



Access Across India

BHARAT BROADBAND NETWORK LIMITED

1ST Annual Report

(Covering the period from 25.02.2012 to 31.03.2013)



1st ANNUAL REPORT

Covering the period from 25.02.2012 to 31.03.2013

BHARAT BROADBAND NETWORK LIMITED

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**CHAIRMAN AND
MANAGING DIRECTOR**



Shri N. Ravi Shanker

OUR VISION

To become the leading telecom company to provide secure, reliable, affordable and high quality connectivity across India.

Our Mission

- **To provide 100 mbps Broadband connectivity to all the Gram Panchayats**
- **To provide B2B services in a non-discriminatory manner**
- **To facilitate proliferation of G2C, B2C and P2P broadband services in rural areas**
- **To be a catalyst for increasing broadband penetration in rural areas so as to foster socio-economic development**

BOARD OF DIRECTORS



Sh. N. Ravi Shanker
CMD



Sh. Malay Shrivastava
Government Director
Till 24.1.2013



Sh. V. Umashankar
Government Director
W.e.f. 15.3.2013



Sh. I.S. Sastry
Government Director



Arundati Panda
Director Finance



Sh. P.K. Agarwal
Director Planning



Shri. A.K. Bhargava
Director Operation

Registered Office
Room No. 319, Sanchar Bhawan, Ashoka Road, New Delhi-110001 (Till 31.10.2013)
Room No. 306, 3rd Floor, C-DOT Campus, Mandi Gaon Road, Mehrauli, New Delhi-110030 (Now)

Statutory Auditors
M/s Ahuja Arora & Associates, Chartered Accountants

Banker
Canara Bank

BHARAT BROADBAND NETWORK LIMITED (BBNL)

CHAIRMAN'S SPEECH

Dear Shareholders

I have great pleasure in welcoming you all on the occasion of First (1st) Annual General Meeting of your Company. The Audited Annual Accounts for the period from 25th February, 2012 to 31st March, 2013 as well as Directors' Report, Statutory Auditors' Report and comments of C&AG have already been circulated to you, and with your permission, I take them as read.

FORMATION OF THE COMPANY

The Bharat Broadband Network Limited (BBNL) was incorporated on 25/02/2012 with the aim to carry out the business of establishment, management, and operation of National Optical Fibre Network (NOFN) to provide high speed broadband connectivity to all Gram Panchayats(GPs) by extending the existing and future optical fibre network and to provide access to bandwidth in a non- discriminatory manner to all eligible service providers.

In the initial phase, a High Level Committee (HLC) was set up by the Department of Telecommunications (DoT) to steer, and coordinate all activities related to the creation and implementation of the NOFN. HLC was suitably empowered by DoT to provide the necessary guidance on all issues relevant to the expeditious establishment and operationalization of the Special Purpose Vehicle (SPV) i.e. BBNL, including the appropriate project execution model, the corresponding organizational size and structure of the SPV, etc.

NOFN Project is envisaged as a Centre-State joint effort. State Governments are expected to contribute by way of not levying any Right of Way (RoW) charges. This requires suitable tri-partite MoU to be signed by GOI, State Governments and BBNL. Tri-partite Agreements have been signed on 26.10.2012 with 13 States viz. Andhra Pradesh, Arunachal Pradesh, Chhattisgarh, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Manipur, Mizoram, Rajasthan, Tripura, Uttar Pradesh, Uttarakhand and 3 Union Territories viz. Dadra & Nagar Haveli, Daman & Diu and Puducherry.

Further, Tripartite Agreements have been signed on 12.04.2013 with 9 States viz. Assam, Bihar, Gujarat, Himachal Pradesh, Jammu & Kashmir, Maharashtra, Nagaland, Odisha, Punjab, and 1 Union Territory viz. Andaman & Nikobar Islands.

One Tripartite Agreement has signed on 11.06.2013 with West Bengal.

A total of about 2,23,500 Gram Panchayats will get covered by Optical Fibre Network in these States and UTs.

Three Pilot Projects have been completed to cover all Gram Panchayats of Arain Block in Ajmer District (Rajasthan), Panisagar Block in North Tripura District (Tripura), Paravada Block in Vishakhapatnam District (A.P.). As on 15.10.2012, each of the 59 Gram Panchayats in these three Pilot Project Blocks have been provided with 100 Mbps bandwidth.

Survey work is underway all across the country at present by the three CPSUs, namely Bharat Sanchar Nigam Limited (BSNL), Railtel Corporation of India Limited (RAILTEL) and PowerGrid Corporation of India Limited (PGCIL) who are partners of BBNL in the NOFN Project. As on date survey reports for 481 Districts have been submitted to BBNL and BBNL has in turn accorded technical sanction (Provisional) for 180 Districts covering approx 70,000 Gram Panchayats.

Fiber Leasing Agreements and Work Execution Agreements have been signed with all the three Partner CPSUs

OPERATIONS

Your Company during the 1st year of operation has provided service in Pilot areas free of any charges and as such the Company has not earned any revenue from service. In the First Financial Year 2012-13, your Company recorded revenue of Rs. 4.01 Crores from other sources. The Surplus for the year is 1.69 Crores.

BROADBAND

Increase in Broadband connectivity is being seen as an integral driver of improved socio-economic performance. Broadband services empower masses and allow individuals to access new career and educational opportunities, help businesses reach new markets and improve efficiency and enhance the Government's capacity to deliver critical services like health, banking and commerce to all of its citizens.

Provision of Broadband in rural and remote areas will help in bridging 'digital divide'. The wide spread adoption of broadband in rural areas will have a multiplier effect over the long-term. It will help improve productivity in rural areas, help overcome the constraints of an inadequate transport infrastructure and overall improve the quality of life in rural areas by knowledge dissemination. Given the significant economic and social benefits, expanding affordable access to broadband has become a high priority for the Government. Various schemes have been launched by USOF for providing broadband connectivity to rural & remote areas.

DIVIDEND

Your Directors are not declaring any dividend during the year under review.

ACTIVITIES OF THE COMPANY

Your company has made significant progress in achieving its objectives. Some of the important achievements during the period 2012-13 are as follows:

- (i) **ROW Agreements:** Free Right of Way (ROW) by the State Governments is critical to the success of the project. DOT and BBNL have pursued and signed tripartite agreements with the state governments and union territories. ROW agreements with 16 states and Union Territories were signed on 26-12-2012 covering about 1,40,727 GPs in the presence of Hon'ble Minister of Communications & Information Technology Shri Kapil Sibal. In addition, consent from 10 more states and UTs had been received by the end of March 2013.
- (ii) **Pilot Project:** BBNL has embarked upon Pilot projects in three blocks covering 59 Gram Panchayats in three different states. These blocks are Arian in Ajmer District (Rajasthan), Paravada in Vishakhapatnam (Andhra Pradesh) and Panisagar in North Tripura district (Tripura). As per the target, the OFC has been laid out to all the Gram Panchayats in Pilot Blocks by 15-10-2012.
- (iii) **Allocation of Work:** It has been decided to get the execution of work done through the three CPSUs, namely Bharat Sanchar Nigam Limited (BSNL), Railtel Corporation of India Limited (RAILTEL) and PowerGrid Corporation of India Limited (PGCIL) in order to leverage their manpower, expertise and reach. BBNL has allocated the work to these CPSUs as per the following distribution:-

CPSU	No. of Gram Panchayts	Percentage
BSNL	1,73,910	70.77%
Railtel	36,047	14.67%
Powergrid	35,791	14.56%

In order to set the broad terms and conditions of this engagement, MOUs were signed with PGCIL on 04.12.2012, BSNL on 04.12.2012 and RAILTEL on 07.12.2012. As a further follow up of these MOUs, the work executions Agreements were also signed with the three PSUs.

- (iv) **Survey:** As a first step towards laying the incremental cable, a nation-wide survey work has been undertaken by BBNL. This work is being done by the three PSUs i.e. BSNL, RAILTEL and PGCIL.
- (v) **Web-Site:** The web-site of BBNL was launched by the Hon'ble MOC&IT on 26-12-2012. The web-site URL is www.bbnl.nic.in.
- (vi) **License:** Your company has been granted the NLD license on 31-3-13 by the Department of Telecom.

- (vii) MOU for Fiber Leasing: Existing fiber of the three CPSUs is to be used so as to optimise the cost. An MOU for this purpose has been signed by BBNL with PGCIL on 31.01.2013, BSNL on 12.03.2013 and RAILTEL on 16.04.2013.
- (viii) Network Management System (NMS) : The Network being set up by BBNL will comprise of more than 6000 OLTs, 2.5 Lakh ONTs and 5 Lakh Km of incremental Optical Fiber cable and equal amount of existing OFC. BBNL has decided to set up a centralised NMS for efficient and effective operations and maintenance of this Network. This work has been assigned to C-DOT. An MOU for this purpose was signed with C-DOT on 19.11.2012.
- (ix) GIS: It is important to map all the assets with complete geographic details in a digitised form in order to manage and utilise them. BBNL will set an elaborate Geographic Information System with the help of NIC. An MOU for this purpose was signed with NIC on 06.12.2012.
- (x) Procurement Policy: A procurement policy was approved by BBNL which is available on the web-site of the company. BBNL has decided that the tenders for OFC and GPON will be floated centrally by BBNL, while tendering for ducts, trenching and cable laying will be carried out by the three CPSUs as per their work allocation. Specification and other planning work related to the tenders have been completed.

With most of the planning activities for the project in place, the company feels confident of implementing the project.

OUTLOOK

The company is currently in the project mode and is planning for a gradual roll out commencing in the last quarter of the FY 2013-14.

CORPORATE GOVERNANCE

Corporate Governance inspires and strengthens investor's confidence by ensuring company's commitment to transparency and professionalism.

Your Company is newly incorporated entity and steps are being taken up to comply/adhere all the compliances in terms of the Guidelines of Corporate Governance issued by Department of Public Enterprises from time to time.

ACKNOWLEDGEMENTS

The Board of Directors acknowledges with deep sense of appreciation for the cooperation received from the Govt. of India, particularly the Ministry of Communications & Information Technology (Department of Telecommunications),

Department of Public Enterprises, Ministry of Finance, Universal Service Obligation Fund, Department of Electronics and Information Technology, Planning Commission, Departments of Health, Rural Development & Panchayati Raj, National Informatics Centre etc.and also from various State Governments.

The Board of Directors acknowledge with thanks the valued cooperation received from C&AG and the Statutory Auditors and also Banks. The Directors take this opportunity to express their thanks for the valuable contribution, hard work and dedication of every employee. The Board is confident that with the employees' continued and dedicated efforts, your company will be able to face the new challenges and achieve improved performance.

The Board also places on record its appreciation to the outgoing Director for his valuable contribution during his tenure on the Board of the Company.

