	**2004-05**
No. of cases	121	461
Amount (Rs. in Lakh)	6,185	436

d) Demands raised by the Income Tax Departments not acknowledged as debt are as follows:

	(Rs. In Lakh)
AY 2001-02	
Assessment Proceedings under Section 143 before ITAT Delhi.	14,501
AY 2002-03	
Assessment Proceedings under Section 143 before ITAT Delhi.	2,757
AY 2003-04	
Assessment Proceedings under Section 143 before CIT (Appeal)	380,155

The main contention of the Income Tax Department on the net demand raised pertaining to Assessment Years 2001-02 to 2003-04 is that the amount shown in balance sheet of the respective years under the head "Reserve" amounting to Rs. 33,160 crore is to be treated as grant/subsidy hence is to be reduced from the cost of the fixed assets. Consequently the depreciation charged would be lower than what has been claimed by the Company. Another major contention of the Income Tax Department is that license fee being paid to the Department of Telecommunications is an appropriation of profit and hence not an allowable expenditure. The Company is contending that the treatment offered by it in Returns filed is as per the provision of law on the subject. The matter is pending before Committee on Disputes constituted by the GOI for getting permission to pursue litigation before the Delhi High Court. In some of the issues the matter is pending with appropriate Appellate Forum.

e) Various State governments had levied sales tax on telephone rentals and other telecom services in the previous years. The Hon'ble Supreme Court in its judgement dated March 2006, in writ petition (civil) no. 183 of 2003, has held that imposition of sales tax on telecommunication services is untenable in law. The liability on account of this is Rs. NIL (P.Y. Estimated Rs. 81,272 lakh).

f) In case of few circles, the amount of contingent liability and estimated amount of contract remaining to be executed on capital account has not been ascertained.

27. Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances) in relation to execution of works and purchase of equipment, to the extent available, is Rs. 1,48,241 lakh (P.Y. Rs. 176,324 lakh).

28. Since the Circles of the Company have not followed uniform grouping of items of Income and Expenditure, the accounts have been compiled from the Trial Balance of the Circles.

29. Figures of the previous year have been regrouped or reclassified wherever necessary to conform to the current years grouping and classification.

BHARAT SANCHAR NIGAM LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

	SCHEDULE	Year ended 31st March 2006 (Rs. in Lakh)	Year ended 31st March 2005 (Rs. in Lakh)
INCOME			
Income from Services	**N**	3,613,894	3,345,004
Other Income	**O**	403,764	264,001
		4,017,658	**3,609,005**
EXPENDITURE			
Employees' Remuneration and Benefits	**P**	742,063	839,302
Licence fee and Spectrum fee (Refer Note 13 on Schedule U)		352,305	330,236
Administrative, Operating and Other Expenses	**Q**	1,049,689	805,196
Financial Expenses	**R**	108,980	2,929
Depreciation	**D**	937,669	962,486
		3,190,706	**2,940,149**
Profit before Prior period and Extraordinary items		**826,952**	**668,856**
Prior period items (Net)	**S**	-40,550	-53,438
Profit before Extraordinary items		**786,402**	**615,418**
Extraordinary items (Refer Note 13.4 on Schedule U)		58,296	176,590
Profit before taxation		**844,698**	**792,008**
Current Tax (Including Rs. 737 lakh for earlier year)		80,130	78,816
Fringe Benefit Tax		4,100	-
Deferred Tax		-134,002	-175,933
Wealth Tax (Including Rs. 101 lakh for earlier year)		501	992
Excess tax provision written back		-	-130,196
Profit for the year after Taxation		**893,969**	**1,018,329**
Appropriation :			
Interim Dividend		37,500	20,000
Proposed Dividend on Equity & Preference Capital		80,000	97,500
Tax on Dividend		16,479	16,288
Transfer to General Reserve		178,794	203,666
Surplus carried to Balance Sheet		581,196	680,875
		893,969	**1,018,329**
Earnings per Share			
Basic/Diluted earnings per equity share (Rupees) (Refer Note 18 on Schedule U)		**15.28**	**15.65**
Significant Accounting Policies	**T**		
Notes to Accounts	**U**		

As per our report of even date

For Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants

M.P.Thakur
Partner
M. No: 52473

Place : New Delhi
Date : 31st July 2006.

