ANNUAL REPORT 03-04

leadership through innovation

IT Solutions for the Telecommunications Industry

MBT

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Mahindra-British Telecom Limited

Prabodh

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Anand G. Mahindra
Chairman

Mr. Bharat Doshi
Director

Prof. Sumantra Ghoshal
Director
(upto 24.10.2003)

Mr. Clive Goodwin
Director

Mr. John Helleur
Executive Director & CEO

Hon. Akash Paul
Director

Mr. Chris Price
Director

Mr. Anupam Puri
Director

Dr. Raj Reddy
Director

Dr. Sinclair Stockman
Director

Mr. Ulhas N. Yargop
Director

AUDIT SUB - COMMITTEE

Mr. Anupam Puri
Chairman (from 12.1.04)

Mr. Bharat Doshi

Prof. Sumantra Ghoshal (upto 24.10.03)

Mr. Clive Goodwin

Mr. Raj Reddy (from 12.1.04)

COMPENSATION COMMITTEE

Hon. Akash Paul
Chairman

Mr. Ulhas N. Yargop

Mr. Clive Goodwin

REGISTERED OFFICE

Gateway Building
Apollo Bunder,
Mumbai - 400 001

CORPORATE OFFICE

Sharda Centre
Off Karve Road,
Erandwane, Pune 411 004

BANKERS

IDBI Bank
State Bank of India

AUDITORS

Deloitte Haskins & Sells
Mumbai

MBT - A SNAPSHOT

FINANCIAL PERFORMANCE (Consolidated)

	2000		2001		2002		2003		2004	
	Rs. Million	US$ Million	Rs. Million	US$ Million	Rs. Million	US$ Million	Rs. Million	US$ Million	Rs. Million	US$ Million
Revenue	2,570	58.9	4,250	91.1	5,432	111.5	6,167	129.6	7,287	165
Total Income	2,634	60.3	4,280	91.8	5,580	114.5	6,259	131.5	7,349	167
PBT	739	16.9	1,097	23.5	1,602	32.9	1,926	40.5	726	16
PAT	602	13.8	862	18.5	1,234	25.3	1,626	34.2	644	15
EBIDTA Margin %	32	32	30	30	37	37	35	35	13	13
Net Margin %	23	23	20	20	22	22	26	26	9	9
Equity Capital	192	4.4	202	4.3	202	4.1	202	4.2	202	4.6
Net Worth	1,410	32.3	2,358	50.6	3,319	68.1	3,791	79.7	4,067	92
Net Block	813	18.6	1,191	25.5	1,289	26.5	1,431	30.1	1,624	37
Working Capital	598	13.7	1,085	23.3	1,787	36.7	2,026	42.6	1,992	45
Total Assets	1,863	42.7	3,043	65.2	4,212	86.5	4,824	101.4	5,373	122
Current Liabilities	452	10.4	685	14.7	892	18.3	1,033	21.7	1,307	30
Current Ratio	2.3	2.3	2.6	2.6	3	3	3	3	2.5	2.5
Total Assets Turnover	1.4	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.4	1.4
Fixed Assets Turnover	3.2	3.2	3.6	3.6	4.2	4.2	4.3	4.3	4.5	4.5
ROCE %	43	43	37	37	37	37	43	43	16	16
Working Capital (Days of sales)	85	85	93	93	120	120	120	120	100	100

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DIRECTORS, REPORT TO THE SHAREHOLDERS

Your Directors present their Seventeenth Annual Report together with the audited accounts of your Company for the year ended 31st March, 2004.

FINANCIAL RESULTS

(Rupees in millions)
For the year ended

		March 31, 2004	March 31, 2003
Income		**7,250.43**	6,230.43
Gross Profit		**1,312.93**	2,278.64
Depreciation		**(221.45)**	(225.26)
Profit before tax		**1,091.48**	2,053.38
Provision for taxation		**(150.20)**	(337.93)
Profit after tax		**941.28**	1,715.45
(Short) / Excess provision for Income-tax for previous year (Net)		**38.12**	-
Balance brought forward from previous years		**2,925.94**	2,591.37
Profit available for appropriation		**3,905.34**	4,306.82
Transfer to General Reserve		**(100.00)**	(175.00)
Dividend –	Interim paid	**(232.72)**	(909.48)
	Final (Proposed)	**(141.91)**	(262.74)
Tax on dividend –	On interim dividend	**(29.82)**	-
	On final dividend	**(18.18)**	(33.66)
Balance carried forward		**3,382.71**	2,925.94

DIVIDEND

Your Directors declared two interim dividends during the year under review as under:

Date of declaration	No. of shares	Face Value per share Rs.	Dividend %	Dividend per share Rs.	Total Dividend paid Rs.
13th October, 2003	101,163,655	2	95%	1.90	192,210,945
12th January, 2004	101,264,405	2	20%	0.40	40,505,762

Your Directors are pleased to recommend a final dividend @ 70 % on 101,364,055 equity shares of Rs. 2 each.

This Dividend will be paid to those members whose names will appear in the Register of Members on 14th July, 2004, being the Record Date fixed for the purpose.

The final Dividend will absorb a sum of Rs. 160.09 Million, including Rs. 18.18 Million as tax on Distributed Profit.

INCREASE IN SHARE CAPITAL

Your Company issued 294,700 shares on the exercise of stock options, issued under the MBT ESOP PLAN 2000. Due to this, the issued, subscribed and paid-up equity shares of your Company increased from 101,069,355 shares to 101,364,055 shares.

BUSINESS PERFORMANCE

In order to drive towards the Company's aggressive medium term objectives, it has been necessary to rapidly develop substantial and sustainable business with a broader customer base, and to start moving the Company up the Value Chain.

Considerable effort has been directed at creating a world-class Sales and Marketing structure in USA, Europe and Asia/Pacific, and engaging with major target customers for developing new business relationships and new revenues through inevitably protracted sales cycles. Investment in Sales & Marketing was thus more than doubled in the year.

The existing business offerings of "Application Off-shoring" (AoS) and Staff Augmentation ("commodity resourcing") have been under increasing margin pressures, especially the pricing and salary inflation. It was considered essential to invest to make the portfolio grow into areas where better margins can be attained. This has seen a general investment into "scarce skills", Systems Integration (SI) capabilities and specific niches within Telecom software services where there is a competitive advantage and good opportunities, with improved margins.

Your Board considered it essential to make these investments quickly, even though it would have a temporary impact on the bottom line, as it was imperative to hit the window of opportunity in the markets, and to improve the portfolio of the Company's offerings.

FINANCIAL PERFORMANCE

FY 2004 has been a challenging year for your Company. During the year under review, your Company's total income grew by 16.37% to Rs. 7,250.43 Million from Rs. 6,230.43 Million in the previous year. However, the profit after tax decreased by 45.13% to Rs. 941.28 Million from Rs. 1,715.45 Million in the previous year primarily due to pricing pressures as enumerated above.

In addition to developing offerings with improved margins, the Company has initiated various operational efficiency, productivity improvement and cost reduction measures aimed at mitigating the adverse impact of pricing pressure. These include the establishment of an Engineering Optimization Programme, improved asset and accommodation utilization, rationalized allowances, and a focus on market pricing. The benefit of these measures has already started to be visible during the second half of the year under review, and the management team expects a further recovery of margins in the current year.

Your Company has always concentrated on selling its services in the international arena and nearly 98% of its income is derived from international operations. During the year under review, your Company has achieved an export turnover of Rs. 7,103 million. Your Company exported its IT services and solutions to the U.S.A, the U.K., Australia, the U.A.E., Singapore and Germany.

TELECOM SECTOR

In a world where the concept of core competencies has emerged as a serious management motto, the Company has distinguished itself through a single-minded **Telecom Focus**. Your Directors believe that the Company's telecom focus has helped to position it as a leader in this vertical. This niche positioning, endorsed by leading consultants and industry analysts, is clearly vital in a market where large and internationally renowned players are competing aggressively. The Telecom industry globally is still undergoing major change, which always creates substantial opportunities for service suppliers like MBT. Most companies are now looking to use off-shoring to radically reduce costs so as to set the phase for business transformation. This transformation requires the integration of new software products ["Commercial Off The Shelf"(COTS) products] and brings high demand for scarce skills.

Your Company is now well placed to take advantage of these market changes, as it combines leading offerings in Application Off-shoring (AoS) with scarce skills and COTS integration capabilities. Your Company has also worked hard to reinforce its internal capabilities with a set of world leading alliances to meet these challenges.

Your Company has invested in building sales teams with a strong understanding of Telecom, the target Telecom customers, and the business transformation challenges that they face. This investment is now fructifying into an increasing number of viable accounts, with signs of long-term sustainability.

STRATEGY AND FUTURE PROSPECTS

Your Company continues to consolidate its leadership position in the software industry and increasingly in the Telecom industry globally. Your Directors take pleasure in informing you that your Company has been rated as the 7th largest Indian Software Company in 2003 by NASSCOM. Further the Company has also achieved the # 1 market share in Business Support Systems in Asia Pacific region as per the Gartner Report of October 2003.

Additionally, the Company has been differentiating itself in the Telecom industry by becoming a leader in the use of new integration technologies, by taking part in several industry-leading "proof-of-concepts" (PoC) with world-class players, and by being invited to lead the Security initiative by the industry's leading body, the Tele-Management Forum (TMF). These PoCs have covered new Telecom company services, new business processes and the integration of new technologies.

During the year, your Company has invested in improving its Portfolio, based on an understanding of its Telecom market segmentation, customer needs and challenges, and "Roadmaps" for the development of a competitive, leading portfolio of offerings. New areas with potential for business growth and improved margins are under development, including the following:

- Network and Systems testing
- Network Planning and Inventory Management
- Network performance modeling & simulation
- Billing & Customer Management solutions
- Security Consulting
- Advanced Value Management, including Telecom Interconnect Billing bureaus

PEOPLE

Your Company believes that qualified and experienced people are its most important assets and follows policies that aim to attract and retain the best talent with a combination of monetary & non-monetary benefits. Substantial progress has been made in this key facet of operation during the year.

In order to facilitate all aspects of People development, an industry-leading framework has been introduced that covers "Competencies", both technical and behavioral, for all individuals and all jobs in the Company. This enables more accurate recruitment, better training and better career path for all the employees. This has been combined with another industry-leading approach, called "Job Families", that separates all jobs into "specialist" work-streams, and proficiency (promotion) levels, each "job" being fully defined in terms of required competencies. The Company is now able to fully evaluate its human assets against these frameworks.