I would like to thank each and every one of our employees, shareholders and partner PSUs, namely Bharat Sanchar Nigam Limited (BSNL), Railtel Corporation of India Limited (RAILTEL), PowerGrid Corporation of India Limited (PGCIL), as well as C-DOT, TCIL, NIC and other Partners and Associates for their continued support.

Thank you very much.

**Sd/-
CHAIRMAN & MANAGING DIRECTOR
BHARAT BROADBAND NETWORK LIMITED**



Bharat Broadband Network Limited

Registered Office: Room No. 319, Sanchar Bhawan, Ashoka Raod,
New Delhi-110001

Corporate Office: 3rd Floor, C-DOT Campus, Mandi Gaon Road,
Chhatarpur, New Delhi - 110030

DIRECTORS' REPORT TO THE MEMBERS

Dear Members,

On behalf of the Board of Directors, it is my privilege to present the First Annual Report of the Company and Audited Annual Accounts for the period from 25th February, 2012 to 31st March, 2013 (First Financial Year) together with the report of the statutory Auditors and Review of the Comptroller & Auditor General of India thereon.

FINANCIAL RESULTS

Particulars	Amount in Rs.
Total Revenue	4,01,38,687
Total Expenses	1,50,44,208
Surplus before exceptional and extraordinary items & Tax	250,94,479
Surplus before Tax	250,94,479
Less: Tax Expense	
Current Tax expense for current year	80,85,250
Deferred Tax	98,398
Surplus from continuing operations	1,69,10,831
Surplus for the year	1,69,10,831
Transferred to General Reserve	1,69,10,831

FORMATION OF THE COMPANY

The Bharat Broadband Network Limited (BBNL) was incorporated on 25/02/2012 with the aim to carry out the business of establishment, management, and operation of National Optical Fibre Network (NOFN) with a view to provide high speed broadband connectivity to all Gram Panchayats (GPs) by extending the existing and future optical fibre network and to provide access to bandwidth in a non-discriminatory manner to all eligible service providers.

BBNL has obtained the Certificate of Commencement of Business on 09/04/2012. The Authorised Share Capital is Rs. 1000 Crores. Initially the BBNL has been incorporated with the subscription of Rs. 5 Lacs (50000 equity shares of Rs. 10/- each.).

BBNL expects to lay about 5 Lakh Km of incremental Optical Fibre Cable (OFC). The project is estimated to cost Rs. 20,000 Cr. which will be funded by the USOF. The assets thus created will belong to Government of India (GOI).

In the initial phase, a High Level Committee (HLC) was set up by the Department of Telecommunications (DoT) to steer, and coordinate all activities related to the creation and implementation of the NOFN. HLC was suitably empowered by DoT to provide the necessary guidance on all issues relevant to the expeditious establishment and operationalization of the Special Purpose Vehicle (SPV) including the appropriate project execution model, the corresponding organizational size and structure of the SPV, etc.

ACTIVITIES OF THE COMPANY

Your company has made significant progress in achieving its objectives. Some of the important achievements during the period 2012-13 are as follows:-

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- (ii) **Pilot Project:** BBNL has embarked upon Pilot projects in three blocks covering 59 Gram Panchayats in three different states. These blocks are Arian in Ajmer District (Rajasthan), Paravada in Vishakhapatnam (Andhra Pradesh) and Panisagar in North Tripura district (Tripura). As per the target, the OFC has been laid out to all the Gram Panchayats in Pilot Blocks by 15-10-2012.
- (iii) **Allocation of Work:** It has been decided to get the execution of work done through the three CPSUs, namely Bharat Sanchar Nigam Limited (BSNL), Railtel Corporation of India Limited (RAILTEL) and PowerGrid Corporation of India Limited (PGCIL) in order to leverage their manpower, expertise and reach. BBNL has allocated the work to these CPSUs as per the following distribution:-

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In order to set the broad terms and conditions of this engagement, MOUs were signed with PGCIL on 04.12.2012, BSNL on 04.12.2012 and RAILTEL on 07.12.2012. As a further follow up of these MOUs, the work execution Agreements were also signed with the three PSUs. The Agreement was signed with BSNL on 16.05.2013, PGCIL on 21.05.2013 and RAILTEL on 23.05.2013.

- (iv) **Survey:** As a first step towards laying the incremental cable, a nation-wide survey work has been undertaken by BBNL. This work is being done by the three PSUs i.e. BSNL, RAILTEL and PGCIL.

- (v) Web-Site: The web-site of BBNL was launched by the Honb'le MOC&IT on 26-12-12. The web-site URL is www.bbnl.nic.in.
- (vi) License: Your company has been granted the NLD license on 31-3-13 by the Department of Telecommunications.
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- (viii) Network Management Systems (NMS): The Network being set up by BBNL will comprise of more than 6000 OLTs, 2.5 Lakh ONTs and 5 Lakh Km of incremental Optical Fiber cable and equal amount of existing OFC. BBNL has decided to set up a centralised NMS for efficient and effective operations and maintenance of this Network. This work has been assigned to C-DOT. An MOU for this purpose was signed with C-DOT on 19.11.2012.
- (ix) Geographic Information System (GIS): It is important to map all the assets with complete geographic details in a digitised form in order to manage and utilise them. BBNL will set an elaborate Geographic Information System with the help of NIC. An MOU for this purpose was signed with NIC on 06.12.2012.
- (x) Procurement Policy: A procurement policy was approved by BBNL on tenders. BBNL has decided that the tenders for OFC and GPON will be floated centrally by BBNL, while tendering for ducts, trenching and cable laying will be carried out by the three CPSUs as per their work allocation. Specification and other planning work related to the tenders has been completed.

With most of the planning activities for the project in place, the Company feels confident of implementing the project.

BUILDING UP OF THE ORGANISATION

BBNL attaches the highest importance to building of human capital and believes that the knowledge, experience and skills of its employees are the key to achieve its mission and objectives. In order to achieve the set objectives, we need to develop a suitable organization structure that promotes quick decision making, fast project implementation, efficiency, flexibility, harmony and a conducive work environment. Keeping this in mind, BBNL has adopted a flat and lean organization structure in order to ensure high level of employee responsibility, improved coordination and speed of communication between employees, easier decision making process and greater flexibility while BBNL expands its operations.

To sustain and succeed in a flat and lean organisation, BBNL has decided to adopt the twin principle of leveraging technology and outsourcing. As a policy, all the support staff have been outsourced.

PREFERENTIAL ALLOTMENT OF SHARES

During the year under review your Company had allotted equity shares 5,99,50,003 Equity Shares of Rs. 10/- each to the President of India on preferential allotment basis.

DIVIDEND

Your Directors are not declaring any dividend during the year under review.

FIXED DEPOSITS

During the year under review your Company has not accepted any deposit under Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

DIRECTORS

Pursuant to the orders of the Government of India and in accordance with the Articles of Association of the Company, Shri N. Ravi Shanker, Shri Malay Shrivastava and Shri I S.Sastry were appointed as First Directors of the Company.

Ms. Arundati Panda, has been appointed as Director (Finance) w.e.f. 26.07.2012.

Shri P.K.Agarwal has been appointed as Director (Planning) w.e.f. 31.08.2012.

Shri Anil K.Bhargava, has been appointed as Director (Operation) w.e.f. 03.09.2012.

Consequent upon his relinquishing his Charge from the Department of Telecommunications w.e.f. 24/01/2013, Shri Malay Shrivastava, Joint Secretary (T), DOT ceased to be Govt. Nominee Director of the Company.

The Board wishes to place on record its deep appreciation for the valuable services rendered by Shri Malay Shrivastava during his association with the Company. The Company compliments him for his knowledge and inputs provided during his tenure as Govt. Nominee Director in BBNL.

Shri V. Umashankar has been appointed as Govt. Nominee Director w.e.f. 15.03.2013 in place of Shri Malay Shrivastava.

PARTICULARS OF EMPLOYEES

There was no employee of the Company who received remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956.

INDUSTRIAL RELATIONS

During the period, the Industrial Relations both at the Headquarter and at all the Projects Monitoring Units have been peaceful and cordial. All the employees are on deemed deputation from Govt. of India/BSNL/MTNL.

ENERGY CONSERVATION

The Company is not required to furnish information in Form 'A' of Annexure to Rule 2 A of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 pertaining to disclosure of particulars with respect to Conservation of Energy as it falls outside the list of Industries prescribed for furnishing said information.

FOREIGN EXCHANGE EARNINGS & OUTGO

Sl. No.	Foreign Exchange Earnings/Outgo	2012-13 (Amt. in Rs.)
1	Foreign Exchange Earnings	NIL
2	Expenditure on Payment on Foreign Travel	1,45,320
3	Value of imports based on CIF basis (on Accrual basis)	NIL
4.	Foreign Exchange repatriated, if any	NIL

RESEARCH & DEVELOPMENT

The information as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 with respect to R&D and technology absorption is annexed to this Report.

RIGHT TO INFORMATION ACT, 2005

The Company has put necessary systems in place to comply with the provisions of the Right to Information Act, 2005.

RAJBHASHA (OFFICIAL LANGUAGE)

Your Company has been only recently incorporated. The Company has been making concerted efforts in implementing the directives of the Government of India on use of Rajbhasha (Official Language). Website of the Company in Hindi has been launched.

VIGILANCE

Your Company is newly incorporated and steps are being taken up to set up the Vigilance wing.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, It is hereby confirmed:

(a) That in the preparation of the Accounts, all the applicable Accounting Standards have been followed along with proper explanation relating to material departures.

(b) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and of profit and loss account for the period ended 31st March, 2013.

(c) That the Directors 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.

(d) That the directors have prepared the Accounts on a going concern basis.

STATUTORY AUDITORS

M/s. Arun Ahuja & Associates, Chartered Accountants, New Delhi were appointed as Statutory Auditors of your Company for the financial year 2012-13 by the Comptroller and Auditor General of India (C&AG of India) in terms of Section 619 (2) of the Companies Act, 1956. Statutory Auditors have audited the annual accounts of the Company for the Period ended 31st March, 2013.

AUDITORS' REPORT

The Auditors' Report on the annual accounts of the Company for the financial year ended 31st March, 2013 and the Management's Replies thereon and the Review on annual accounts for the period ended 31st March, 2013 by the Comptroller & Auditor General of India under Section 619 (4) of the Companies Act, 1956 along with the Management's Replies thereon are enclosed to the Directors' Report.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report forms part of this Directors' Report as per the requirements of Corporate Governance as stipulated in the Guidelines on Corporate Governance notified by the Department of Public Enterprises, Government of India. The Management Discussion and Analysis Report is annexed herewith along with this Report.

CORPORATE GOVERNANCE

The Corporate Governance report is annexed herewith along with this report.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Your Company is newly incorporated and has not started operations yet. Hence, CSR activities have not been taken up.