The Schedules referred to above form an integral part of the Profit and Loss Account
For and on behalf of Bharat Sanchar Nigam Limited

A.K.Sinha
(Chairman and Managing Director)

S.D.Saxena
Director (Finance)

P.K.Purwar
Deputy Director General (Corporate Accounts)

H.C.Pant
Company Secretary and General Manager (Legal)

BHARAT SANCHAR NIGAM LIMITED
BALANCE SHEET AS AT 31ST MARCH 2006

	SCHEDULE	As at 31st March 2006 (Rs. in Lakh)	As at 31st March 2005 (Rs. in Lakh)
SOURCE OF FUNDS			
Shareholder's Funds			
Capital	**A**	**1,250,000**	**1,250,000**
Reserves and Surplus	**B**	**6,825,651**	**6,027,911**
Loan Funds			
Unsecured Loans	**C**	**728,393**	**822,089**
Deferred Tax Liability-Net (Refer Note 19.1 on Schedule U)		**170,400**	**304,402**
Total		**8,974,444**	**8,404,402**
APPLICATION OF FUNDS			
Fixed Assets	**D**		
Gross Block		**11,169,203**	**10,410,216**
Less: Depreciation		**5,150,354**	**4,233,309**
Net Block		**6,018,849**	**6,176,907**
Capital Work-in-Progress	**E**	**382,048**	**457,226**
Decommissioned Assets	**F**	**7,346**	**8,045**
		6,408,243	**6,642,178**
Investments	**G**	**20,000**	**20,000**
Current Assets, Loans and Advances			
Inventories	**H**	**278,922**	**224,535**
Sundry Debtors	**I**	**630,205**	**663,703**
Cash and Bank Balances	**J**	**3,057,948**	**2,193,113**
Other Current Asset - Accrued interest		**63,627**	**14,368**
Loans and Advances	**K**	**923,207**	**752,160**
		4,953,909	**3,847,879**
Less : Current Liabilities and Provisions			
Liabilities	**L**	**1,612,324**	**1,461,541**
Provisions	**M**	**888,223**	**738,616**
		2,500,547	**2,200,157**
Net Current Assets		**2,453,362**	**1,647,722**
Intra/Inter Circle Remittance (Refer Note 14 on Schedule U)		**92,839**	**94,502**
Total		**8,974,444**	**8,404,402**

Significant Accounting Policies **T**

Notes to Accounts **U**

As per our report of even date

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

For and on behalf of Bharat Sanchar Nigam Limited

For Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants
M.P.Thakur
Partner
M. No: 52473

Place : New Delhi
Date : 31st July 2006.

A.K.Sinha
(Chairman and Managing Director)

S.D.Saxena
Director (Finance)
P.K.Purwar
Deputy Director General (Corporate Accounts)
H.C.Pant
Company Secretary and General Manager (Legal)

BHARAT SANCHAR NIGAM LIMITED					
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006					
PARTICULARS	**Year ended 31st March 2006**			**Year ended 31st March 2005**	
	(Rs. in Lakh)			**(Rs. in Lakh)**	
A. Cash flow from operating activities:					
Net (loss)/profit before tax but after Prior period and Extraordinary items		844,698			792,008
Adjustments for:					
Depreciation	937,669			962,486	
Prior period depreciation	21,231			54,293	
Interest/Finance charges	108,980			2,929	
Interest Income	(173,340)			(80,052)	
Loss/(Profit) on Fixed Assets sold	(851)			(618)	
Debts / Advances Written off	47,059			73,437	
Provision for Bad and Doubtful Debts	159,518			26,403	
Excess provision written back	(19,133)			(39,532)	
Prior Period item other than depreciation	19,320			(855)	
Extraordinary Items	(58,296)			(176,590)	
Other Provision	181,942	**1,224,099**		258,941	**1,080,844**
Operating profit before working capital changes		**2,068,797**			**1,872,852**
Adjustments for changes in working capital :					
- Inter Circle Remittance	1,663			(4,202)	
- Sundry Debtors	(94,637)			(77,517)	
- Other Receivables	(170,397)			(59,867)	
- Trade and Other Payables	145,474	**(117,897)**		(44,175)	**(185,760)**
Cash generated from operations		**1,950,900**			**1,687,092**
-Taxes paid	(118,971)			(117,576)	
- Extraordinary Items	58,296			176,590	
- Prior Period item other than depreciation	(19,320)	**(79,995)**		855	59,869
Net cash from operating activities		**1,870,905**			**1,746,960**