The human asset base was substantially improved during the year. Engineering numbers increased overall by approximately 1,350, or 53%, and within this the number of experienced professionals grew significantly, and approximately 800 new "scarce" skills were developed in line with market demands. The bench in the Company was managed well with utilization remaining at or above 76% throughout, and attrition levels have remained slightly below the industry average despite increasing pressure from the growth in MNC off-shore development facilities.

Your Company's approach to remuneration was reviewed and benchmarked using external guidance. This resulted in substantial changes to geographic allowances and salaries, and the introduction of technology allowances and a competitive Sales Incentive Plan.

Your Company conducts periodic training programmes to enable employees remain up-to-date with latest developments in relevant technological areas. During the year, a number of employees enrolled for the MS (Telecom & Software Engineering) as well as MS (Integrated Software Systems) courses at BITS Pilani, which are subsidized by your Company. Some employees also registered themselves for the IIT Mumbai Distance Education Programme (DEP). The Company has also initiated training in collaboration with University of London and BT to extend the BT MSc in telecommunication programme to a large number of employees in UK. These initiatives and the scarce skilling activities have now placed the Company at the forefront of people development in the industry globally.

A People satisfaction survey was carried out during the year, and the results have been developed into an action plan to further improve morale and productivity. Your Company has also set out a plan to achieve world-class benchmarks in people care.

DIRECTORS

Prof. Sumantra Ghoshal resigned from the Board on 24th October, 2003. He was a Director of the Company since 2000, and made a significant contribution to the Company's direction and strategy. As Chairman of the Audit Sub-Committee, he also helped MBT design its Governance processes. The Board places on record its deep appreciation for the services rendered by Prof. Ghoshal to the Company.

Prof. Sumantra Ghoshal passed away on 3rd March, 2004. He was an internationally renowned business expert, a leading professor at the London Business School and the author of many leading books on international business, corporate strategy and globalization. The Economist revered him as the "EuroGuru".

Mr. Bharat Doshi and Mr. Ulhas N. Yargop retire by rotation, and being eligible, offer themselves for re-election.

CORPORATE GOVERNANCE PHILOSOPHY

Your Company believes that Corporate Governance is a voluntary code of self-discipline. In line with this philosophy, the Board of Directors strongly believes that it is important that the Company follows healthy Corporate Governance practices and reports to the shareholders the progress made on the various measures undertaken. Although your Company is not listed on any Stock Exchange, your Directors have been reporting the initiatives on Corporate Governance adopted by your Company. The same is included in the section 'Corporate Governance' in the Annual Report.

DIRECTORS, RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that:

i. in the preparation of the annual accounts, the applicable accounting standards have been followed;

ii. they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2004 and of the profit of the Company for the year ended on that date;

iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. the annual accounts have been prepared on a going concern basis.

ADDRESSING SOCIAL CONCERNS

Your Company as a responsible corporate entity believes in discharging its social responsibility towards development of underprivileged in the society. Apart from providing financial support for such activities, it also donates computer hardware to schools and charitable institutions. It encourages its employees to actively participate in social activities.

EMPLOYEE STOCK OPTION PLAN 2000

During the year under review the Company did not grant any stock options under the ESOP 2000 stock option plan.

SUBSIDIARY COMPANIES

Presently, your Company is focused on improving its global reach through its subsidiaries in the US, Germany and Singapore. The sales and marketing infrastructure of the Company's subsidiaries have been reinforced by appointing senior level local executives from the telecom sector. Your Company will continue to invest in subsidiaries for further strengthening its market reach.

The financial results of MBT International Inc., MBT GmbH and MBT Software Technologies Pte. Limited, are as under:

	MBT International Inc.,U.S.A. (USD)		MBT GmbH, Germany (Euro)		MBT Software Technologies Pte. Limited, Singapore(SGD)	
	Year ended		Year ended		Year ended	
	31st March, 2004	31st March, 2003	31st March, 2004	31st March, 2003	31st March, 2004	31st March, 2003
Income	15,532,851	11,246,442	1,265,648.76	135,791.84	1,483,724	1,108,088
Gross Profit / (Loss)	(3,958,598)	(2,154,478)	(3,337,245.11)	(561,785.16)	26,224	482,690
Depreciation	46,403	33,685	52,661.68	29,543.83	-	-
Taxation	(1,477,138)	(830,236)	-	-	-	96,938
Net Profit / (Loss) for the year	(2,527,863)	(1,357,927)	(3,389,906.79)	(591,328.99)	26,224	385,752

The audited statements of account of the Company's subsidiaries for the year ended 31st March, 2004 together with reports of the Directors and the Auditors and the Statement pursuant to section 212 of the Companies Act, 1956 are attached.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

In view of the nature of activities that are being carried on by the Company, Rule 2A and 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorption, respectively are not applicable to the Company. The Company is, however, beginning to investigate ways of reducing energy consumption in a commitment to the global environment; this will cover accommodation facilities, communications and transport.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earnings of your Company during the year were Rs. 7,112.29 Million (Previous Year Rs. 6,015.30 Million) while the outgoings were Rs. 3,453.20 Million (Previous Year Rs. 2,415.36 Million).

PARTICULARS OF EMPLOYEES

As required under Section 217(2A) of the Companies Act, 1956, and the Rules made thereunder, a statement containing particulars of the Company's employees who were in receipt of remuneration of not less than Rs. 2,400,000 during the year ended 31st March, 2004, or of not less than Rs. 200,000 per month, if, employed for part of the year, is given in the Annexure to this Report. The Department of Company Affairs, has recently amended the Companies (Particulars of Employees) Rules, 1975 to the effect that particulars of employees of companies engaged in Information Technology sector posted and working outside India not being directors or their relatives, drawing more than Rs. 2,400,000 per financial year or Rs. 200,000 per month, as the case may be, need not be included in the statement but, such particulars shall be furnished to the Registrar of Companies. Accordingly, the statement included in this report does not contain the particulars of employees who are posted and working outside India.

DEPOSITS AND LOAN / ADVANCES

The Company has not accepted any deposits from the public or its employees during the year under review.

The particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement with the parent Company, Mahindra & Mahindra Limited, are furnished separately.

AUDITORS

M/s Deloitte Haskins & Sells, Chartered Accountants, the Auditors of the Company, hold office up to the conclusion of the forthcoming Annual General Meeting of the Company and have given their consent for re-appointment. The shareholders will be required to elect auditors for the current year and fix their remuneration. The Company has received a written confirmation from M/s Deloitte Haskins & Sells to the effect that their appointment, if made, would be in conformity with the limits prescribed in Section 224 of the Companies Act, 1956. The Board recommends the appointment of M/s Deloitte Haskins & Sells as the Auditors of the Company.

ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge the contributions made by the employees towards the success of the Company. Your Directors are also thankful for the co-operation and assistance received from its customers, suppliers, bankers, STPI, State and Central Government Authorities and shareholders.

For and on behalf of the Board

Anand G. Mahindra
Chairman

Mumbai : May 28, 2004

Particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement with the parent Company, Mahindra & Mahindra Limited

Loans and advances in the nature of loans to subsidiaries:

Name of the Company	Balance as on 31st March, 2004	Maximum outstanding During the year
MBT GmbH	Nil	EURO 111,504.92 (equivalent to Rs. 5,823,901.97)

Loans and advances in the nature of loans to associates, loans and advances in the nature of loans where there is no repayment schedule or repayment beyond seven years or no interest or interest below section 372A of the Companies Act, 1956 and loans and advances in the nature of loans to firms/companies in which directors are interested - Nil

CORPORATE GOVERNANCE

MANAGEMENT:

Board of Directors

1. Composition and Category of Directors

Name	Category of Director
Mr. Anand Mahindra	Non-Executive Chairman
Mr. Bharat Doshi	Non-Executive
Mr. Robert John Helleur	Executive Director & CEO
Mr. Clive Goodwin	Non-Executive
Dr. Sinclair Stockman	Non-Executive
Hon. Akash Paul	Non-Executive, Independent
Mr. Chris Price	Non-Executive
Mr. Anupam Puri	Non-Executive, Independent
Dr. Raj Reddy	Non-Executive, Independent
Mr. Ulhas N. Yargop	Non-Executive

2. Attendance of each director at the Board of Directors meetings and the last AGM

During the year 2003-04, five meetings of the Board of Directors were held.

The details of attendance of the directors at the Board Meeting and Annual General Meeting held during the year 2003-04 are given below:

Name	Number of Board meetings attended	Board Meeting					Annual General Meeting 18th July, 2003
		8th May, 2003	17th July, 2003	13th Oct, 2003	12th Jan, 2004	15th March, 2004	
Mr. Anand Mahindra	4	√	×	√	√	√	×
Mr. Bharat Doshi	5	√	√	√	√	√	√
Mr. Robert John Helleur	5	√	√	√	√	√	√
Prof. Sumantra Ghoshal*	2	×	√	√	NA	NA	√
Mr. Clive Goodwin	4	√	×	√	√	√	×
Dr. Sinclair Stockman	4	√	√	√	√	×	√
Hon. Akash Paul	4	√	√	√	×	√	√
Mr. Chris Price	5	√	√	√	√	√	√
Mr. Anupam Puri	5	√	√	√	√	√	√
Dr. Raj Reddy	4	√	√	√	√	×	√
Mr. Ulhas N. Yargop	5	√	√	√	√	√	√

[*]Ceased to be a Director w.e.f. 24th October, 2003.

Audit Sub-Committee:

Dr. Raj Reddy, an independent Director was elected a member in place of Prof. Sumantra Ghoshal w.e.f. 12th January, 2004. Mr. Anupam Puri was elected Chairman of the Audit Sub-committee in place of Prof. Sumantra Ghoshal.

1. Composition, names of members and Chairman

The composition of the Audit sub-committee is as follows:

- Mr. Anupam Puri - Chairman
- Mr. Bharat Doshi
- Mr. Clive Goodwin
- Dr. Raj Reddy

2. Meetings and attendance during the year

Five meetings of the Audit sub-committee were held during the Financial Year 2003-2004. The meetings were held on 8th May, 2003, 17th July, 2003, 13th October, 2003, 12th January, 2004 and 15th March, 2004.

The details of the number of Audit Sub-Committee meetings attended by its members are given below :

Name of Director	Number of Audit sub-Committee meetings attended
Prof. Sumantra Ghoshal[1]	2
Mr. Bharat Doshi	5
Mr. Clive Goodwin	4
Mr. Anupam Puri	5
Dr. Raj Reddy[2]	1

[1]Prof. Sumantra Ghoshal ceased to be member and Chairman of the Committee w.e.f. 24th October, 2003.

[2]Dr. Raj Reddy was elected as a member in place of Prof. Sumantra Ghoshal w.e.f. 12th January, 2004.

3. Recommendations of the committee

All the recommendations of the Audit Sub-committee were accepted by the Board of Directors.