ACKNOWLEDGEMENTS

The Board of Directors acknowledges with deep sense of appreciation for the cooperation received from the Govt. of India, particularly the Ministry of Communications & Information Technology (Department of Telecommunications), Department of Public Enterprises, Ministry of Finance, Universal Service Obligation Fund, Department of Electronics and Information Technology, Planning Commission, Departments of Health, Rural Development & Panchayati Raj, National Informatics Centre etc. and also from various State Governments.

The Board of Directors acknowledge with thanks the valued cooperation received from C&AG and the Statutory Auditors and also Banks. The Directors take this opportunity to express their thanks for the valuable contribution, hard work and dedication of every employee. The Board is confident that with the employees' continued and dedicated efforts, your Company will be able to face the new challenges and achieve improved performance.

The Board also places on record its appreciation to the outgoing Director for his valuable contribution during his tenure on the Board of the Company.

For and on behalf of the Board of Directors

**Sd/-
(N.RAVI SHANKER)
CHAIRMAN & MANAGING DIRECTOR**

ANNEXURE TO THE DIRECTORS' REPORT

Form B

Research and Development (R& D)

1. Specific areas in which R & D carried out by the Company

NIL

2. Benefits derived as a result of the above R & D

NIL

3. Future plan of action

MOU with C-DOT and NIC has been signed to undertake development activities in the area of NMS and GIS.

4. Expenditure on R & D expenditure as a percentage of total turnover

NIL

Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

A Pilot Project has been carried out using GPON technology.

2. Benefits derived as a result of the above efforts e.g. Product improvement, cost reduction, product development, import substitution etc.

Learning from the Pilot Project is being evaluated and will be incorporated while setting up the Project.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished:

(a) Technology imported

(b) Year of import

(c) Has technology been fully absorbed?

(d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans action.

No technology has been imported during the last 5 years.

For and on behalf of the Board of Directors

Sd/-

(N.RAVI SHANKER)

CHAIRMAN & MANAGING DIRECTOR

MANAGEMENT DISCUSSION & ANALYSIS

i. Industry Structure and Developments

The Optical Fibre presently has predominantly reached State Capitals, Districts and Blocks and there is plan to connect all the 2,50,000 Gram Panchayats in the country through optical fibre utilizing existing fibers of PSUs viz. BSNL, Railtel and Power Grid and laying incremental fiber to connect to Gram Panchayat wherever necessary. Dark fiber network thus created will be lit by GPON technology thus creating sufficient bandwidth at GP level. This will be called National Optical Fibre Network (NOFN). Thus prevailing connectivity gap between GPs and Blocks/Districts will be filled by NOFN.

Bharat Broadband Network Limited (BBNL), is a Special Purpose Vehicle (SPV), set up by the Government of India for the Establishment, Management and Operation of NOFN. BBNL will provide 100 mbps bandwidth at the Gram Panchayat level. The network is proposed to be completed in 2 years' time. The Project is being funded by Universal Service Obligation Fund (USOF). The NOFN project is estimated to cost about Rs. 20,000 Cr which will be funded by the USOF. The assets will belong to GOI.

Non-discriminatory access to the network will be provided to all the telecom service providers. These service providers like mobile operators, Internet Service Providers, Cable TV operators, content providers can launch various services in rural areas. Further the broadband connectivity to 2.5 Lakh GPs will facilitate various applications like e-health, e-education and e-governance etc. by these operators. The trend of data consumption increasing exponentially is well recognised. It is expected that in rural areas also this trend will continue riding on video consumption, social networking, e-governance delivery push and productivity need. However, such scenario will take time to mature and will largely depend on development of each system also.

BBNL perspective, the SWOT Analysis is as follows:-

ii Strength and Weakness

Strength :

- Strong commitment and funding from the Government
- Collaborative approach leveraging CPSUs strength
- Little competition in the rural area of operations
- Legacy baggage

Weakness :

- Weak demand may affect the viability of the project

- Problems of rural areas like power, theft etc. may strain the performance of the network
- Health of existing fiber network may impact the SLAs
- Complexities of the project may delay the project
- Dependence on the three PSUs may affect the performance of the Company

iii. **Opportunities and Threats**

Opportunities

- Low Broadband penetration means huge untapped demand
- Growing demand for data and video will spur demand for high bandwidth
- Connectivity provided by NOFN will be needed by G2C initiatives
- Business imperatives in rural areas will favour proliferation of B2C services

Threats

- Echo system is not mature which may result in low uptake threatening the viability of the project
- Operators not having connectivity at Block level will have to depend upon others, leading to inter-connect and competitive issues.
- Low purchasing power in rural areas may put pressure on revenues
- Government funding for G2C connectivity may not be sufficient

iv. **Segment-wise or product wise performance**

BBNL is positioned as a Wholesale service provider. It can also be viewed as an “Aggregator” or an “operator of operators”. Accordingly, it has obtained an NLD license. BBNL intends to provide Bandwidth upto 100 mbps to all the Gram Panchayats. Based on its experience, it has devised a tariff plan for offering Bandwidth between Block and Panchayats. An important feature of BBNL’s services and Plans is that the tariff for G2C services has been kept at substantially lower level as compared to B2C services. BBNL has so far executed a pilot project in three Blocks in three different stages. The update of services and response of service providers in the pilot project has been lukewarm so far.

v. **Outlook**

The Company is currently in the project mode and is planning for gradual roll out only in the last quarter of the FY 2013-14.

vi. **Risks and Concern**

The Government had set up a target of two years for the NOFN project. BBNL has chalked out a project plan accordingly. However, there are various risk factors that could impede the project. Some of the risk factors are listed below:

- Permissions/ROW not available (may impact 5-10% cases)
- Monsoon (may delay digging work in some areas)
- Tenders may get delayed
- Difficult terrain/areas adding delay to normal completion time
- Inventory mismatch
- Technical deviations/difficulties leading to delays
- Non-performance by vendors/contractors

vii. **Internal Control Systems and their Adequacy**

The Company is in the process of developing Internal Controls and Audit Systems for maintaining efficiency of operation and compliance of applicable relevant laws and regulations policies and guidelines according to which works are to be executed, The system of Internal Audit is being put into place from 2013-14. The Audit Committee has also been constituted to look into Internal Control Systems and their adequacy.

viii. **Discussion on financial performance with respect to operational performance:**

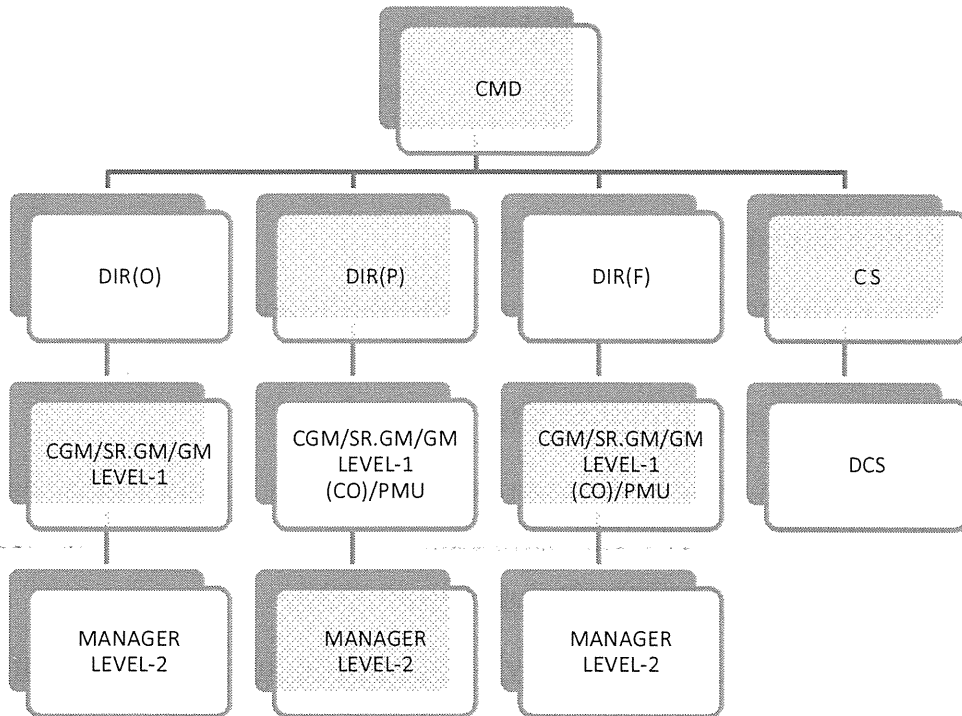
Your Company during the 1st year of operation has provided service in Pilot areas free of any charges and as such the Company has not earned any revenue from service. The brief financial results are given below:

Particulars	Amount in Rs.
Total Revenue	4,01,38,687
Total Expenses	1,50,44,208
Surplus before exceptional and extraordinary items & Tax	250,94,479
Surplus before Tax	250,94,479
Less: Tax Expense	
Current Tax expense for current year	80,85,250
Deferred Tax	98,398
Surplus from continuing operations	1,69,10,831
Surplus for the year	1,69,10,831
Transferred to General Reserve	1,69,10,831

ix. **Material developments in Human Resource, Industrial Relations front, including number of people employed**

Your Company has been rapidly organized and properly structured to meet the present day requirements. The guiding principle is to keep the organisation Lean and Flat. The organisation is built around three Branches – Finance, Planning and Operations.

The organization chart of BBNL is as follows



BBNL is a nascent organisation and is growing as per its need. As on 31st March 2013, your Company had strength of the employees as per details given below

Level	Working (Total)	SC/ST	Women
Level – 1	20	1	2
Level – 2	1	-	-
Total	21	1	2

x. Environmental Protection and Conservation

BBNL affirms its commitments towards Environmental Protection and conservation.

xi. Technological conservation

BBNL has adopted GPON technology along with Preferential Market Access (PMA) that will encourage indigenisation. For project monitoring, BBNL has decided to implement the Project Management Tool Primavera. BBNL has also decided to implement GIS and centralised NMS for effective and efficient operation and maintenance of the network.

xii. Renewable energy developments

BBNL operates in rural areas and understands the need for use of renewable energy. It has decided to use Solar Panel power system for all ONTs in Gram Panchayats.

xiii. Foreign Exchange conservation

BBNL is helping conserve Foreign Exchange by adopting Preferential Market Access as decided by the Government.

xiv. Corporate Social Responsibility

Your Company is newly incorporated and has not started operations yet. Hence CSR activities have not been taken up.

Company's Report on Corporate Governance

1. A brief statement on Company's philosophy on Guidelines of Corporate Governance

The Mission/Vision statement of the Company includes enhancing the stakeholders' value and the Company firmly believes that only good corporate governance will generate value on a sustained basis to all its stakeholders. Corporate Governance primarily concerns transparency, full disclosure of material facts, independence of Board and fair play with all stakeholders.

Your Company is newly incorporated entity and steps are being taken up to comply/adhere all the compliances in terms of the Guidelines of Corporate Governance issued by Department of Public Enterprises from time to time.

