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ANNEXURE I TO LIMITED REVIEW REPORT

ANNEXED TO AND FORMING PART OF THE LIMITED REVIEW REPORT (Referred to in Para 3 of our report dated August 14, 2012)

1. *The unaudited results for the quarter under review though considered some of the qualifications of previous audit reports but the fact has not been disclosed as required under the provisions of clause 41(iv)(c) of the Listing Agreement.*
2. *The License Fee to the DOT is being worked out on accrual basis as against the terms of License Agreements according to which the expenditure/deductions from the Gross Revenue are allowed on actual payment basis in respect of the Public Switching Telecom Network (PSTN) related call charges and roaming charges payable to BSNL and other service providers. In absence of reconciliation of balances between MTNL and BSNL and also confirmation of deductions of payments by BSNL, the understatement of license fee and other current liabilities and consequently the understatement of loss for the quarter cannot be quantified.*
3. *The balances appearing in Advance Tax, Provisions for Income Tax and Interest on income Tax Refund are subject to reconciliation and adjustments thereof.*
4. *The company has allocated the establishment overheads towards capital works on estimation basis. In view of the large amount getting allocated on capital projects vis a vis actual amount spent on these projects, the basis needs to be made more realistic and scientific and the same should avoid capitalizing the loss due to idle time of labour and machines. Moreover, in the absence of confirmation of the status / completion of WIP (work in progress), we cannot examine authenticity and accuracy of amounts outstanding and shown as WIP for extraordinary time period.*
5. *All the receivables and payables including amount receivable/payable from/to BSNL/DOT/ITI, Inter Unit Accounts and bank balances are subject to confirmation, reconciliation and consequent adjustments. The company is not making any provision for old outstanding balances from BSNL, DOT, Govt. agencies and other operators.*
6. *The breakup of staff cost as (i) other than retirement benefits, (ii) retirement benefits (Actual Payouts)& (iii) retirement benefits (Provisions) disclosed in unaudited financial results for the quarter has been prepared by the management and relied upon by us.*
7. *Based on the expert opinions, the company has not been deducting Tax at source on services received from BSNL. Also, the expenditure on account of Pension liability on the basis of actuarial valuation is considered as an allowable expense for the purpose of tax calculation.*
8. *The provision for employee's benefits as per Accounting Standard 15 (Revised) and depreciation has been made on estimated basis considering the actuarial assumptions which was technical in nature. We have relied on the estimation provided by the company and management's perceptions in this regard. Pending actual determination of the liability/asset in this regard, the impact of the same on the results of the quarter is not ascertainable. Further, the liability on account of medical facilities to the retired employees*