4. Terms of reference

The Board of Directors had constituted the Audit Sub-committee of the Board by a circular resolution passed on 17th January, 1996. The Board reconstituted the Audit Sub-committee on 26th February, 1999, 24th August, 2000 and 26th February 2001.

The terms of reference of the Audit Sub-committee are as follows: -

a) The Committee shall have authority to investigate into any matter or activity within its terms of reference and in relation to items specified under Section 292A of the Companies Act, 1956 or referred to it by the Board.

b) The Committee shall have full access to information contained in the records of the Company and may, if necessary, seek external professional advice.

c) The Committee shall seek information from any employee.

d) The Committee shall secure attendance of outsiders with relevant expertise, if considered necessary.

e) The Committee may delegate any of its powers to one or more of its members or the Company Secretary.

f) The recommendations of the Audit Committee on any matter relating to financial management including the Audit Report shall be binding on the Board. However, where such recommendations are not accepted by the Board, the reasons for the same shall be recorded in the Minutes of the Board meeting and communicated to the shareholders.

g) The Committee shall oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

h) The Committee shall recommend the appointment, dismissal and removal of statutory auditor, fixation of audit fee and also approval for payment for any other services rendered by the auditors.

i) The Committee shall review the performance of statutory auditors including scope of their audit and monitor the extent of their non-audit work.

j) The Committee shall review with management the quarterly, half yearly, annual financial results, annual report and accounts and other financial information including reviewing, with the statutory auditors scope and results of their audits and considering their Management Letter before submission of their reviews to the Board, with special emphasis on,

- Any changes in accounting policies and procedures.
- Major accounting entries based on exercise of judgement by management.
- Qualifications in draft audit report.
- Significant adjustments arising out of audit.
- The going concern assumption.
- Compliance with accounting standards.
- Compliance with stock exchange (after listing) and legal requirements concerning financial statements.
- Any related party transactions, i.e. transactions of the company of material nature with promoters or management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large.

k) The Committee shall review with the management, statutory and internal auditors, the adequacy of internal control systems.

l) The Committee shall review the adequacy of internal audit function, including the structure of internal audit department, if any, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

m) The Committee shall discuss with internal auditors any significant findings and follow up thereon.

n) The Committee shall review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and report the matter to the Board.

o) The Committee shall discuss with statutory auditors before the audit commences, the nature and scope of audit as well as have post audit discussion to ascertain any area of concern.

p) The Committee shall review the company's financial and risk management policies.

q) The Committee shall look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of dividend) and creditors.

Compensation (Remuneration) Committee:

1. Composition, name of members and Chairman

The composition of the Committee is as follows:

- Hon. Akash Paul - Chairman
- Mr. Ulhas N. Yargop
- Mr. Clive Goodwin

2. Meetings and attendance during the year

Five meetings of the Compensation Committee were held during the Financial Year 2003-2004. The meetings were held on 8th May, 2003, 17th July, 2003, 13th October, 2003, 12th January, 2004 and 15th March, 2004.

The details of the number of Committee meetings attended by its members are given below:

Name	Number of Compensation committee meetings attended
Hon. Akash Paul	4
Mr. Clive Goodwin	4
Mr. Ulhas N. Yargop	5

3. Terms of reference

The Compensation committee was constituted for the purpose of determining the terms and conditions including the remuneration payable to Managing Director of the Company. By a resolution passed on 23rd October 2000, the Board of Directors enlarged the terms of reference of the committee and entrusted it with the following terms of reference, which were originally entrusted to the ESOP Compensation Committee:

a) To take actions arising out of Employee Stock Option Plan 2000 (ESOP 2000)

b) Employee Stock Option Plan Scheme.

c) Formation of Trust thereunder.

d) Appointment of Trustees of the Trust.

AUDITORS, REPORT TO THE MEMBERS OF MAHINDRA-BRITISH TELECOM LIMITED

1. We have audited the attached Balance sheet of Mahindra-British Telecom Limited as at 31st March, 2004 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

c) The Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) In our opinion, the Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

e) On the basis of written representations received from the directors as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2004 from being appointed as a director in terms of clause (g) of sub- section (1) of section 274 of the Companies Act, 1956.

f) In our opinion and to the best of our information, and according to the explanations given to us, the said accounts read with the Significant Accounting Policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

i) in case of the Balance sheet, of the state of affairs of the Company as at 31st March, 2004;

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

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

For Deloitte Haskins & Sells
Chartered Accountants

A. B. Jani
Partner
Membership No. 46488

Mumbai
Dated: May 18, 2004

ANNEXURE TO THE AUDITORS, REPORT

Re: Mahindra-British Telecom Limited
(Referred to in Paragraph 3 of our report of even date)

i) The nature of the Company's activities are such that clauses (ii), (viii), (xiii) and (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the year.

ii)

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) In accordance with the programme of physical verification of fixed assets of the Company, which is once in three years, the assets were physically verified by the management during the year. Discrepancies noticed on such verification have been properly dealt with in the books of account. In our opinion, the frequency of verification is reasonable.

(c) The Company has not disposed off a substantial part of fixed assets during the year.

iii)

(a) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. The Company had granted unsecured loans to a company covered in the register maintained under Section 301 of the Companies Act, 1956 which have been repaid during the year. The maximum amounts involved during the year aggregate to Rs.5,823,902/-.

(b) In our opinion, the rate of interest and other terms and conditions on which loans have been granted are not prima facie, prejudicial to the interest of the company.

(c) The parties have repaid the principal amounts as stipulated and have been regular in the payment of interest.

(d) There is no overdue amount in respect of the loans granted by the Company.

iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of fixed assets. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal controls.

v)

(a) According to the information and explanations given to us, we are of the opinion that transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.

(b) According to the information and explanations given to us, the transactions exceeding the value of Rs. 5 lakhs, during the year, in respect of each party covered under Section 301 of the Companies Act, 1956, are at prices determined in negotiations with the said parties and are prima facie reasonable having regard to prevailing market prices where such market prices are available with the Company.

vi) The Company has not accepted any deposits from the public.

vii) In our opinion, the company has an internal audit system commensurate with the size of the Company and nature of its business.

viii)

(a) The company has been regular in depositing undisputed statutory dues in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales-tax and any other statutory dues applicable to it, with the appropriate authorities.

(b) According to information and explanation given to us there are no dues of sales tax / income-tax / customs duty / wealth tax / excise duty and cess, which have not been deposited with the appropriate authorities on account of any dispute, except in case of income-tax which is as detailed below:

Forum where dispute is pending	**Nature of dues**	**Amount (Rs.)**	**Financial Year to which amount relates**
Income tax appellant tribunal	Corporate tax	17,117,248/-	1998-1999
Income tax appellant tribunal	Tax deducted at source	44,806,504/-	1999-2000
Income tax appellant tribunal	Corporate tax	13,514,013/-	1999-2000
Deputy commissioner of Income tax appeals	Corporate	12,024,891/-	2000-2001
Total		87,462,656/-	

ix) The Company has no accumulated losses at the end of the year and it has not incurred cash losses in the current year and in the immediately preceding financial year.

x) According to information and explanations given to us, there are no dues payable to a financial institution or bank or debenture holders.

xi) According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.

xii) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

xiii) According to the information and explanations given to us, there are no term loans obtained by the Company.

xiv) According to information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short term basis have, prima facie, not been used during the year for long term investment (fixed assets, etc.,) and vice versa.

xv) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

xvi) The Company has not issued any debentures during the year.

xvii) The Company has not raised any money by way of public issues during the year.

xviii) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants

A. B. Jani
Partner
Membership No. 46488

Mumbai
Dated: May 18, 2004

BALANCE SHEET AS AT MARCH 31, 2004

		Schedule	As at March 31, 2004 Rupees	As at March 31, 2003 Rupees
I.	SOURCES OF FUNDS :			
	SHAREHOLDERS' FUNDS:			
	Capital	I	202,728,110	202,138,710
	Reserves and Surplus	II	4,150,693,666	3,581,796,654
		TOTAL	4,353,421,776	3,783,935,364
II.	APPLICATION OF FUNDS :			
	FIXED ASSETS:	III		
	Gross Block		2,164,872,109	1,934,493,360
	Less : Depreciation		832,515,728	894,903,303
	Net Block		1,332,356,381	1,039,590,057
	Capital Work-in-Progress, including Advances		198,529,226	379,435,588
			1,530,885,607	1,419,025,645
	INVESTMENTS	IV	732,364,709	376,749,447
	DEFFERED TAX ASSET (NET)		2,566,318	2,233,383
	CURRENT ASSETS, LOANS AND ADVANCES:	V		
	Sundry Debtors		2,762,115,554	1,694,227,275
	Cash and Bank Balances		291,502,487	1,064,261,238
	Loans and Advances		293,957,458	246,899,947
			3,347,575,499	3,005,388,460
	Less : CURRENT LIABILITIES AND PROVISIONS :			
	Liabilities	VI	670,953,332	474,857,962
	Provisions	VII	589,017,025	544,603,609
			1,259,970,357	1,019,461,571
	Net Current Assets		2,087,605,142	1,985,926,889
		TOTAL	4,353,421,776	3,783,935,364
	SIGNIFICANT ACCOUNTING POLICIES			
	AND NOTES ON ACCOUNTS	XI		

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

A. B. Jani
Partner

Mumbai,
Dated : May 18, 2004

For Mahindra - British Telecom Limited

Anand G. Mahindra - *Chairman*
Ulhas N. Yargop - *Director*
Bharat Doshi - *Director*
Anupam Puri - *Director*

John Helleur - *Executive Director & CEO*
Akash Paul - *Director*
Sinclair Stockman - *Director*
Dr. Raj Reddy - *Director*

Pittsburgh
Dated : May 11, 2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

	Schedule	Year ended March 31, 2004 Rupees	Year ended March 31, 2003 Rupees
INCOME	VIII	7,250,427,943	6,230,427,495
EXPENDITURE :			
Personnel	IX	2,088,854,578	1,231,669,120
Operating and Other Expenses	X	3,848,639,940	2,720,119,090
Depreciation		221,448,803	225,258,746
	TOTAL	6,158,943,321	4,177,046,956
PROFIT BEFORE TAXATION		1,091,484,622	2,053,380,539
Provision for Taxation (Refer note 16 of Schedule XI)			
- Current tax		(150,542,123)	(339,380,291)
- Deferred tax		332,935	1,450,618
PROFIT AFTER TAXATION		941,275,434	1,715,450,866
Excess provision for income-tax in respect of earlier years		38,121,167	-
Balance brought forward from previous year		2,925,942,077	2,591,367,867
Balance available for appropriation		3,905,338,678	4,306,818,733
Interim Dividend - I		(192,210,945)	(111,158,009)
Interim Dividend - II		(40,505,762)	(474,947,855)
Interim Dividend - III		-	(323,368,752)
Final Dividend		(141,909,677)	(262,738,650)
Dividend Tax		(47,999,005)	(33,663,390)
Transfer to General Reserve		(100,000,000)	(175,000,000)
Balance Carried to Balance Sheet		3,382,713,289	2,925,942,077
Earning Per Share (Refer note 18 of Schedule XI)			
- Basic		9.68	16.97
- Diluted		9.51	16.62
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	XI		