2. Board of Directors

i. Composition of the Board

BBNL being a PSU, appointment/nomination of Directors is made by the President of India through Ministry of Communication & Information Technology, Department of Telecommunications and Department of Public Enterprises. Presently, Board of BBNL have Six Members, of whom Four are Functional Directors (including Chairman-cum-Managing Director), two are nominees of Govt of India. There is no Independent Directors in this regard, Company has approached Administrative Ministry/Department of Public Enterprises for appointment of Independent Directors for compliance of the Guidelines of Corporate Governance. The Govt. of India is in process of filling up these vacancies.

ii. Number of Board Meetings held, dates on which held:

During the year the Board of Directors of the Company met Nineteen times on:-

09.03.2012, 04.06.2012, 18.07.2012, 13.08.2012, 05.09.2012,
 14.09.2012, 27.09.2012, 19.10.2012, 05.11.2012, 09.11.2012,
 03.12.2012, 06.12.2012, 19.12.2012, 21.12.2012, 04.01.2013,
 22.01.2013, 20.02.2013, 25.02.2013, 13.03.2013.

iii.The details as to the attendance of the Directors in the Board Meetings and number of other directorships and committee memberships, chairmanships as on 31st March, 2013 are as follows:

Name of the Director	Category	Attend- ance in Board Meeting during 2011-12	Attend- ance in Last AGM	Number of Directorship s in other Companies	Number of Committees (including BBNL)	
					Member	Chairman
Shri N.Ravi Shanker	Chairman and Managing Director	19	NA	-	-	1
#Shri Malay Shrivastava	Govt. Nominee Director	14	NA	1	-	-
## Shri V. Umashankar	Govt. Nominee Director	-	NA	1	-	1
Shri I.S.Sastry	Govt. Nominee Director	18	NA	-	1	-
Ms. Arundati Panda	Director (Finance)	16	NA	-	1	-
Shri P.K.Agarwal	Director (Planning)	15	NA	-	1	-
Shri A.K.Bhargava	Director (Operation)	15	NA	-	2	-

#Resigned w.e.f. 24.01.2013

Appointed w.e.f 15.03.2013

A brief profile of Directors who have joined BBNL during the financial year is as follows:

Shri N. Ravi Shanker, Chairman & Managing Director

Shri N. Ravi Shanker, IAS, Additional Secretary & Administrator, USOF, Department of Telecommunication, Ministry of Communications and IT, Government of India, is presently appointed as Chairman cum Managing Director (CMD) of Bharat Broad Band Network Ltd., New Delhi. He is a 1980 batch IAS officer of UttaraKhand cadre.

Smt Arundati Panda, Director(Finance)

Smt. Arundati Panda has joined as Director Finance of Bharat Broadband Network Limited on 26th July 2012. She is a First Class First Chemistry Honours graduate from Ranchi University and an MBA in Finance from National Institute of Financial Management, Faridabad. She joined the Indian P&T Accounts and Finance Services, Group 'A' in 1985 through the Civil Services Examination.

Shri Pradeep Kumar Agarwal, Director(Planning)

Shri Pradeep Kumar Agarwal has taken over as Director (Planning) of Bharat Broadband Network Limited on 31st August 2012. He has more than 33 yrs of experience in Project Planning, Execution mainly in the field of Optical Fiber, Radio Systems & IT. Shri Agarwal joined the Indian Telecommunication Service of Govt of India in 1979. He is an Engineering graduate from IIT Roorkee.

Shri Anil Kumar Bhargava, Director(Operation)

Shri A. K. Bhargava is a Telecom Engineer with more than 35 yrs of experience in various fields of Telecommunication, Installation, Operation, Maintenance, Software and Management. Prior to joining BBNL as Director (Operations), he was working as Executive Director (Wireless Services) with Mahanagar Telephone Nigam Limited (MTNL) Delhi.

iv. Information to the Board

The Board of Directors have complete access to the information within the Company which includes Annual Revenue and Capital Budget, Periodic Statement of Accounts showing financial results of the Company, Financing

Plans of the Company, Minutes of the Meeting of various Committees including Audit Committees.

3. Audit Committee

i. Brief description of terms of reference

The constitution of the Audit Committee is in conformation with the requirements of Section 292A of the Companies Act and also as per DPE guidelines. The Audit Committee acts as a link between the Management, Statutory and Internal Auditors and the Board of Directors. Audit Committee is responsible for company's financial reporting process, internal audit policies, financial and accounting controls, plans and procedures. Periodic accounts and annual accounts are placed before the Audit Committee prior to being presented to the Board and the Audit Committee reviews the financial statement in view of the adopted accounting policies and practices, compliance with Accounting Standards and other legal requirements. The Audit Committee also reviews the CEO/CFO Statement and also Management Discussion and Analysis Report.

ii. Composition, name of members and Chairperson

Since the Company is newly incorporated and the Company has approached to Administrative Ministry/Department of Public Enterprises for appointment of Independent Directors. Therefore, Audit Committee has been constituted by the Board on 22.04.2013 consisting of two Govt. nominee Director and One Functional Director. Company Secretary is the Secretary of the Audit Committee. During the year no Audit Committee meeting has been convened.

The composition and category of Members of the Audit Committee of the Board of Directors and attendance at the meeting is as under: -

Sr. No.	Name of the Directors	Designation	Category
1.	Shri V.Umashankar	Chairman	Govt. Nominee Director
2.	Shri I. S. Sastry	Member	Govt. Nominee Director
3.	Shri A.K.Bhargava	Member	Director (Operation)

4. Sub-committees of the Board of Directors

a) Remuneration Committee

Since the Company is newly incorporated and the Company has approached to Administrative Ministry/Department of Public Enterprises for appointment of Independent Directors. Thereafter, the Remuneration Committee shall be formed accordingly.

b) Risk Management Committee

Since the Company is newly incorporated and the Company has approached to Administrative Ministry/Department of Public Enterprises for appointment of Independent Directors. Thereafter, the Risk Management Committee shall be formed accordingly.

5. Annual General Meetings (AGMs) :

The details of last 3 Annual General Meetings of the Company are as under

No. of AGM	Financial Year	Date	Time	Venue	Special Resolutions Passed
Not Applicable					

6. Disclosures :

(i) Disclosure of the materially significant related party transactions:

There are no materially significant related party transactions during the financial year 2012-13 that may have potential conflict with the interest of the Company at large. Details of the Related Party Transactions as per Accounting Standard –18 forms part of the Notes to the Accounts.

(ii) It is reaffirmed that no penalties, strictures have been imposed by any statutory body.

(iii) During the year, no Presidential Directive was issued by the Government of India.

(iv) During the year, no expenditure is debited to the books and accounts which are not for the purpose of business expenditure and no expenses which are of personal nature have been incurred for the Board of Directors and Top Management.

(v) Disclosure of Accounting Treatment: Company follows the Accounting Standards issued by the Institute of Chartered Accountants of India in the preparation of Financial Statements. Company has not adopted a treatment different from that prescribed in any of the Accounting Standard.

7. Means of Communication

Annual results to the shareholders are sent by way of Annual report.

8. Training of Board of Members:

The new Directors are given orientation and induction regarding Company's vision, core value including ethics, financial matters, business operations, risk matters. The normal practice is to furnish booklets, brochures, Annual report, MOU signed with administrative ministry, Memorandum & Article of Association of the Company, guidelines on Corporate Governance etc.

9. Posting of information on the web site of the Company:

Annual results of BBNL, tenders and career opportunities are posted on Company's web site: www.bbnl.nic.in

For and on behalf of the Board of Directors

Sd/-

**(N.RAVI SHANKER)
CHAIRMAN & MANAGING DIRECTOR**

BHARAT BROADBAND NETWORK LIMITED

Balance Sheet as at 31st March, 2013

(Amount in Rupees)

	Particulars	Note No.	As at 31st March, 2013
A	EQUITY AND LIABILITIES		
1	Shareholders' funds		
	(a) Share capital	3	60,00,00,030
	(b) Reserves and surplus	4	1,69,10,831
			61,69,10,861
2	Share application money pending allotment		-
3	Non-current liabilities		
	(a) Deferred Tax Liabilities (net)	5	98,398
	(b) Other long-term liabilities	6	404,95,97,135
			404,96,95,533
4	Current liabilities		
	(a) Trade payables	7	10,68,637
	(b) Other current liabilities	8	1,29,40,445
	(c) Short-term provisions	9	81,77,236
			2,21,86,318
	TOTAL		468,87,92,712
B	ASSETS		
1	Non-current assets		
	(a) Fixed assets	10	
	(i) Tangible assets		46,30,401
	(ii) Intangible assets		8,74,011
	(iii) Capital work-in-progress		1,51,26,877
			2,06,31,289
	(b) Long-term loans and advances	11	206,37,36,272
	(c) Other non-current assets	12	2,00,04,968
			210,43,72,530
2	Current assets		
	(a) Cash and cash equivalents	13	255,21,80,284
	(b) Short-term loans and advances	14	3,22,39,899
			258,44,20,183
	TOTAL		468,87,92,712
	Summary of Significant Accounting Policies	2	
	The accompanying notes are an integral part of the financial statements		-

As per our audit report of even date attached.

For and on behalf of

For and Behalf of Bharat Broadband Network Limited

M/s Ahuja Arora & Associates

Chartered Accountants

FRN 000627N

Sd/-

N Ravi Shanker

Chairman & Managing Director

Sd/-

Arundati Panda

Director (Finance)

Sd/-

(Arun Ahuja)

Partner

M.No. 80768

Sd/-

Manoj Anand

Chief General Manager (Accounts)

Date : 04/07/2013

Place : New Delhi

BHARAT BROADBAND NETWORK LIMITED

Statement of Profit & Loss for the period ended 31st March, 2013

(Amount in Rupees)

	Particulars	Note No.	For the period ended 31st March, 2013
A	CONTINUING OPERATIONS		
1	Revenue from Operations		-
2	Other Income	15	4,01,38,687
3	Total revenue (1+2)		4,01,38,687
4	Expenses		
	Employee benefits expense	16	41,39,810
	Finance costs	17	36,517
	Depreciation and amortisation expense		4,02,865
	Other expenses		
	- Administrative & Other Expenses	18	1,04,65,016
	Total expenses		1,50,44,208
5	Surplus/ (Deficit) before exceptional and extraordinary items and tax (3 - 4)		2,50,94,479
6	Exceptional items		-
7	Surplus/ (Deficit) before extraordinary items and tax (5 +/- 6)		2,50,94,479
8	Extraordinary items		-
9	Surplus/ (Deficit) before tax (7 + 8)		2,50,94,479
10	Tax expense:		
	(a) Current tax expense for current year		80,85,250
	(b) (Less): MAT credit (where applicable)		-
	(c) Current tax expense relating to prior years		-
	(d) Net current tax expense		80,85,250
	(e) Deferred tax		98,398
			81,83,648
11	Surplus/ (Deficit) from continuing operations (9 - 10)		1,69,10,831
B	DISCONTINUING OPERATIONS		
12.i	Surplus/ (Deficit) from discontinuing operations (before tax)		-
12.ii	Gain / (Loss) on disposal of assets / settlement of liabilities attributable to the discontinuing operations		-
12.iii	Add / (Less): Tax expense of discontinuing operations		-
	(a) on ordinary activities attributable to the discontinuing operations		-
	(b) on gain / (loss) on disposal of assets / settlement of liabilities		-
13	Surplus/ (Deficit) from discontinuing operations (12.i + 12.ii + 12.iii)		-
C	TOTAL OPERATIONS		
14	Surplus/ (Deficit) for the year (11 +/- 13)		1,69,10,831
15.i	Earnings per share (of Rs. 10 each):	21	
	(a) Basic		1.02
	(i) Continuing operations		1.02
	(ii) Total operations		
	(b) Diluted		
	(i) Continuing operations		1.02
	(ii) Total operations		1.02
	Summary of Significant Accounting Policies	2	
	The accompanying notes are an integral part of the financial statements		

As per our audit report of even date attached.