B.	Cash flow from Investing activities:					
	Inventories Purchased	(54,539)			(572)	
	Purchase of fixed assets	(882,441)			(976,301)	
	Capital Work in Progress	78,066			125,689	
	Proceeds from Sale of fixed assets	84,750			133,273	
	Interest Received	124,081			70,094	
	Net cash used in investing activities		**(650,083)**			**(647,817)**
C.	**Cash flow from financing activities:**					
	Proceeds from long term borrowings	(93,696)			(3,679)	
	Interest Paid	(108,358)			(3,068)	
	Interim Dividend Paid	(42,759)			(22,614)	
	Dividend Paid	(111,174)			(31,800)	
	Net cash used in financing activities		**(355,986)**			**(61,161)**
	Net Increase/(Decrease) in Cash and Cash Equivalents		**864,835**			**1,037,982**
	Opening Cash and cash equivalents		**2,193,113**			**1,155,133**
	Cash and cash equivalents as at 31.03.2006		**3,057,948**			**2,193,113**
	Cash and cash equivalents comprise					
	Cash, Cheques and Drafts (in hand) and Remittances in transit	3,094			179,993	
	Balances with banks	3,054,854	**3,057,948**		2,013,120	**2,193,113**

Notes:

1. In the absence of adequate data regarding assets appearing in the deletions/adjustments column of the fixed assets schedule all deletions have been assumed to be cash sales.
2. In the absence of adequate details regarding unreconciled inter circle remittances with the subsidiary records, the inter circle remittances have been treated as part of working capital changes.

For and on behalf of Bharat Sanchar Nigam Limited

For Thakur, Vaidyanath Aiyar & Co.
Chartered Accountants

M.P.Thakur
Partner
M. No: 52473

A.K.Sinha
(Chairman and Managing Director)

S.D. Saxena
Director (Finance)

P.K.Purwar
Deputy Director General (Accounts)

H.C. Pant
Company Secretary and General Manager(Legal)

Place: New Delhi
Date : 31st July 2006.

Balance Sheet Abstract and Company's General Business Profile

I Registration Details

Registration No.	107739	State Code	55

Balance Sheet Date	31	3	2006
	Date	Month	Year

II Capital Raised during the year (in Rupees)

Public Issue	Nil	Rights Issue	Nil
Bonds Issue	Nil	Pvt Placement	Nil

III Position of Mobilisation and Deployment of Funds (in Rupees)

Total Liabilities	Rs	8,974,444	lakh	Total Assets	Rs	8,974,444	lakh

Sources of Funds:

Paid Up Capital	Rs	1,250,000	lakh	Reserves and Surplus	Rs	6,825,651	lakh
Secured Loans	Rs	Nil	lakh	Unsecured Loans	Rs	728,393	lakh

Application of Funds:

Net Fixed Assets & CWIP	Rs.	6,408,243	lakh	Investment	Rs	20,000	lakh
Net Current Assets	Rs	2,453,362	lakh	Misc Expenditure	Rs	Nil	
Preoperative Expenditure		Nil					

IV Performance of the Company (in Rupees)

Turnover	Rs.	3,613,894	lakh	Total Expenditure	Rs.	3,190,706	lakh
Profit Before taxes	Rs.	844,698	lakh	Profit after Tax	Rs.	893,969	lakh
Earning per share	Rs	15.28		Dividend	Rs.	117,500	lakh

V Generic Names of Principal products / Services of the Company as per monetary terms:

Item Code ITC Code	Not available
Product Description	All types of Teleocm Services

For and on behalf of Bharat Sanchar Nigam Limited

A.K.Sinha
Chairman and Managing Director

S.D Saxena
Director (Finance)

P.K.Purwar
Deputy Director General (Accounts)

Place: New Delhi
Date: 31st July,2006.

H.C Pant
Company Secretary and General Manager(Legal)