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

A. B. Jani
Partner

Mumbai
Dated : May 18, 2004

For Mahindra - British Telecom Limited

Anand G. Mahindra - *Chairman*
Ulhas N. Yargop - *Director*
Bharat Doshi - *Director*
Anupam Puri - *Director*

John Helleur - *Executive Director & CEO*
Akash Paul - *Director*
Sinclair Stockman - *Director*
Dr. Raj Reddy - *Director*

Pittsburgh,
Dated : May 11, 2004

CASH FLOW FOR THE YEAR ENDED MARCH 31, 2004

Particulars	Rupees	Current Year Rupees	Previous Year Rupees
A Cash Flow from operating activities			
Net Profit before tax		1,091,484,622	2,053,380,539
Adjustments for :			
Depreciation	221,448,803		225,258,746
Profit on sale of Fixed Assets (Net)	(13,835,312)		(671,520)
Exchange gain (Net)	72,101,784		(38,126,534)
Income from Investments	(61,711,789)		(91,622,813)
		218,003,486	94,837,879
Operating profit before working capital changes		1,309,488,108	2,148,218,418
Adjustments for:			
Trade and other receivables	(1,117,983,965)		(395,437,270)
Trade and other payables	192,289,175		19,373,266
		(925,694,790)	(376,064,004)
Cash generated from operations		383,793,318	1,772,154,414
Direct Taxes	16,423,646		(418,921,848)
		16,423,646	(418,921,848)
Net cash from operating activities		400,216,964	1,353,232,566
B Cash flow from investing activities			
Purchase of Fixed assets	(282,628,487)		(261,684,677)
Purchase of Investments	(823,739,664)		(147,021,070)
Sale of Investments	468,124,401		-
Sale of Fixed Assets	18,840,229		870,847
Interest received	33,076,853		61,738,472
Dividend received	31,673,111		29,669,213
Net cash used in investing activities		(554,653,555)	(316,427,215)
C Cash flow from financing activities			
Proceeds from issue of Shares (including share premium)	12,715,200		718,080
Dividend (including Dividend Tax paid)	(558,935,576)		(1,030,737,898)
Net cash used in financing activities		(546,220,376)	(1,030,019,818)
Net decrease in cash and cash equivalents (A+B+C)		(700,656,967)	6,785,533
Cash and cash equivalents at the beginning of the year		1,043,454,437	1,036,668,904
Cash and cash equivalents at the end of the year		342,797,470	1,043,454,437

Notes:

1 Components of cash and cash equivalents include cash, bank balances in current and deposit accounts as disclosed under schedule V of the accounts.

2 Purchase of fixed assets are stated inclusive of movements of capital work in progress between the commencement and end of the period and are considered as part of investing activity.

	31st March 2004 Rs.	31st March 2003 Rs.
3 Cash and cash equivalents includes :		
Cash and Bank Balances	291,502,487	1,064,261,238
Unrealised gain on foreign currency		
Cash and cash equivalents	51,294,983	(20,806,801)
	342,797,470	1,043,454,437

As per our attached report of even date
For Deloitte Haskins & Sells
Chartered Accountants

A.B. Jani
Partner
Mumbai,
Dated : May 18, 2004

For and on behalf of the Board

Anand G. Mahindra - *Chairman*
Ulhas N. Yargop - *Director*
Bharat Doshi - *Director*
Anupam Puri - *Director*

John Helleur - *Executive Director & CEO*
Akash Paul - *Director*
Sinclair Stockman - *Director*
Dr. Raj Reddy - *Director*

Pittsburgh,
Dated : May 11, 2004

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rupees	As at March 31, 2004 Rupees	As at March 31, 2003 Rupees
SCHEDULE I			
SHARE CAPITAL :			
Authorised :			
125,000,000 Equity Shares of Rs. 2/- each		250,000,000	250,000,000
		250,000,000	250,000,000
Issued and Subscribed :			
101,364,055 (previous year 101,069,355) Equity Shares of Rs. 2/- each fully paid-up		202,728,110	202,138,710
	TOTAL	202,728,110	202,138,710

1. Out of above, 57,600,060 (including 200 held with nominees) Equity shares of Rs.2/- each fully paid up are held by Mahindra & Mahindra Limited (M & M), the holding company.
2. The above includes 51,000,100 and 25,000,000 Equity Shares of Rs. 2/- each issued as fully paid-up bonus shares by capitalisation of balance of Profit and Loss Account and General Reserve, respectively

	Rupees	As at March 31, 2004 Rupees	As at March 31, 2003 Rupees
SCHEDULE II			
RESERVES AND SURPLUS:			
General Reserve :			
As per last Balance Sheet	530,430,284		355,430,284
Add : Transfer from Profit and Loss Account	100,000,000		175,000,000
		630,430,284	530,430,284
Securities Premium :			
As per last Balance Sheet	125,424,293		124,739,453
Add : Received during the year	12,125,800		684,840
		137,550,093	125,424,293
Balance in Profit and Loss Account		3,382,713,289	2,925,942,077
	TOTAL	4,150,693,666	3,581,796,654

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

SCHEDULE III

FIXED ASSETS :

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at, April 01, 2003	Additions during the year	Deductions during the year	Cost as at March 31, 2004	Upto March 31, 2003	For the year	Deductions during the year	Upto March 31, 2004	As at March 31, 2004	As at March 31, 2003
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Leased Assets :										
Vehicles	19,285,210	28,648,037	2,173,668	45,759,579	4,578,301	5,461,918	487,118	9,553,101	36,206,478	14,706,909
(Refer Note 11 of Schedule XI)										
Other Assets :										
Office Building / Premises	932,444,322	207,339,980	-	1,139,784,302	170,383,655	65,651,430	-	236,035,085	903,749,217	762,060,667
Improvements to Leased Premises	28,921,725	-	28,921,725	-	28,921,725	-	28,921,725	-	-	-
Computers (Including Software Products)	538,139,552	104,222,199	175,625,571	466,736,180	411,251,474	81,497,581	175,404,983	317,344,072	149,392,108	126,888,078
Plant and Machinery	214,607,789	91,956,523	44,183,721	262,380,591	147,269,717	33,907,500	42,810,848	138,366,369	124,014,222	67,338,072
Furniture and Fixtures	200,144,711	87,053,305	37,936,610	249,261,406	131,595,885	34,930,374	36,211,704	130,314,555	118,946,851	68,548,826
Vehicles	950,051	-	-	950,051	902,546	-	-	902,546	47,505	47,505
Total	**1,934,493,360**	**519,220,044**	**288,841,295**	**2,164,872,109**	**894,903,303**	**221,448,803**	**283,836,378**	**832,515,728**	**1,332,356,381**	**1,039,590,057**
Previous year	1,853,936,186	101,576,358	21,019,184	1,934,493,360	690,464,414	225,258,746	20,819,857	894,903,303	1,039,590,057	

Notes:

1. Cost of assets taken on lease prior to April 1, 2001 not included above - Rs. Nil (previous year Rs. 38,050,026).

2. Leased vehicles includes Rs 28,648,037 (previous year Rs.Nil) being assets on which vendors have a lien.

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

	Rupees	As at March 31, 2004 Rupees	As at March 31, 2003 Rupees
SCHEDULE IV			
INVESTMENT (AT COST) :			
Long Term Investment (unquoted)			
Trade			
In Wholly Owned Subsidiary Companies : 375,000 (previous year 375,000) Ordinary Shares of US$ 1 each fully paid up of MBT International Incorporated U.S.A. (Refer Note 5 of Schedule XI)		11,794,500	11,794,500
3 (previous year 3) Shares of Euro 25,000, 50,000 & 500,000 each, fully paid up of MBT GmbH, Germany *** (Refer Note 5 of Schedule XI)		268,135,500	29,020,500
5,000 (previous year 5,000) Shares of Singapore $ 10 each fully paid up of MBT Software Technologies Pte. Ltd. Singapore		1,371,976	1,371,976
Non Trade			
Nil (previous year 18,173.37) units of Rs. 1243.92 each of Templeton Mutual Fund - Dividend plan	-		22,606,141
30,276.37 (previous year Nil) units of Rs. 1024.24 each of Templeton Mutual Fund-Income Plan	31,010,373		-
Nil (previous year 534,913,988) units of Rs 18.89 each of Templeton Mutual Fund-Income Plan A	-		10,104,525
24,883.98 (previous year Nil) units of Rs. 1024.92 each of Templeton Mutual Fund-Monthly Dividend Plan	25,504,026		-
Nil (previous year 3,233,395.24) units of Rs. 10.63 each of HDFC Mutual Fund (previously known as Zurich Mutual Fund)	-		34,374,225
Nil (previous year 3,362,360.28) units of Rs. 10.18 each of HDFC Mutual Fund	-		34,245,303
Nil (previous year 3,153,832.82) units of Rs. 11.20 (previous year Rs. 10.78) each of Birla Mutual Fund - Retail Plan	-		34,009,356
5,011,003.66 (previous year Nil) units of Rs. 10.49 each of Birla Mutual Fund - Institutional Plan	52,590,970		-
2,791,791.41 (previous year 5,596,449.47) units of Rs. 11.83 (previous year Rs. 11.84) each of Prudential ICICI Mutual Fund-Flexible Income Plan	33,032,197		66,272,595
1,078,129.84 (previous year Nil) units of Rs. 10.85 each of Prudential ICICI Mutual Fund Institutional Short Term Plan	11,702,182		-
2,562,050.47 (previous year 2,617,652.64) units of Rs.12.40 (previous year Rs. 12.41) each of DSP Merrill Lynch Mutual Fund-Dividend Plan	31,780,656		32,474,337
3,041,765.94 (previous year Nil) units of Rs. 10.21 each of DSP Merrill Lynch - Short Term	31,040,599		-