For and on behalf of

For and on behalf of Bharat Broadband Network Limited

M/s Ahuja Arora & Associates

Chartered Accountants

FRN 000627N

Sd/-

N Ravi Shanker
Chairman & Managing Director

Sd/-

Arundati Panda
Director Finance

Sd/-

(Arun Ahuja)
Partner

M.No. 80768

Sd/-

Manoj Anand
Chief General Manager
(Accounts)

Date : 04/07/2013

Place : New Delhi

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (2012-13: 25.02.2012 TO 31.03.2013)

1. CORPORATE INFORMATION

- 1.1** Bharat Broadband Network Limited (the “Company” or “BBNL”) has been set up as a Special Purpose Vehicle (SPV) and incorporated on 25th February 2012 under the Companies Act 1956 as a Public Sector Company with limited liability by shares with an objective to create, operate, maintain and manage National Optical Fibre Network (NOFN) for effective provision of at least 100 Mbps bandwidth on sharing basis in all the estimated 2,50,000 Gram Panchayats (GPs) of India. The Company with its registered Corporate Office in New Delhi is owned by the Government of India.
- 1.2** The matters relating to NOFN had been recommended to the Company by the High Level Committee (HLC) set up by the Central Government.
- 1.3** As per decision of the Central Government the Universal Service Obligation Fund (USOF) which is administered by the Department of Telecommunications through Administrator USOF, shall provide fund to BBNL for the entire Capital Expenditure (Capex) for establishing NOFN. In addition, the net cost of Operating Expenditure (Opex) net of revenue streams (inclusive of administrative expense) for operation and maintenance of NOFN for a period of five years will be given by the USOF to BBNL.
- 1.4** Though BBNL had been incorporated on 25th February 2012, it had commenced business from 9th April 2012 and therefore, no transaction had taken place during the financial year 2011-12. The financial account of the Company for the first year of its operation covered the period from 25th February to 2012 to 31st March 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of BBNL are prepared under the historical cost convention adopting the accrual method of accounting in accordance with Indian Generally Accepted Accounting Principles and in accordance with the provisions of the Companies Act, 1956 and it requires the management to make estimates & assumptions and actual may differ from those which are recognized in the period it is ascertained. The company is preparing its financials in revised schedule VI as per Government Notification No F. No. 2/6/2008-CL-V dated 30-03-2011.

2.2 REVENUE RECOGNITION

Income from services is accounted for on accrual basis and in conformity with Accounting Standard – 9. Accordingly,

- a)** Revenue for all services is recognized when earned and are realizable at the time of billing. Un-billed revenues from the billing date to the end of the year are recorded as accrued revenue during the period in which the services are provided. Provisions are made in respect of bills considered to be disputed (by the management), debts outstanding for more than two years and for debts due for less than two years, to the extent considered necessary by the management.
- b)** Sale proceeds of scrap arising from maintenance and project works are taken into miscellaneous income in the year of sale.
- c)** Wherever there is uncertainty in realization of income, such as liquidated damages, claims on Government Departments & Local Authorities etc., these are recognized on realization basis.

- d) The subsidy receivable from USOF on account of net cost of Operating Expense (Including administrative expense) net of revenue streams, of NOFN, is accounted for as other income in the financial year in which it is accrued.
- e) The interest on funds with bank is recognized on accrual basis.

2.3 FIXED ASSETS

- a) Fixed assets are carried at cost less depreciation. Cost of fixed assets of NOFN includes (i) establishment and other expenses including employee remuneration and benefits of Project Management Units of States, (ii) employee remuneration and benefits of Planning Branch of Corporate Office which are directly identifiable to the construction of such fixed assets; (iii) the cost of establishment and other expense attributable to Planning Branch of Corporate Office, and (iv) the proportionate cost of Finance Branch of Corporate Office allocated to Planning Branch of Corporate Office during construction stage of NOFN.

Cost of fixed assets of other than NOFN includes both direct establishment and other expenses including employee remuneration and benefits for creation of such fixed assets as also proportion of indirect expenses attributable thereof.

Cost of fixed assets which are not yet ready to use on the date of Balance Sheet are disclosed under "Capital Work- in- Progress".

- b) Expenditure on replacement of assets, equipment, instruments and rehabilitation works is capitalized if, in the opinion of the management, it results in enhancement of revenue generating capacity.
- c) The cost of stores and materials at the time of issue to project is debited to CWIP.
- d) Optical Fibre Cable network and equipment of NOFN are capitalized as and when the network links between Optical Line Terminal (OLT) and Gram Panchayat are commissioned after successful Acceptance Testing (A/T).
- e) Intangible assets are stated at cost of acquiring the same less accumulated amount of amortization.
- f) The amount of subsidy from USOF towards Capex which is equivalent to the value of NOFN assets capitalized in a financial year is accounted as deferred income in the balance sheet. Such deferred income is transferred to P&L A/c over the useful life of the NOFN asset i.e. in a financial year an amount of deferred income which is equal to the amount of depreciation of NOFN asset of said financial year is transferred to P&L A/c.

2.4 DEPRECIATION / AMORTIZATION

- a) Depreciation is provided based on the Written down Value method at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- b) Assets costing up to Rs. 5,000 and home furnishing assets included under the category 'Furniture and Fixture' are depreciated fully in the year of purchase.
- c) The depreciation on machinery & tools used both for project and maintenance work is charged to Statement of Profit and Loss instead of capitalization.
- d) Intangible assets such as Entry License Fee are amortized over the license period (i.e. 20 years).
- e) Intangible assets for which license is not required, are amortized over a period of 5 years. Application software, except those having one year license, are amortized over the license period subject to a maximum period of five years. Application software having one year license is fully amortized in the year of purchase. Cost of Web site and trade marks are amortized over a period of five years as per straight line method.
- f) Preliminary Expense is amortized over five years as per straight line method.

2.5 INVENTORIES

Inventories are valued at lower of cost and net realizable value. The cost is ascertained generally on weighted average method. The obsolete / non-moving inventories are valued at net realizable value.

2.6 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction i.e. on the date of payment or the billing as the case may be.

2.7 EMPLOYEES' BENEFITS

a) SHORT TERM EMPLOYEE BENEFITS:

Short Term employee benefits are recognized in the period during which the services have been rendered.

b) LONG TERM EMPLOYEE BENEFITS:

DEFINED CONTRIBUTION PLAN:

i) Pension Contribution (including gratuity)

The Government employees and employees of other Public Sector Companies on deputation, who are governed as per extant Government Rules on the subject, are eligible for pension from the Government, which is a defined contribution plan. The company makes monthly contribution towards pension (including liability on account of gratuity) at the applicable rates as per Government Pension Rules and FR & SR, to the Government and the amount is expensed in the Statement of Profit & Loss.

ii) Employees' Provident Fund

For employees of other Public Sector Companies on deputation who are governed by EPF Act the Company remits Employer's Contributions and related administrative charges at a predetermined rate of employee's basic salary and dearness allowance to concerned other Public Sector Companies, and the amount is expensed in the Statement of Profit & Loss.

iii) Contribution for Leave Salary

For Government Employees and other Public Sector Companies on deputation, Leave salary contribution is paid by BBNL to Government / other Public Sector Companies for the deputation period in accordance with FR115(b) of FR & SR and the amount is expensed in the Statement of Profit & Loss. Consequently the leave salary payable for those on deputation during the period of leave rests with Government / other Public Sector Companies. Further any leave encashment either before or after quitting service / retirement is also the responsibility of Government / other Public Sector Companies.

iv) Gratuity

For employees on deputation from other Public Sector Companies who are governed by Gratuity Act 1972 the company remits contribution towards gratuity to other Public Sector Companies and the amount is expensed in the Statement of Profit & Loss.

DEFINED BENEFIT PLAN:

Other benefits

Medical reimbursements and other personal claim bills of existing employees are accounted for on actual basis in respect of bills received till finalization of accounts.

2.8 TAXES ON INCOME

Taxes on Income for the current period are determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961.

In accordance with the AS-22, Deferred Tax Liability is recognized on the timing differences between accounting income and the taxable income for the period taking into consideration the contents of Accounting Standard Interpretations 3 and quantified using the tax rates in force or substantively enacted as on the reporting date.

Deferred Tax Assets are recognized and carried forward to the extent there is a virtual certainty that such deferred tax assets can be realized.

2.9 PROVISIONS

Provisions are recognized when the Company has a present obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

2.10 CONTINGENT LIABILITIES

Liabilities, though contingent, are provided for if there are reasonable chances of maturing such liabilities as per management. Other contingent liabilities, barring frivolous claims, not acknowledged as debts, are disclosed by way of notes.

2.11 EARNINGS PER SHARE,

Earnings Per Share ("EPS") comprises the Net Profit After Tax (excluding extraordinary income net of tax). The number of shares used in computing Basic & Diluted EPS is the weighted average number of shares outstanding during the year.

2.12 SEGMENT REPORTING

There is only one primary segment which is provision of long distance service i.e. provision of bandwidth on sharing basis through NOFN.

3. SHARE CAPITAL

(a)	(Amount in Rs.)	
	As at 31st March 2013	
Authorized		
100,00,00,000 Equity Shares of Rs. 10/- each		1000,00,00,000
		1000,00,00,000
Issued, Subscribed and Fully Paid Up		
6,00,00,003 Equity Shares of Rs. 10/- each		60,00,00,030
Total of issued, subscribed and Fully Paid up Share		60,00,00,030

(b) Reconciliation of number of shares

	As at 31st March 2013	
	Number of Shares	(Amount in Rs.)
Equity Shares		
Balance at the beginning of the year	0	
Add: Issued during the year	6,00,00,003	60,00,00,030
Balance at the end of the year	6,00,00,003	60,00,00,030

(c) Details of shares held by shareholders having more than 5% shares in the Company

	As at 31st March 2013
Central Government	6,00,00,000
% of holding	99.99%

- The Company has only one class of equity shares having at par value of Rs. 10/- per share.
- Out of the total equity shares of Rs. 10/- each, 50,000 equity shares have been allotted initially as fully paid up for consideration in cash. Out of those 50,000 equity shares, the President of India through its nominees is holding 49,997 equity shares as subscribers to the Memorandum and Articles of Association; and Bharat Sanchar Nigam Limited, PowerGrid Corporation of India Ltd and Railtel Corporation of India Ltd through their respective authorized representatives are holding one equity share each as subscribers to the Memorandum and Articles of Association. Those 49,997 equity shares of Rs.10/- have been allotted on 04.06.2012 after DOT letter No. 4/4/2009-Policy-I (Pt.) SPV (ii) dated 8th May 2012, though the consideration has been received on 12.06.2012.
- In the Extra-Ordinary General Meeting of the Company held on 21.12.2012 the Shareholders of the Company approved allotment of 5,99,50,003 equity shares of Rs. 10/- each to the President of India on preferential allotment basis. Accordingly 5,99,50,003 equity shares of Rs. 10/- each have been allotted as fully paid up for consideration in cash to the President of India.
- **Vote of members :**
Every member present on person and being a holder of Equity Share shall have one vote and every person either as a General Proxy on behalf of a holder of Equity Share, shall have one vote and upon a poll every member shall have one vote for every share held by him. On poll the voting rights of holder of Equity Share are specified in Section 87 of the Companies Act 1956.

4. RESERVE AND SURPLUS

		(Amount in Rs.)
		As at 31st March 2013
(a)	General Reserve	0
	Balance at the beginning of the year	0
	Add: Transferred during the year	1,69,10,831
	Balance at the end of the year	1,69,10,831
(b)	Surplus / (Deficit) in Statement of Profit and Loss	
	Balance at the beginning of the year	0
	Add: Profit / (Loss) for the year	1,69,10,831
	Less: Transferred to General Reserve	1,69,10,831
	Balance at the end of the year	0
	Total of Reserve and Surplus	1,69,10,831

5. DEFERRED TAX LIABILITIES (NET)**(Amount in Rs.)**

		As at 31st March 2013
Deferred Tax Assets		0
Total	A	0
Deferred Tax Liabilities		
- Depreciation		98,398
Total	B	98,398
Net Deferred Tax Liabilities	A-B	98,398

6. OTHER LONG TERM LIABILITIES**(Amount in Rs.)**

		As at 31st March 2013
Others		
Fund Received from Universal Service Obligation Fund (USOF)		
Balance at the beginning of the year		0
Fund received from USOF during the year *		405,00,00,000
Less: Fund adjusted during the year (transferred to Deferred Capital Subsidy)		59,07,277
Balance at the end of the year		404,40,92,723
Deferred Capital Subsidy		59,07,277
Less: Amount of capital subsidy transferred to P&L Account		4,02,865
Balance at the end of the year		55,04,412
Total of Other Long Term Liabilities		404,95,97,135

* A formal agreement between the USOF and BBNL outlining the terms and conditions is yet to be signed.

7. TRADE PAYABLES**(Amount in Rs.)**

		As at 31st March 2013
Trade Payables		10,68,637
Total of Trade Payables		10,68,637

- The Company is in the process of identifying the Micro, Small and Medium Enterprise as defined under the Micro, Small & Medium Enterprises Development Act, 2006

8. OTHER CURRENT LIABILITIES**(Amount in Rs.)**

		As at 31st March 2013
Other Payables		
TDS Payable		14,84,025
Liability towards Employees		3,46,770
Liability towards Directors		50,453
Liability for Services / Contractual liabilities		93,16,913
Payable to Government Departments		10,77,488
Payable to PSUs		6,64,796
Total of Other current Liabilities		1,29,40,445

- Payable to Govt. Departments represents the amount payable to Department of Telecommunications on account of Pension Contribution, Leave Salary Contribution & other recoveries of the officers of DoT and absorbed officers of BSNL who are on deputation to the Company.
- Payable to PSUs represents (i) the amount payable to BSNL & MTNL on account of their quarters held by officers of DoT on deputation to the Company, (ii) amount payable to MTNL on account of gratuity, CPF contribution and leave salary contribution for employee of MTNL on deputation to the Company, and (iii) amount payable to BSNL on account of expenditure by it on behalf of the Company.
- There is no agreement between the Company and DoT, BSNL, MTNL for interest payable on outstanding amount on current account. Hence no accrual for interest has been made on the amount payable to DoT, BSNL, MTNL.

9. SHORT TERM PROVISIONS

(Figures in Rs.)

	As at 31st March, 2013
Others	
Provision for Income Tax	80,85,250
Provision for Income Tax on behalf of employees	91,986
Total of short term provisions	81,77,236

10.

FIXED ASSETS

(Note No 10)

All Figures in Rs

Particulars	Gross Block				Depreciation				Closing Balance as at 31st March 2013
	Opening Balance as at 25.02.2012	Additions	Deletions/ Adjustments	Closing Balance as at 31st March 2013	Opening Balance as at 25.02.2012	For the year	Deletions/ Adjustments	Closing Balance as at 31st March 2013	
		During the Year							
1	2	3	4	5=(2+3)-4	6	7	8	9=(6+7)-8	10 = (5 -9)
TANGIBLE ASSETS									
Office Machinery & Equipments	-	2,52,963	-	2,52,963	-	8,272	-	8,272	2,44,691
Electrical Fittings & Appliances	-	2,21,948	-	2,21,948	-	28,868	-	28,868	1,93,080
Furniture & Fixtures	-	32,85,820	-	32,85,820	-	1,87,115	-	1,87,115	30,98,705
Computers	-	11,80,656	-	11,80,656	-	86,731	-	86,731	10,93,925
Total of Tangible Assets	-	49,41,387	-	49,41,387	-	3,10,986	-	3,10,986	46,30,401
INTANGIBLE ASSETS									
Computer Software	-	74,050	-	74,050	-	20,679	-	20,679	53,371
Website	-	7,79,840	-	7,79,840	-	67,088	-	67,088	7,12,752
Trademark	-	1,12,000	-	1,12,000	-	4,112	-	4,112	1,07,888
Total Of Intangible Assets	-	9,65,890	-	9,65,890	-	91,879	-	91,879	8,74,011
Capital Work In Progress	-	1,51,26,877	-	1,51,26,877	-	-	-	-	1,51,26,877
GRAND TOTAL	-	2,10,34,154	-	2,10,34,154	-	4,02,865	-	4,02,865	2,06,31,289

NOTES:-

- 1 Furniture and Fixtures include furnishing amounting to Rs 127090/- which has been fully depreciated.
- 2.Computer Softwares include MS Office and Antivirus amounting to Rs 18550/- which has been fully amortised.

11. LONG TERM LOANS AND ADVANCES

(Amount in Rs.)	
Particulars	As at 31 st March 2013
Unsecured , considered good	
(a) Capital Advances	
- Advances to PSUs	205,79,09,091
Total of Capital Advances	205,79,09,091
Other Loans & Advances	
(b) Security Deposit	
- Security Deposit for Telephone	7,499
- Security Deposit for Water	600
- Security Deposit for Rent of Building	58,19,082
Total Security Deposit	58,27,181
Total of Long Term Loans & Advances	206,37,36,272

- During the financial year Capital Advance amounting to Rs. 205,79,09,091 has been given to Bharat Sanchar Nigam Limited, PowerGrid Corporation of India Limited and Railtel Corporation of India Limited for creation of NOFN including the Pilot Projects.

12. OTHER NON CURRENT ASSETS

(Amount in Rs.)	
As at 31st March, 2013	
Unamortized Preliminary Expense	2,00,04,968
Total of Other Non Current Assets	2,00,04,968

13. CASH AND CASH EQUIVALENTS

(Amount in Rs.)	
As at 31st March 2013	
Cash and cash equivalents	
Cash on hand	-
Cheques, drafts on hand	-
Balances with banks	-
- In Current Account	19,85,872
- In Fixed Deposit account	255,01,94,412
Total of Cash and Bank balances	255,21,80,284

- Fixed deposits with banks include deposits of Rs. 59,95,00,030 with maturity of 12 months. Other fixed deposits are having maturity period up to 3 months.

14. SHORT TERM LOANS AND ADVANCES

(Amount in Rs.)	
As at 31st March, 2013	
Unsecured, considered good	
Prepaid expenses	48,596
Tax Deducted at Source	39,73,583
Recoverable from Employees	60,943
Advances to Others	2,76,56,375
Others (Staff Advances)	5,00,402
Total of Short term Loans and Advances	3,22,39,899

- Advances to others amounting to Rs. 2,76,56,375 include payment of Rs. 2,50,00,000 towards onetime fee for NLD License which is effective from 1st April, 2013.
- The advances to employees amounting to Rs. 5,00,402 do not include any amount of advance given to the Directors of the Board.

15. OTHER INCOME

	(Amount in Rs.) For the period ended 31st March, 2013
Capital Subsidy	4,02,865
Interest income	
a. On Deposits in Banks *	3,97,35,822
- Others	-
Total of Other Income	4,01,38,687

* Includes TDS Rs. 39,73,583

16. EMPLOYEES' REMUNERATION AND BENEFITS

	(Amount in Rs.) For the period ended 31st March, 2013
Salaries, Wages , Allowances & Benefits	90,21,965
Contribution to Employee's Provident Fund & Gratuity to MTNL	5,342
Leave Salary Contribution	4,00,785
Pension Contribution	7,83,271
Medical Benefits	3,65,952
	1,05,77,315
Less:- Allocated to Capital Work In Progress	64,37,505
Total of Employees Remuneration and Benefits	41,39,810

- Employees' remuneration and benefits of Rs. 1,05,77,315 includes the remuneration and benefits in respect of E7 / E9 posts which have been created by the Board subject to approval of the President of India as per Article 89 of Articles of Association, which is yet to be received for all the posts.
- All employees are on deputation from Central Government / BSNL / MTNL and their remuneration are guided by Foreign Service Deputation Rules.