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

	Rupees	As at March 31, 2004 Rupees	As at March 31, 2003 Rupees
SCHEDULE IV (contd.)			
1,006,629.00 (previous year Nil) units of Rs. 10.23 each of DSP Merrill Lynch - Short Term Fund	10,301,365		-
5,321,726.44 (previous year 5,000,000) units of Rs. 10.10 (previous year Rs. 10.00) each of Deutsche Mutual Fund - Growth Plan	53,754,706		50,000,000
Nil (previous year 3,091,200.28) units of Rs.10.57 each of Standard Chartered Mutual Fund	-		32,690,989
2,522,066.63 (previous year Nil) units of Rs. 10.04 each of Standard Chartered Mutual Fund Bimonthly Dividend Plan	25,324,204		-
1,097,493.80 (previous year 1,000,000) units of Rs. 10.18 (previous year Rs.10.00) each of HSBC Mutual Fund-Growth Investment Plan	11,180,280		10,000,000
4,825,565.75 (previous year Nil) units of Rs. 10.53 each of HSBC Mutual Fund - Short Term Institutional Fund	50,804,832		-
Nil (previous year 764,021.79) units of Rs. 10.19 each of Sun F&C Mutual Fund	-		7,785,000
2,606,236.89 (previous year Nil) units of Rs. 10.01 each of J M Mutual Fund-Short Term Institutional Plan	26,094,064		-
2,656,823.77 (previous year Nil) units of Rs. 10.02 each of Kotak Mutual Fund - Liquid Institutional Plan	26,619,238		-
1,015,868.98 (previous year Nil) units of Rs. 10.16 each of Principal Mutual Fund - Monthly Short Term Plan	10,323,041		-
2,000,000 (previous year Nil) units of Rs. 10.00 each of Reliance Mutual Fund-Growth Plan	20,000,000		-
		451,062,733	334,562,471
TOTAL		732,364,709	376,749,447

*** Rs. 239,115,000 invested during the year is towards capital reserve of the company in accordance with the German Commercial Code

Note :

Investments purchased and sold during the year **Name of the scrip**	**Face Value**	March 2004 Units
DSP Merill Lynch Mutual Fund-Short Term Dividend	Rs. 10.00	4,885,150.12
Zurich India Mutual Fund	Rs. 10.00	4,750,864.66
Prudential ICICI Mutual Fund-Short Term Dividend Plan	Rs. 10.00	4,606,044.97
Birla Sunlife Mutual Fund-Retail Fund	Rs. 10.00	1,784,662.61
Reliance Mutual Fund	Rs. 10.00	2,972,474.88
Standard Chartered Mutual Fund GSSIF Short term	Rs. 10.00	4,045,765.70
Deutsche Mutual Fund - Short Maturity	Rs. 10.00	1,959,209.26

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

	Rupees	As at March 31, 2004 Rupees	As at March 31, 2003 Rupees
SCHEDULE V			
CURRENT ASSETS, LOANS AND ADVANCES :			
Current Assets :			
(a) Sundry Debtors :			
(Unsecured)			
Debts outstanding for a period exceeding six months:			
: considered good		225,787,416	5,691,215
: considered doubtful		10,896,553	8,108,415
		236,683,969	13,799,630
Other debts, considered good		2,536,328,138	1,688,536,060
		2,773,012,107	1,702,335,690
Less: Provision		10,896,553	8,108,415
		2,762,115,554	1,694,227,275
(b) Cash and Bank Balances :			
Balance with Scheduled banks :			
(i) In Current accounts	122,011,418		307,148,967
(ii) In Fixed Deposit accounts	157,371,268		757,112,271
Balance with other banks :			
With Commonwealth Bank of Australia @			
(i) In Current accounts	12,119,801		-
		291,502,487	1,064,261,238
@ Maximum balance outstanding during the year : Current Account - Rs.19,938,601 (previous year Rs. 6,397,519) Fixed Deposit Account - Nil (previous year Rs.1,799,700)			
(c) Loans and Advances :			
(Unsecured)			
Loans and advances to subsidiary companies		5,653,987	24,351,256
Bills of Exchange (considered doubtful)	5,000,000		5,000,000
Less: Provision	5,000,000		5,000,000
		-	-
Advances recoverable in cash or in kind or for			
value to be received........considered good	288,303,471		222,548,691
........considered doubtful	2,283,962		4,083,450
	290,587,433		226,632,141
Less : Provision	2,283,962		4,083,450
		288,303,471	222,548,691
		293,957,458	246,899,947
TOTAL		3,347,575,499	3,005,388,460

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

	Rupees	As at March 31, 2004 Rupees	As at March 31, 2003 Rupees
SCHEDULE VI			
CURRENT LIABILITIES :			
Sundry Creditors :			
Total outstanding dues to Small Scale Industrial Undertakings		-	-
Total outstanding dues of Creditors other than Small Scale Industrial Undertakings *		670,953,332	474,857,962
* includes - Rs. 83,233,800/- (previous year Rs. 7,395,936) due to MBT International Inc., USA, a subsidiary company. Rs.23,689,825/- (previous year Rs. Nil) due to MBT GmbH, a subsidiary company. Rs. 4,258,025/- (previous year Rs. Nil) due to MBT Software Technologies Pte. Ltd., a subsidiary company.			
	TOTAL	670,953,332	474,857,962
SCHEDULE VII			
PROVISIONS:			
Provision for taxation (Net of payments)		233,475,171	104,630,569
Proposed Dividends		141,909,677	262,738,650
Provision for Dividend tax		18,182,177	33,663,390
Provision for Gratuity		90,865,000	66,407,000
Provision for Leave Encashment		104,585,000	77,164,000
	TOTAL	589,017,025	544,603,609

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Rupees	Year ended March 31, 2004 Rupees	Year ended March 31, 2003 Rupees
SCHEDULE VIII			
INCOME :			
Income from Services	7,066,766,987		5,912,870,227
[Tax deducted at source Rs. 2,428,297/-			
(previous year Rs. 2,274,583)]			
Management Fees (Net)	48,249,172		113,338,374
		7,115,016,159	6,026,208,601
Interest on :			
Deposits with Banks	28,517,903		57,955,025
[Tax deducted at source Rs. 3,494,580 (previous year Rs. 9,767,162)]			
Others [Tax deducted at source Rs. 10,705 (previous year Rs.129)]	1,520,775		3,998,575
		30,038,678	61,953,600
Dividend/Income on Long term Investments		31,673,111	29,669,213
Exchange fluctuation (Net)		-	90,022,893
Profit on Sale of Fixed Assets (Net)		15,142,316	671,520
Excess Provisions for earlier years / Sundry Credit Balances Written Back		48,620,611	5,653,893
Provision for Doubtful Debts/Advances written back		2,224,488	4,327,147
Insurance claim received		117,082	-
Miscellaneous Income		7,595,498	11,920,628
	TOTAL	7,250,427,943	6,230,427,495
SCHEDULE IX			
PERSONNEL :			
Salaries, wages and bonus (Refer note 13 of Schedule XI)		1,923,320,143	1,115,607,252
Contribution to Provident and Other Funds		84,338,344	64,992,780
Staff Welfare		81,196,091	51,069,088
	TOTAL	2,088,854,578	1,231,669,120

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT (contd.)

	Rupees	As at March 31, 2004 Rupees	As at March 31, 2003 Rupees
SCHEDULE X			
OPERATING AND OTHER EXPENSES :			
Power		31,485,563	30,781,011
Rent		97,467,299	76,055,988
Rates and taxes		8,996,810	5,836,546
Communication expenses		143,504,352	133,259,368
Travelling expenses		2,330,036,595	1,875,223,789
[Net of recoveries Rs. 41,579 ,385 (previous year : Rs. 26,316,847)]			
Recruitment expenses		55,652,936	21,058,763
Hire charges [includes car lease rentals Rs. 7,100,026/- (previous year Rs. 12,668,439)]		99,172,729	77,684,251
Sub-contracting costs		514,889,433	150,736,646
Repairs and Maintenance :			
Buildings (including leased premises)	14,028,151		13,302,020
Machinery	14,820,303		17,094,513
Others	15,863,072		12,665,803
		44,711,526	43,062,336
Insurance		10,408,722	3,421,011
Professional fees - Agency		27,760,472	24,213,196
Professional fees - Others		130,536,039	72,952,566
Software Packages [Net of recoveries Rs. 14,380,704 (previous year Rs. 8,879,766)]		51,996,015	11,145,419
Training		69,536,051	45,756,704
Advertising, Marketing and Selling expenses		26,344,221	19,643,775
Commission on Services Income		64,309,523	7,251,077
Advances / debts written off		2,233,489	2,300,752
Provision for Doubtful Debts/Advances		3,213,138	9,997,892
Fixed Assets written off		1,307,004	-
Loss on exchange fluctuation (Net)		17,354,271	-
Miscellaneous expenses *		117,723,752	109,738,000
	TOTAL	3,848,639,940	2,720,119,090

* includes Printing and Stationery expenses, Hospitality expenses, Conveyance, etc.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

SCHEDULE XI

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2004

1. Significant accounting policies:

(a) Basis for preparation of accounts:

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

(b) Use of Estimates:

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported year. Differences between the actual results and estimates are recognised in the year in which the results are known/materialised.

(c) Fixed Assets:

All fixed assets are stated at cost less depreciation. Costs comprise of purchase price and attributable costs, if any.

(d) Assets taken on lease:

Assets taken on finance lease on or after April 1, 2001 are accounted for as fixed assets in accordance with Accounting Standard 19 on leases, (AS 19) issued by The Institute of Chartered Accountants of India. Accordingly, the assets have been accounted at fair value. Lease payments are apportioned between finance charge and reduction of outstanding liability.

(e) Depreciation on fixed assets:

The Company computes depreciation for all fixed assets including for assets taken on lease using the straight-line method based on estimated useful life. Depreciation is charged on a pro-rata basis for assets purchased or sold during the year. Management's estimate of the useful life of fixed assets is as follows..

Buildings	15 years
Leasehold improvements	2-5 years
Computers	3 years
Plant and machinery	3-5 years
Furniture and fixtures	5 years
Vehicles	5 years

(f) Investments:

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost. Provision is made to recognise a decline other than temporary in the carrying amount of long term investment.

(g) Revenue recognition:

i) In respect of service activity, income is accounted for as and when services are rendered;

ii) Interest income is accounted on the time proportion basis.

(h) Foreign currency transactions:

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Current assets and current liabilities are translated at the year-end rates, except, where they are covered by a forward cover, at the transaction rate. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of current assets and current liabilities at the end of the year, is recognised as income or expense, as the case may be, except in case of fixed assets where it is adjusted to the cost of fixed assets. In case of forward contracts, the exchange difference between the forward rate and the exchange rate at the date of transaction is recognised as income or expense over the life of the contract, except in the case of fixed assets where it is adjusted to the cost of fixed assets.

(i) Retirement Benefits:

Provision is made for gratuity and encashment of unavailed leave on retirement on the basis of actuarial valuations.

(j) Income taxes:

Income taxes are accounted for in accordance with Accounting standard 22 on "Accounting For Taxes on Income", issued by The Institute of Chartered Accountants of India. Tax expense comprises both current and deferred tax. Current tax is measured at the amount expected to be paid to/ recovered from the tax authorities, using the applicable tax rates. Deferred tax assets and liabilities are recognised for

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

future tax consequences attributable to timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent years and are measured using relevant enacted tax rates. The carrying amount of deferred tax assets at each Balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realized.

(k) Contingent Liabilities:

These, if any, are disclosed in the notes and accounts. Provision is made in the accounts in respect of those contingencies, which are likely to materialise into liabilities after the year-end till the finalisation of accounts and have material effect on the position stated in the Balance sheet.

2. The estimated amount of contracts remaining to be executed on capital account, and not provided for as at March 31, 2004 **Rs. 5,814,402 (**Previous year: Rs. 43,626,923).

3. Contingent liabilities:

i) Income tax demands disputed in appeal by the Company **Rs. 87,462,656** (Previous year Rs. 75,437,765) awaiting decision.

ii) Bank Guarantees outstanding **Rs. 43,477,427** (Previous year: Rs. 857,000)

4. Confirmation letters have been sent to the debtors and creditors of the Company and their balances are subject to reconciliation and consequent adjustments, if any, on receipt of such confirmations.

5. The company holds investments (unquoted) in two subsidiaries, viz., MBTI International Incorporated, USA (MBTI) and MBT GmbH, Germany (MBTG) aggregating to Rs. 11,794,500 and Rs. 268,135,500 respectively (Refer Schedule IV). As per the latest available audited accounts of the aforesaid companies as at March 31, 2004, their respective net worth's have been eroded. Further, the company has trade receivables aggregating to Rs 368,349,107 from MBTI. However, considering the future growth plans of these companies which are expected to result in increased turnover and consequent improvement in their respective profitability and net worth and the fact that these investments are held as strategic long term investments, no provision towards the outstanding and towards diminution in the value of their investments is considered necessary at this stage.

6. Payment to Auditors:

Particulars	2004 Rupees	2003 Rupees
1. Audit Fees	850,000	500,000
2. Audit of accounts as per USGAAP	150,000	150,000
3. As advisor or in any other capacity in respect of taxation and accounting matters	550,000	300,000
4. In any other manner for certification etc.	105,000	30,000
5. For expenses	44,603	45,580
6. For Service Tax	143,850	36,500
Total	1,843,453	1,062,080

7. a) Value of Imports on C.I.F. Basis:

Particulars	2004 Rupees	2003 Rupees
Capital goods [includes Rs. 40,979,153 (Previous year Rs. 17,982,071) towards assets purchased in UK office]	96,722,359	29,402,238

(b) Expenditure in Foreign Currency:

Particulars	2004 Rupees	2003 Rupees
Professional Fees	78,654,550	56,058,944
Travelling Expenses	1,808,807,799	1,675,548,782
Salaries	599,792,299	91,498,857
Software Packages	25,008,682	7,077,530
Others [including UK Corporation Tax **Rs 62,738,070** (Previous year Rs. 196,118,382) and Australia Tax **Rs.770,084** (Previous year Rs. 1,010,000)]	940,932,061	585,176,656

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

8. Remittance in foreign currency on account of dividends to non-Resident shareholders:

Number of Shareholders		Number of Equity Shares	Amount remitted Rupees	Dividend relating to Year ended
2003-2004				
One	Final	43,452,635	112,976,851	31st March, 2003
Three	Interim – 1	43,502,015	82,679,828	31st March, 2004
Three	Interim – 2	43,502,015	17,400,806	31st March, 2004
2002-2003				
One	Final	43,452,635	52,143,162	31st March, 2002
One	Interim – 1	43,452,635	47,797,899	31st March, 2003
One	Interim – 2	43,452,635	204,227,385	31st March, 2003
One	Interim – 3	43,452,635	139,048,432	31st March, 2003

9. Earnings in foreign Exchange:

Particulars	2004 Rupees	2003 Rupees
Income from Services	7,054,397,361	5,894,751,351
Management Fees (Net)	48,249,172	113,338,374
Interest on Fixed Deposit	9,464,497	7,210,654

10. Managerial Remuneration paid to Managing Director, Executive Director and non-Executive Directors:

Particulars	2004 Rupees	2003 Rupees
Managerial Remuneration	9,060,753	8,720,487
Commission	12,929,150	23,097,915
Total	21,989,903	31,818,402

The above remuneration excludes provision for gratuity and leave encashment since these are based on actuarial valuation done on an overall company basis.

Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956, for the year ended 31st March, 2004.

Particulars	Rupees	2004 Rupees	2003 Rupees
Profit before Tax as per Profit and Loss Account		1,091,484,622	2,053,380,539
Add :			
Depreciation charged in the accounts	221,448,803		225,258,746
Fixed assets written-off	1,307,004		-
Profit on sale of assets as per section 349 of the Companies Act, 1956 (Net)	15,142,316		671,520
Director's Remuneration	21,989,903		31,818,402
Provision for Doubtful Debts and Advances	3,213,138		9,997,892
		263,101,164	267,746,560
		1,354,585,786	2,321,127,099
Less :			
Profit on sale of assets as per books	15,142,316		671,520
Depreciation u/s 350 of Companies Act, 1956	221,448,803		225,258,746
Fixed assets written off as per section 349 of the Companies Act, 1956 (Net)	1,307,004		-
Provision for doubtful debts/advances written back	2,224,488		4,327,147
		240,122,611	230,257,413
Total		1,114,463,175	2,090,869,686
Commission payable to the Managing Director and Executive Director.		4,600,000	6,750,000
Commission payable to non-executive directors		83,29,150	16,347,915

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

11. Lease Rentals (for assets acquired prior to April 1, 2001) :

	March, 2004 Rupees	March, 2003 Rupees
Lease Rentals payable subsequent to March 31, 2004 [Payable within one year Rs. Nil (Previous year : Rs. 5,250,006)]	Nil	5,250,006

Assets acquired on Lease on or after April 1, 2001:

The Company has acquired vehicles on lease, the fair value of which aggregates to Rs. 28,648,037. As per Accounting Standard 19 (AS-19) on Leases, issued by The Institute of Chartered Accountants of India the Company has capitalised the said vehicles at their fair values as the leases are in the nature of finance leases as defined in AS-19. Lease payments are apportioned between finance charge and deduction of outstanding liabilities. The details of lease rentals payable in future are as follows:

	Not later than 1 year	**Later than 1 year not later than 5 years**
Minimum Lease rentals payable (Previous year Rs. 7,664,345 and Rs. 6,379,487 respectively)	12,332,328	18,958,668
Present value of Lease rentals payable (Previous year Rs. 6,952,417 and 5,249,372 respectively)	11,186,800	14,662,662

12. As per Accounting Standard 17 (AS-17) on Segment reporting issued by the Institute of Chartered Accountants of India, the Primary Segment of the Company is Geographical by location of customers. The Secondary Segments are identified based on the line of operations of the Company. The Accounting principles consistently used in the preparation of the financial statements are also applied to record income and expenditure in individual segments. There are no inter-segment transactions during the year.

The Primary Geographical segments of the company consist of regions of Europe, United States of America (USA) and Rest of the World (ROW). The Secondary Segments consist of services provided in the Telecom sector and other sectors.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

(in Rupees)

A. PRIMARY SEGMENTS

As on 31st March, 2004	GEOGRAPHICAL SEGMENTS BASED ON LOCATION OF CUSTOMERS			
PARTICULARS	EUROPE	USA	ROW	TOTAL
REVENUES	6,467,741,110	490,446,142	156,828,907	7,115,016,159
DIRECT EXPENSES	4,013,943,263	329,065,020	81,656,492	4,424,664,775
SEGMENTAL OPERATING INCOME	2,453,797,847	161,381,122	75,172,415	2,690,351,384
UNALLOCABLE EXPENSES				
1. Depreciation				221,448,803
2. Other Unallocable Expenses				1,512,829,743
Total				1,734,278,546
OPERATING INCOME				956,072,838
Other income				135,411,784
NET PROFIT BEFORE TAXES				1,091,484,622
INCOME TAXES				
- Current				(150,542,123)
- Deferred				332,935
NET PROFIT AFTER TAXES				941,275,434

Segregation of assets, liabilities, depreciation and other non-cash expenses into various primary segments has not been done as the assets are used interchangeably between segments and the Company is of the view that it is not practical to reasonably allocate liabilities and other non-cash expenses to individual segments and an adhoc allocation will not be meaningful.

B. SECONDARY SEGMENTS:

Revenues from secondary segments are as under –

Sector	Amount in Rs.
Telecom	6,777,052,891
Others	337,963,268
Total	7,115,016,159

Segregation of assets into secondary segments has not been done as the assets are used interchangeably between segments. Consequently the carrying amounts of assets by location of assets is not given.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

(in Rupees)

A. PRIMARY SEGMENTS

As on 31st March, 2003	GEOGRAPHICAL SEGMENTS BASED ON LOCATION OF CUSTOMERS			
PARTICULARS	EUROPE	USA	ROW	TOTAL
REVENUES	5,566,973,783	388,913,695	70,321,123	6,026,208,601
DIRECT EXPENSES	2,758,449,979	169,967,654	31,379,845	2,959,797,478
SEGMENTAL OPERATING INCOME	2,808,662,374	218,955,716	38,943,033	3,066,411,123
UNALLOCABLE EXPENSES				
1. Depreciation				225,258,746
2. Other Unallocable Expenses				991,990,732
Total				1,217,249,478
OPERATING INCOME				1,849,161,645
Other income				204,218,894
NET PROFIT BEFORE TAXES				2,053,380,539
INCOME TAXES				
- Current				(339,380,291)
- Deferred				1,450,618
NET PROFIT AFTER TAXES				1,715,450,866

Segregation of assets, liabilities, depreciation and other non-cash expenses into various primary segments has not been done as the assets are used interchangeably between segments and the company is of the view that it is not practical to reasonably allocate liabilities and other non-cash expenses to individual segments and an adhoc allocation will not be meaningful.

B. SECONDARY SEGMENTS:

Revenues from secondary segments are as under –

Sector	Amount in Rs.
Telecom	5,797,482,811
Others	228,725,790
Total	6,026,208,601

Segregation of assets into secondary segments has not been done as the assets are used interchangeably between segments. Consequently the carrying amounts of assets by location of assets is not given.

13. Salaries, Wages, Bonus includes provision for Gratuity **Rs. 24,458,000** (Previous year Rs. 24,581,000), Encashment of unavailed leave **Rs. 27,421,000** (Previous year Rs. 27,453,000).