17. FINANCE COST

	(Amount in Rs.) For the period ended 31st March, 2013
Finance Cost	
a. Bank Charges	5,236
b. Interest Others	31,281
Total of Finance Cost	36,517

18. ADMINISTRATIVE, OPERATIVE AND OTHER EXPENSES

	For the period ended 31st March 2013
Rent	73,11,670
Power & Fuel	3,03,528
Rates & Taxes	5,886
Repairs & Maintenance	
a. Building	8,77,400
b. Others	4,05,008
Professional & Consultancy Charges	1,13,564
Printing & Stationery	1,49,869
Travelling & Conveyance	8,09,814
Communication Expenses	2,97,551
Security Service	66,086
Vehicle Hiring Expenses	18,11,477
Expenditure on Services & Others	9,83,401
Payment to Auditors	
-Audit Fee	1,68,540
-Other Matters	6,180
General Expenses	8,43,172
Preliminary expenses written off	50,01,242
	1,91,54,388
Less:- Allocated to Capital Work In Progress	86,89,372
Total of Administrative, Operating and Other expenses	1,04,65,016

The expenditure on hiring of manpower amounting to Rs. 5,87,137 which is included under the head "Expenditure on Services & Others" and on maintenance of Website amounting to Rs.3,88,344 included under "Repair and Maintenance – Others" have been accounted on the basis of Proforma Invoice for which final bills are yet to be received.

During the financial year no AGR based license fee is payable since the NLD license granted by DOT is effective from 1st April, 2013.

19. FIXED ASSET

The cost of Website of the Company has been capitalized on the basis of Proforma Invoice, for which the final bill is yet to be received.

The expenditure incurred on Fixed Asset has been met out of the fund received from USOF for execution of NOFN.

20. CAPITAL WORK IN PROGRESS

The expense on employee remuneration and benefits of Planning Branch of Corporate Office, the cost of establishment and other expense attributable to Planning Branch of Corporate Office, and the proportionate cost of Finance Branch of Corporate Office allocated to Planning Branch of Corporate Office have been allocated to Capital (CWIP).

21. EARNINGS PER SHARE

Description	Unit	For the period ended 31 st March 2013
Profit After Tax	(Amount in Rs.)	1,69,10,831
*Less: Preference Dividend including Tax	(Amount in Rs.)	-
Balance available for Equity Shareholders	(Amount in Rs.)	1,69,10,831
Weighted average number of Equity Share outstanding***	(In number)	1,66,30,138
Face Value of shares	(Amount in Rs.)	10
**Basic earnings per share	(Amount in Rs.)	1.02

* The authorized share capital of the Company does not have any Preference Shares

** There is no diluted equity share.

*** Weighted average number of Equity Share outstanding has been calculated on the basis of number of days.

22. RELATED PARTY DISCLOSURE

a. Key Management Personnel

Designation	Name	Period of occupancy
CMD *	Shri N. Ravi Shankar	With effect from 25.02.2012
Director (F)	Mrs. Arundati Panda	With effect from 26.07.2012
Director (O)	Shri A.K. Bhargava	With effect from 03.09.2012
Director (P)	Shri P.K. Agarwal	With effect from 31.08.2012
Govt. Director	Shri M. Shrivastava	With effect from 25.02.2012 to 24.01.2013
Govt. Director	Shri I.S. Sastry	With effect from 25.02.2012
Govt. Director	Shri V. Umashankar	With effect from 15.03.2013

* The Administrator - USOF is also holding the post of Chairman and Managing Director of the Company. During the financial year the Company has received an amount of Rs. 405,00,00,000 from USOF for creation of NOFN.

No transaction has taken place with High Level Committee (HLC), a concern exercising significant influence over the company, during the year.

b. Disclosure of transactions between the Company and related parties and the status of outstanding balance as on 31st March 2013

Name of the Party	Description of Transaction	Amount of Transaction during the period ended 31 st March 2013 (Amount in Rs.)
Key Management Personnel	Payment of salary and allowances*	42,58,565
	Balance payable	50,453
	Advance given:	
	Opening Balance	-
	Extended during the year	1,45,320
	Total	-
	Repayment / Adjustment of Advance	1,45,320
	Outstanding Advance	-

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

23. MANAGEMENT REMUNERATION

Particulars	For the period ended 31 st March 2013
	Amount in Rs.
Salaries & Allowances	42,58,565
Perquisites	4,33,354
EPF Contribution	-
Sitting Fees	-
Total	46,91,919

24. ADVANCE TO DIRECTORS

Particulars	For the period ended 31 st March 2013
	Amount in Rs.
Amount due at the end of the year (TA Advance)	-
Maximum amount due during the year	1,45,320

25. AUDITOR'S REMUNERATION

Particulars	For the period ended 31 st March 2013
	Amount in Rs.
Statutory Audit Fees	1,50,000
As advisory or in any other capacity:	
a. Certification Charges	6,180

26. CURRENT TAX

The current tax amounting to Rs. 8,085,250 is higher than the Minimum Alternate Tax.

27. OTHER SCHEDULE – VI REQUIREMENT

Information required as per Note 5(viii) General Instructions for preparation of Statement of Profit and Loss, Part II of Revised Schedule VI of Companies Act, 1956, to the extent available are as under:

a. Expenditure in foreign currency**(Amount in Rs.)**

Particulars	For the period ended 31 st March 2013
	Amount in Rs.
Travelling	1,45,320
Total	1,45,320

28. CONTINGENT LIABILITIES AND COMMITMENTS

28.1 There is no known contingent liability as at 31st March 2013.

28.2 In case of Pilot Projects for which an advance of Rs. 4,50,00,000 has been given on Capital Account, the estimated amount of contract remaining to be executed has not been ascertained. For the NOFN projects, the estimates are yet to be approved and sanctioned. However, the project cost of NOFN is initially envisioned at Rs. 20,100 crores.

29. LEASE

The company has taken from CDOT 1700 Sq. meter space at Block II, 3rd Floor, C-DOT Campus on operating lease for its Corporate Office for a period of three years with effect from 21.12.2012. The gross rental expenses, excluding service tax are as follows:

(Amount in Rs.)

Particulars	
Not later than one year (excluding service tax)	2,37,64,379
Later than one year and not later than three years (excluding service tax)	4,71,11,413
Total	7,08,75,792

- A formal agreement regarding the rate of lease rent per month per sq. ft. is yet to be reached, however, the Company has made payment / provision for rent based on approval of the Board.
 - A sum of Rs. 65,07,360/- excluding service tax has been incurred towards rent of the Corporate Office for the period ending 31st March 2013.
30. In the opinion of the Board of Directors, the current assets, loans and advances have a value on realization in the ordinary course of the Company's business, which is at least to the amount at which they are stated in the balance sheet.
31. The financial data of previous financial year have not been shown since the current financial year (covering the period from 25.02.2012 to 31.03.2013) is the first year of operation of the Company.

As per our report of even date
For Ahuja Arora & Associates
Chartered Accountants
FRN 000627N

Sd/-
Arun Ahuja
Partner
M. No: 80768

For and on behalf of **Bharat Broadband Network Limited**

Sd/-
N. Ravi Shanker
Chairman and Managing Director

Sd/-
Arundati Panda
Director (Finance)

Sd/-
Manoj Anand
Chief General Manager (Accounts)

Place : New Delhi
Date: 4th July 2013

Independent Auditor's Report

To,
**The Members of
Bharat Broadband Network Ltd.**

- A.** We have audited the attached Balance sheet of **BHARAT BROADBAND NETWORK LTD.** as at **31st March, 2013**, and the Statement of Profit and Loss for the period 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 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 overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- C.** This report includes a statement on the matters specified in paragraph 4 and 5 of 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 section 227 (4A) of the companies Act, 1956.

Further to our comments in the annexure referred to in paragraph C above:

- D. Attention is invited to the facts stated in the following paragraphs:**
- 1. As referred to in Note No. 3, the company has allotted 49997 equity shares to the President and his three nominees, the initial subscribers to Memorandum and Article of Association, on 4-6-2012 although the funds were received on 12-6-2012. Thus, the shares were issued by the company before the receipt of amount from the four subscribers.**
 - 2. As referred to in Note No. 6, a formal agreement between the USOF and BBNL outlining the terms and conditions is yet to be signed. The same have a bearing on the ownership of the assets of National Optical Fibre Network (NOFN) and on the treatment of funds received from USOF, the impact of which is presently not ascertainable.**

3. As referred to in Note No. 16, the approval of the President of India for the creation of E7/ E9 posts is yet to be received for all the posts.
4. As referred to in Note No. 18, expenditures incurred on hiring of manpower and web-site maintenance have been accounted for on the basis of proforma invoices for which the final bill is yet to be received.
5. As referred to in Note No. 19, the cost of Website of the Company has been capitalized on the basis of Proforma Invoice, for which the final bill is yet to be received.
6. As referred to in Note No. 29, a formal agreement with C-DOT regarding the rate of lease rent per month per sq. ft. is yet to be reached.
7. As referred to in Note No. 1.2, the matters related to NOFN had been recommended to the Company by the High Level Committee (HLC) set up by the Central Government. We have been informed that due to pan-India nature of the NOFN project, co-operation required from various states and their agencies and requirement of co-ordination among various Govt. companies, the HLC was set up by the Central Govt. In our opinion, the Company is guided by the HLC on the vision and planning of NOFN.
8. The month-wise entries of expenditure like honorarium, accounting charges, security charges and vehicle hiring expenses haven't been made and the same are booked from the dates of their sanctions for payments. The same has resulted in late deduction and deposits of TDS for which no interest provision has been made in the books of accounts. The amount of the interest is not ascertainable as the company is not keeping the date-wise records of receipts of the bills.
9. The bills of Rs. 5,90,781/- of M/s. Balmer Lawrie Ltd. entered in to the travelling expenses are in the names of employees of the Company C/o. Department of Telecommunications (DOT), instead of being in the name of the company.

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 purpose of our audit;

- (b) In our opinion, proper books of accounts as required by the law have been kept by the Company so far as it appears from the examination of such books;
- (c) The Balance Sheet and the Statement of Profit and Loss dealt with by this report are in agreement with the books of accounts;
- (d) In our opinion, the Balance Sheet and Statement of Profit and Loss comply with the accounting standards referred to in Sub Section 3(c) of Section 211 of the Companies Act, 1956.
- (e) On the basis of written representation received from the directors as on 31/03/2013 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31/03/2013 from being appointed as a director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
- (f) **Subject to items 1 to 9 contained in D above, to which attention have been drawn and the consequential effect of adjustment on the value of assets, liabilities, the quantum of expenditure and their effect on the profit for the period (which are ascertainable),** 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, in the manner so required give a true and fair view:
 - (i) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March, 2013; and;
 - (ii) In the case of the Statement of Profit and Loss, of the profit of the Company for the period ended on that date.