14. The company has instituted " Employee Stock Option Plan 2000" (ESOP) for its employees and directors. For this purpose it had created a trust viz. MBT ESOP trust. In terms of the said Plan, the trust has granted options to the employees and directors in form of warrant which vest at the rate of 33.33% on each successive anniversary of the grant date. The options can be exercised over a period of 5 years from the date of grant. Each warrant carries with it the right to purchase one equity share of the Company at the exercise price determined by the trust on the basis of fair value of the equity shares at the time of grant.

The details of the options are as under:

	March 31, 2004	March 31, 2003
Options outstanding at the beginning of the year	2,140,350	2,021,480
Options granted during the year	-	281,400
Options lapsed during the year	27,570	145,910
Options exercised during the year	294,700	16,620
Options outstanding at the end of the year	1,818,080	2,140,350

Out of the options outstanding at the end of the year, **1,548,630** (Previous year 1,240,270) options have vested, which have not been exercised.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

15. As required under Accounting Standard 18 (AS – 18), following are details of transactions during the year with the related parties of the Company as defined in AS – 18:

a) List of Related Parties and Relationships :

Name of Related Party	Relation
Mahindra & Mahindra Limited	Holding Company
Mahindra Information Technology Services Limited	Promoter holding more than 20% stake for part of the year
British Telecommunications, plc.	Promoter holding more than 20% stake
MBT International Inc, USA	100% subsidiary company
MBT GmbH, Germany	100% Subsidiary company
MBT Software Technologies Pte Ltd, Singapore	100% Subsidiary company
Mahindra Engineering and Chemical Products Limited	Fellow Subsidiary Company
Mahindra Logisoft Business Solutions Limited	Fellow Subsidiary Company
Mahindra Consulting Limited.	Fellow Subsidiary Company
Mahindra Holidays & Resorts India Limited	Fellow Subsidiary Company
Mr. Robert John Helleur Executive Director and Chief Executive Officer	Key Management Personnel

(b) Related Party Transactions :

Transactions	Promoter Companies	Subsidiary Companies	Fellow subsidiary Companies	Key Management Personnel
	Rupees	**Rupees**	**Rupees**	**Rupees**
Reimbursement of Expenses (Net)- Paid/(Receipt)	(35,470,730) [13,608,166]	192,811,427 [(133,242,369)]	5,289,505 [-]	- [-]
Income from Services & Management Fees	5,860,988,641 [5,163,079,057]	501,394,838 [386,724,489]	1,200,000 [1,200,000]	- [-]
Interest on Loan	- [-]	343,225 [-]	- [-]	- [-]
Commission on Sales	- [-]	39,549,787 [-]	- [-]	- [-]
Other expenses	- [6,509,310]	- [-]	- [288,000]	- [-]
Rent paid	- [-]	- [-]	- [7,191,000]	- [-]
Dividend Paid	232,421,273 [1,030,737,898]	- [-]	- [-]	82,846 [-]
Investment	- [-]	239,115,000 [29,357,976]	- [-]	- [-]
Loan Given/ (Repaid)	- [-]	(58,23,902) [3,680,960]	- [-]	- [-]
Salary and Perquisites	- [-]	- [-]	- [-]	12,458,353 [15,320,487]
Sale of Fixed Assets	- [-]	- [-]	8,100,000 [-]	- [-]
Debit / (Credit) balances (Net) outstanding as on 31st March, 2004	2,132,843,800 [1,523,784,340]	265,365,219 [207,016,096]	(1,286,618) [3,405,140]	(821,087) [-]

(Figures in brackets “[ ]”are for the previous year)

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

Other related parties of the Company are as under:

- Mahindra Consulting Inc.
- Automartindia Limited
- Mahindra Intertrade Ltd.
- Mahindra Steel Service Centre Ltd.
- Mahindra Holdings and Finance Ltd.
- Mahindra Acres and Consulting Engineers Ltd.
- Mahindra Ashtech Ltd.
- NBS International Pvt Ltd.
- Mahindra and Mahindra Financial Services Ltd.
- Mahindra USA Inc.
- Mahindra Intertrade (UK) Ltd.
- Mahindra Gujrat Tractor Ltd.
- Mahindra Shublabh Services Ltd.
- Mahindra Holidays & Resorts USA
- Mahindra Gesco Developers Ltd.
- Mahindra Infrastructure Developers Limited
- Mahindra Consulting Singapore Pte Ltd.
- Mahindra Consulting GmbH

There have been no transactions with the aforesaid companies during the year.

16. The tax effect of significant timing differences that has resulted in deferred tax assets and liabilities are given below:

Deferred Tax	31st March 2004 Rupees	31st March 2003 Rupees
a) Deferred tax liability:		
Depreciation	(2,006,270)	(452,549)
b) Deferred tax asset :		
Gratuity, Leave Encashment etc.	4,065,437	2,270,124
Doubtful Debts	507,151	415,807
Total Deferred Tax Asset (Net)	2,566,318	2,233,383

17. Exchange gain/(loss)(net) accounted during the year:

Particulars	31st March 2004 Rupees	31st March 2003 Rupees
Income from services	32,182,954	54,619,341
Others	(17,354,271)	90,022,893

The amount of exchange difference in respect of forward exchange contracts to be recognised in the profit and loss account for subsequent accounting year aggregates to Rs. 3,376,389 (Loss) (previous year 180,873 (gain))

18. Earning Per Share is calculated as follows:

Particulars	31st March 2004 Rupees	31st March 2003 Rupees
a. Net Profit after tax	941,275,434	1,715,450,866
Add: Excess provision for income-tax in respect of earlier years	38,121,167	-
Net profit attributable to shareholders	979,396,601	1,175,450,866
b. Weighted average number of Equity Shares		
Basic	101,218,378	101,054,120
Add: ESOPs outstanding at the end of the year	1,818,080	2,140,350
Diluted	103,036,458	103,194,470
c. Nominal value of equity share	Rs. 2	Rs. 2

19. Balance sheet Abstract and the Company's General Business Profile :

I. Registration Details

Registration Number	4 1 3 7 0 / 8 6	State Code	1 1
Balance Sheet date	3 1 0 3 2 0 0 4		
	Date Month Year		

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placements
NIL	589

III. Position of Mobilisation and deployment of funds (Amounts in Rs. Thousands)

Total Liabilities (including shareholders' funds)	Total Assets
5613392	5613392
Paid-up Capital	Reserves and Surplus
202728	4150694
Secured Loans	Unsecured Loans
NIL	NIL
Net Fixed Assets	Investments
1530886	732365
Net Current Assets	Deferred Tax Asset
2087605	2566
Accumulated Losses	
NIL	

IV. Performance of Company (Amount in Rs. Thousand)

Turnover (Sales and Other Income)	Total Expenditure
7250428	6158943
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
1091485	941275
Earning per Share in Rs. (Refer Note 18 above)	Dividend Rate %
9.68	185

V. Generic Names of Three Principal Products/Service of Company (as per monetary terms)

Item Code (ITC Code)	852490
Product Description	Computer Software Services

20. Previous year's figures have been regrouped wherever necessary, to conform to the current year's classification.

Signatures to Schedules I to XI
As per our attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

A.B. Jani
Partner

Mumbai,
Dated : May 18, 2004

For **Mahindra – British Telecom Limited**

Anand G. Mahindra - *Chairman*
Ulhas N. Yargop - *Director*
Bharat Doshi - *Director*
Anupam Puri - *Director*

John Helleur - *Executive Director & CEO*
Akash Paul - *Director*
Sinclair Stockman - *Director*
Dr. Raj Reddy - *Director*

Pittsburgh,
Dated : May 11, 2004

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Particulars	Names of the subsidiary Companies		
	MBT International Inc.	MBT GmbH	MBT Software Technologies Pte. Ltd.
The financial year of the Subsidiary Company ended on	March 31, 2004	March 31, 2004	March 31, 2004
	US $	Euro	S $
Number of Shares of the Subsidiary Company held by Mahindra-British Telecom Limited at the above date			
Equity	375000	3	5000
Extent of holding	100 %	100 %	100 %
The Net aggregate of profits/losses of the Subsidiary Company for its financial year so far as they concern the members of Mahindra-British Telecom Limited :			
a) Dealt with in the accounts of Mahindra-British Telecom Limited for the Year ended 31st March, 2004	—	—	—
b) Not dealt with in the accounts of Mahindra-British Telecom Limited for the Year ended 31st March, 2004	(2,527,863)	(3,389,907)	26,224
The Net aggregate of profits/losses of the Subsidiary Company for its previous financial years, so far as they concern the members of Mahindra-British Telecom Limited :			
a) Dealt with in the accounts of Mahindra-British Telecom Limited for the Year ended 31st March, 2003	—	—	NA
b) Not dealt with in the accounts of Mahindra-British Telecom Limited for the Year ended 31st March, 2003	(1,357,927)	(591,329)	385,752

For Mahindra British Telecom Ltd

Anand G. Mahindra - *Chairman*
Ulhas N. Yargop - *Director*
Bharat Doshi - *Director*
Anupam Puri - *Director*

John Helleur - *Executive Director & CEO*
Akash Paul - *Director*
Sinclair Stockman - *Director*
Dr. Raj Reddy - *Director*

Pittsburgh,
Dated : May 11, 2004

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FINANCIAL STATEMENTS OF SUBSIDIARIES OF

MAHINDRA - BRITISH TELECOM LIMITED

FOR THE YEAR ENDED MARCH 31, 2004

MBT INTERNATIONAL INCORPORATED

BOARD OF DIRECTORS

Mr. Anand G. Mahindra (Chairman)
Mr. Robert John Helleur
Mr. Ulhas N. Yargop
Mr. Chris Price
Mr. Clive Goodwin

KEY OFFICIALS

Mr. Robert John Helleur (President)
Mr. Aloke Ghosh (Treasurer)
Mr. Jack Goldstein (Secretary)

AUDITORS

Capin Crouse L.L.P.
Accountants & Consultants
1465, Kelly Johnson Blvd, Suite 230
Colorado Springs, CO 80920

BANKERS

- PNC Bank
505 Thornell Street
Edison, NJ 08837
U.S.A.

- State Bank of India
460 Park Avenue
New York, NY 10022,
U.S.A.

REGISTERED OFFICE

22, Dogwood Circle, Matawan
New Jersey 07747
U.S.A.

CORPORATE OFFICE

1155, Kelly Johnson Blvd.
Suit 111, Office # 5.
Colorado Springs, CO 80920,
U.S.A.

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DIRECTORS, REPORT TO THE SHAREHOLDERS

Your Directors present their Report together with the audited accounts of your Company for the year ended 31st March, 2004.