For AHUJA ARORA & ASSOCIATES
Chartered Accountants
Firm Registration No. 00627N

Sd/-
Arun Ahuja
(Partner)
M.No. 080768

Place: New Delhi
Dated: 4th July, 2013

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT
(Referred to in paragraph C of our report of even date)

1.
 - (a) The company has maintained the records showing particulars including the quantitative details and situation of fixed assets but the same are not as per the prescribed format.
 - (b) Fixed assets have been physically verified by the management at reasonable intervals; No material discrepancies were noticed on such verification.
 - (c) No substantial part of fixed assets has been disposed off during the year, and it has not affected the going concern.
2. The company didn't have any inventory during the year. Accordingly, clause (ii)(a) to (ii)(c) of paragraph 4 of the CARO are not applicable to the company for the current year.
3.
 - (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clause (iii)(b) to (iii)(d) of paragraph 4 of the CARO are not applicable to the company for the current year.
 - (b) The company has not taken loans, secured or unsecured from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956. Accordingly, clause (iii)(f) & (iii) (g) of paragraph 4 of the CARO are not applicable to the company for the current year
4. In our opinion and according to the information and explanations given to us the company has adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets. The company neither has any inventory nor any sale of goods and services were effected during the year. This is the first year of the company; however, during the course of audit, we have not observed continuing failure to correct major weaknesses in internal control system.
5. There are no transactions that need to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956.
6. No deposits within the meaning of Sections 58A and 58AA or any other relevant provision of the Companies Act, 1956, and rules framed thereunder have been accepted by the Company.
7. As this is the first year of the company, hence, the requirement of having internal audit system commensurate with its size and nature of business is not applicable to the company.
8. Accordingly to the information and explanations given to us, the company is presently not required to maintain cost records during the year pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956.

9. The company is generally being regular in depositing the undisputed statutory dues including provident fund, except tax deducted at source, applicable to the company with the appropriate authorities. No undisputed amount of statutory dues was outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.
10. As this is the first year of the company, hence, clause (x) of paragraph 4 of the CARO related to accumulated losses is not applicable to the company for the current year.
11. The company has neither taken any loans from financial institutions or bank nor issued debentures and hence, clause (xi) of paragraph 4 of the CARO is not applicable to the company.
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the clause (xii) of paragraph 4 of the CARO is not applicable to the company
13. The company is not a chit fund or a nidhi or mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the CARO are not applicable to the company.
14. The company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the CARO are not applicable to the company.
15. According to information and explanations given to us, the company has not given guarantees for loans taken by others from banks or financial institutions during the year. Hence, the clause 4(xv) of the CARO is not applicable to the company.
16. The company has not obtained any loan, hence, the clause 4(xvi) of the CARO is not applicable to the company.
17. Based on an overall examination of the Balance Sheet of the company for the year, we report that no funds raised on short-term basis have been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s. 301 of the Companies Act, 1956, during the year.
19. The company has not issued any debentures during the year. Therefore provisions of clause 4(xix) of the CARO are not applicable to the company.
20. The company has not raised any money from the public during the year under audit.

21. According to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the year.

For AHUJA ARORA & ASSOCIATES
Chartered Accountants
Firm Registration No. 00627N

Sd/-
Arun Ahuja
(Partner)
M.No. 080768

Place: New Delhi
Dated: 4th July, 2013

Addendum to Director's Report :-

The replies of Management to Auditor's Report for the period from 25.02.2012 to 31.03.2013 are given below:

Audit Para

Para No	Comments of Statutory Auditor	Management's Reply
D 1	As referred to in Note No. 3, the company has allotted 49997 equity shares to the President and his three nominees, the initial subscribers to Memorandum and Article of Association, on 4-6-2012 although the funds were received on 12-6-2012. Thus, the shares were issued by the company before the receipt of amount from the four subscribers.	Since the equity shares in question have been allotted to the highest authority of the Government of India, it was absolutely certain that the consideration will be received by the Company.
D 2	As referred to in Note No. 6, a formal agreement between the USOF and BBNL outlining the terms and conditions is yet to be signed. The same have a bearing on the ownership of the assets of National Optical Fibre Network (NOFN) and on the treatment of funds received from USOF, the impact of which is presently not ascertainable.	The agreement between Universal Service Obligation Fund and BBNL is likely to be signed soon.
D 3	As referred to in Note No. 16, the approval of the President of India for the creation of E7/ E9 posts is yet to be received for all the posts.	The issue has been referred to Department of Telecommunications in January 2013.
D 4	As referred to in Note No. 18, expenditures incurred on hiring of manpower and web-site maintenance have been accounted for on the basis of proforma invoices for which the final bill is yet to be received.	Since the service has been availed, as per norms of accrual accounting the expense has been recognized by creating liability based on the proforma invoice value. Adjustment of value already accounted, will be made if required, on receipt of final bill.
D 5	As referred to in Note No. 19, the cost of Website of the Company has been capitalized on the basis of Proforma Invoice, for which the final bill is yet to be received.	Since the Website has been commissioned and functioning, as per accounting norms the Website has been capitalized by creating liability based on the proforma invoice value. On receipt of final bill, adjustment of the value will be made if required.
D 6	As referred to in Note No. 29, a formal agreement with C-DOT regarding the rate of lease rent per month per sq. ft. is yet to be reached.	Formal Agreement has already been signed between C-DOT and the Company except the rate which will be decided mutually with DOT. Pending finalization of the rate, expense on account of lease rent has been accounted based on the decision of the Board within the period to which it is related. Adjustment of the liability created will be made if required, upon finalization of the quantum of lease rent.
D 7	As referred to in Note No. 1.2, the matters	Noted.

	related to NOFN had been recommended to the Company by the High Level Committee (HLC) set up the Central Government. We have been informed that due to pan-India nature of the NOFN project, co-operation required from various states and their agencies and requirement of co-ordination among various Govt. companies, the HLC was set up by the Central Govt. In our opinion, the Company is guided by the HLC on the vision and planning of NOFN.	
D 8	The month-wise entries of expenditure like honorarium, accounting charges, security charges and vehicle hiring expenses haven't been made and the same are booked from the dates of their sanctions for payments. The same has resulted in late deduction and deposits of TDS for which no interest provision has been made in the books of accounts. The amount of the interest is not ascertainable as the company is not keeping the date-wise records of receipts of the bills.	The liability for the expenses in question has been created and accounted within the period to which the expense is related. The TDS applicable on the amount of such expense has been deposited on due dates.
D 9	The bills of Rs. 5,90,781/- of M/s. Balmer Lawrie Ltd. entered in to the travelling expenses are in the names of employees of the Company C/o. Department of Telecommunications (DOT), instead of being in the name of the company.	Noted.

For and on behalf of the Board of Directors

Sd/-
(N. Ravi Shankar)
Chairman & Managing Director
Bharat Broadband Network Limited
Dated:12.07.2013

OFFICE OF THE
DIRECTOR General of Audit, Post & Telecommunications
Sham Nath Marg, (Near Old Secretariat), Delhi-110402

Dated: 14-08-2013

To

The Chairman and Managing Director,
Bharat Broadband Network Limited,
New Delhi.

Subject: Comments of Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of Bharat Broadband Network Limited for the period from 25 February 2012 to 31 March 2013

Sir,

I am to forward herewith the comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the annual accounts of Bharat Broadband Network Limited for the period from 25 February 2012 to 31 March 2013 for information and further necessary action.

Kindly acknowledge receipt.

Yours faithfully,

Sd/-
(R.B. Sinha)
Director General of Audit (P&T)

Encl(s): As above.

Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1965 on the accounts of Bharat Broadband Network Ltd. (BBNL) for the period from 25 February 2012 to 31 March 2013.

The preparation of financial statements of Bharat Broadband Network Ltd. (BBNL), for the period from 25 February 2012 to 31 March 2013 in accordance with the financial reporting frame work prescribed under the Companies Act, 1956 is the responsibility of the Management of the company. The Statutory Auditors appointed by the Comptroller & Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 4 July 2013.

I, on behalf of the Comptroller & Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Bharat Broadband Network Ltd. for the period from 25 February 2012 to 31 March 2013. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to enquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matter under Section 619(4) of the Companies Act, 1956 which has come to my attention and which in my view is necessary for enabling a better understanding of the financial statements and the related Audit Report.

Profit and Loss Account

Other Income (Note No. 15) : Rs. 4.01 crore

BBNL(Company) set up as a Special Purpose Vehicle (SPV) was incorporated to create, operate, maintain and manage National Optical Fibre Network project (NOFN). The funds for capital expenditure and operating expenditure of the project were received from the Universal Service Obligation Fund (USOF) which was under Department of Telecommunications. The company

earned interest of Rs. 1.85 crore on temporary investment of USO funds received for execution of the project and accounted the same as Other Income in Profit and Loss Account. Accounting of the interest income as income of the company in Profit and Loss Account resulted in overstatement of the Surplus for the period. As such Surplus from continuing operations for the period should be deficit of Rs. 0.16 crore.

Earnings per share (EPS)

Consequently, Basic and Diluted Earning per share of Rs. 10 each will be Rs. (0.09) instead of Rs. 1.02.

For and on the behalf of the
Comptroller and Auditor General of India

Sd/-
(R. B. Sinha)
Director General of Audit (P&T)

Place : Delhi
Date: 13 August 2013

Comments of the Comptroller & Auditor General of India for the financial year 2012-13 (period 25.02.2012 to 31.03.2013) & the Management's reply thereon

Comments of C&AG	Management's Reply
<p>Profit and Loss Account Other Income (Note No. 15) : Rs. 4.01 crore</p> <p>BBNL (Company) set up as a Special Purpose Vehicle (SPV) was incorporated to create, operate, maintain and manage National Optical Fibre Network project (NOFN). The funds for capital expenditure and operating expenditure of the project were received from the Universal Service Obligation Fund (USOF) which was under Department of Telecommunications. The company earned interest of Rs. 1.85 crore on temporary investment of USO funds received for execution of the project and accounted the same as Other Income in Profit and Loss Account. Accounting of the interest income as income of the company in Profit and Loss Account resulted in overstatement of the Surplus for the period. As such Surplus from continuing operations for the period should be deficit of Rs. 0.16 crore.</p> <p>Earnings per share (EPS) Consequently, Basic and Diluted Earning per share of Rs. 10 each will be Rs. (0.09) instead of Rs. 1.02.</p> <p>Sd/- (R. B. Sinha) DG of Audit (P&T) Dated :14.08.2013</p>	<p>The recognition of interest on short term deposit has been made as per declared accounting policy of the Company.</p> <p>The agreement between BBNL and USOF out-lining the terms and conditions is yet to be signed. The treatment of funds received from USOF is based on BBNL's accounting policy.</p> <p>The accounting policy of interest on short term deposit of fund received from USO Fund for execution of NOFN project will be reviewed by the Company keeping in view the terms and conditions of agreement to be signed between USOF and BBNL for installation, operation & maintenance of NOFN.</p> <p>For and on behalf of the Board of Directors.</p> <p style="text-align: right;">Sd/- (N. Ravi Shankar) Chairman & Managing Director Bharat Broadband Network Limited Dated: 16.08.2013</p>



Access Across India

BHARAT BROADBAND NETWORK LIMITED

(A Govt. of India Undertaking)

Regd. Office: Room No. 306, 3rd Floor, C-DOT Campus, Mandi Gaon Road, Mehrauli, New Delhi-110030

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