Financial Results

For the year ended March 31

	2004 US $	2003 US $
Income	15,532,851	11,246,442
Profit/(Loss) before tax	(4,005,001)	(2,188,163)
Profit/(Loss) after tax	(2,527,863)	(1,357,927)

Review of Operations:

During the fiscal year, the Company achieved sales of US $ 15,532,851 representing an increase of 38% over the previous year a creditable achievement in a year when the US Economy was still in downturn for most part of the year. The Company continues to invest heavily in strengthening its marketing infrastructure in the US which is identified as future growth area. This increased investment has resulted in higher losses during the year. The management team is optimistic that the opportunities will be converted into orders and increased revenues during the coming financial year.

Outlook for the current year:

The Company believes that the investments made over the last two years in cultivating long term relationships with major telecom companies will begin to bear fruit in the near future particularly as the US economy revives and US corporations resume their investment spending.

Acknowledgements :

Your Directors gratefully acknowledge the contributions made by the employees towards the success of the Company. Your Directors are also thankful for the co-operation and assistance received from its customers, suppliers, bankers, State and Federal Government Authorities and the shareholder.

Robert John Helleur
President

Pittsburgh, May 10, 2004

INDEPENDENT AUDITORS, REPORT

MBT International Incorporated
a wholly owned subsidiary of Mahindra - British Telecom Limited, an India corporation
Colorado Springs, Colorado

We have audited the accompanying balance sheet of MBT International Incorporated, a wholly owned subsidiary of Mahindra - British Telecom Limited, an India corporation, as of March 31, 2004 and 2003, and the related statements of income and retained earnings and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MBT International Incorporated, a wholly owned subsidiary of Mahindra - British Telecom Limited, an India corporation, as of March 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purposes of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedules of Income and Expenses on page 8 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Capin Crouse LLP

Colorado Springs, Colorado
April 8, 2004

INDEPENDENT AUDITORS, REPORT ON SUPPLEMENTAL SCHEDULE

MBT International Incorporated
a wholly owned subsidiary of Mahindra - British Telecom Limited, an India corporation
Colorado Springs, Colorado

Our reports on our audits of the basic financial statements of MBT International Incorporated, a wholly owned subsidiary of Mahindra - British Telecom Limited, an India corporation, for 2004 and 2003 appear on page 1. We conducted our audits in accordance with U.S. generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 10-13 are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Foreign Currency amounts in the supplemental schedules are translated for convenience into Indian Rupees at the exchange rate of Rs. 44.04 to 1.00 USD, which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India on 31st March 2004.

Capin Crouse LLP

Colorado Springs, Colorado
April 8, 2004

BALANCE SHEET

	March 31, 2004 USD	March 31, 2004 INR	March 31, 2003 USD	March 31, 2003 INR
ASSETS:				
Current assets:				
Cash (including $501,000 and $857,000 in interest bearing accounts as of March 31, 2004 and 2003, respectively)	1,127,091	49,637,088	969,191	42,683,172
Accounts receivable, trade (Note 5)	2,706,841	119,209,278	2,124,662	93,570,114
Income taxes receivable	-	-	645,370	28,422,095
Employee advances	49,940	2,199,358	68,823	3,030,965
Prepaid expenses and other current assets	191,728	8,443,701	115,731	5,096,793
Total current assets	4,075,600	179,489,424	3,923,777	172,803,139
Deferred income tax benefit (Note 3)	1,827,403	80,478,828	363,911	16,026,640
Fixtures and equipments (less accumulated depreciation of $146,247 and $99,847 as of March 31, 2004 and 2003, respectively)	130,552	5,749,510	121,011	5,329,324
Security deposits	13,240	583,090	20,863	918,807
Total Assets	6,046,795	266,300,852	4,429,562	195,077,910
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities:				
Current liabilities:				
Accounts payable, trade	214,627	9,452,173	89,440	3,938,938
Accrued expenses	754,299	33,219,328	478,838	21,088,026
Due to parent (Note 4)	6,668,029	293,659,997	2,923,581	128,754,507
Total current liabilities	7,636,955	336,331,498	3,491,859	153,781,470
Commitments (Note 6)				
Stockholder's Equity				
Common stock - $1 par value - 500,000 shares authorized, 375,000 shares issued and outstanding	375,000	16,515,000	375,000	16,515,000
Retained earnings (deficit)	(1,965,160)	(86,545,646)	562,703	24,781,440
Total stockholders' equity	(1,590,160)	(70,030,646)	937,703	41,296,440
Total Liabilities and Stockholders' Equity	6,046,795	266,300,852	4,429,562	195,077,910

Note:

Foreign Currency amounts are translated for convenience into Indian Rupees (INR) at the exchange rate of Rs. 44.04 = USD 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai branch of State Bank of India on 31st March, 2004

STATEMENT OF INCOME AND RETAINED EARNINGS

	Schedule	Years Ended March 31, 2004 USD	Years Ended March 31, 2004 INR	Years Ended March 31, 2003 USD	Years Ended March 31, 2003 INR
INCOME (Note 5)	I	15,532,851	684,066,758	11,246,442	495,293,306
EXPENSES:					
Personnel	II	4,268,290	187,975,492	3,006,078	132,387,675
Operating and other expenses (Note 4)	III	15,223,159	670,427,922	10,394,842	457,788,842
Depreciation		46,403	2,043,588	33,685	1,483,487
Total expenses		19,537,852	860,447,002	13,434,605	591,660,004
Loss before income tax expense		(4,005,001)	(176,380,244)	(2,188,163)	(96,366,699)
Income tax benefit (Note 3)		(1,477,138)	(65,053,158)	(830,236)	(36,563,593)
NET LOSS		(2,527,863)	(111,327,087)	(1,357,927)	(59,803,105)
Retained Earnings (Deficit), Beginning of Year		562,703	24,781,440	1,920,630	84,584,545
Retained Earnings (Deficit), End of Year		(1,965,160)	(86,545,646)	562,703	24,781,440

Note: Foreign Currency amounts are translated for convenience into Indian Rupees (INR) at the exchange rate of Rs. 44.04 = USD 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai branch of State Bank of India on 31st March, 2004

Statement of Cash Flows

	Years Ended March 31, 2004 USD	Years Ended March 31, 2004 INR	Years Ended March 31, 2003 USD	Years Ended March 31, 2003 INR
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	(2,527,863)	(111,327,087)	(1,357,927)	(59,803,105)
Adjustments to reconcile net income to cash used by operating activities:				
Depreciation	46,403	2,043,588	33,685	1,483,487
Changes in operating assets and liabilities:				
Accounts receivable, trade	(582,179)	(25,639,163)	(196,005)	(8,632,060)
Employee advances	18,883	831,607	(4,154)	(182,942)
Prepaid expenses and other current assets	(75,997)	(3,346,908)	(29,805)	(1,312,612)
Accounts payable, trade	125,187	5,513,235	16,658	733,618
Accrued expenses	275,461	12,131,302	309,764	13,642,007
Deferred income tax benefit and income taxes receivable	(818,122)	(36,030,093)	(931,652)	(41,029,954)
Due to parent	3,744,448	164,905,490	1,921,531	84,624,225
Net Cash Provided (Used) by Operating Activities	206,221	9,081,973	(237,905)	(10,477,336)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Fixtures and equipment purchased	(55,944)	(2,463,774)	(57,118)	(2,515,477)
Proceeds from sale of fixture and equipment	-	-	-	-
Net change in security deposits	7,623	335,717	(7,285)	(320,831)
Net Cash Used by Investing Activities	(48,321)	(2,128,057)	(64,403)	(2,836,308)
Net Change in Cash	157,900	6,953,916	(302,308)	(13,313,644)
Cash, Beginning of Year	969,191	42,683,172	1,271,499	55,996,816
Cash, End of Year	1,127,091	49,637,088	969,191	42,683,172
Supplemental Disclosures:				
Cash paid for income taxes	1,536	67,645	101,144	4,454,382

Note:

Foreign Currency amounts are translated for convenience into Indian Rupees (INR) at the exchange rate of Rs. 44.04 = USD 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai branch of State Bank of India on 31st March, 2004

Notes to Financial Statements - March 31, 2004 and 2003

1. **NATURE OF ORGANIZATION:**

MBT International Incorporated (MBTI) is a wholly owned subsidiary of Mahindra British Telecom Limited (MBT), which is incorporated in the country of India. MBTI was incorporated in the State of New Jersey in November 1993 and provides computer consulting and programming support services.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of MBTI have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant accounting policies are described as follows:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking and savings accounts and a certificate of deposit with an original maturity of less than three months. These accounts may, at times, exceed federally insured limits. MBTI has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

ACCOUNTS RECEIVABLE, TRADE

MBTI considers accounts receivable, trade to be fully collectible; accordingly, no allowance for uncollectible accounts has been recorded.

FIXTURES AND EQUIPMENT

Fixtures and equipment are recorded at cost and depreciated using the straight-line method over an estimated remaining useful life of five years.

DUE TO PARENT

Due to parent represents the net amount due to MBT for salary expenses, subcontracting fees, travel expenses, employee advances, and secondment fees (fees paid to MBT for the use of MBT employees).

REVENUE AND EXPENSE

All MBTI customer contracts are written so that computer consulting and programming support services are billable to MBTI clients as time is spent. Therefore, revenue is recognized immediately upon MBTI providing these services. Expenses are recorded when incurred.

ADVERTISING

MBTI uses advertising to promote its services among the customers it serves. Advertising costs are expensed as incurred and are included in operating and other expenses. Advertising expense for the years ended March 31, 2004 and 2003, was $164,618 (Rs. 7,249,777) and $500 (Rs. 22,020) respectively.

3. **INCOME TAXES:**

MBTI accounts for income taxes under the provisions of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*.

Income tax benefit consists of the following:

	Years Ended March 31,		Years Ended March 31,	
	2004	2004	2003	2003
Federal	$ 1,270,000	55,930,800	$ 700,000	30,828,000
State	207,138	9,122,357	138,236	6,087,913
	$ 1,477,138	65,053,158	$ 803,236	35,374,513

MBTI has incurred net operating losses of $4,433,680 (Rs. 195,259,267) which are available to be carried forward through March 31, 2019. MBTI expects to be able to utilize the entire deferred tax benefit during that period, and therefore, no valuation allowance has been recorded to reduce the asset.

4. **TRANSACTIONS WITH RELATED PARTIES:**

MBTI has entered into an employee agreement with MBT, which may be terminated by either party upon 60 day written notice. MBT is to make available to MBTI qualified employees to work in the United States on a temporary basis. In addition to wages paid to employees, MBTI pays MBT $1,200 (Rs. 52,848) per month for each employee for the years ended March 31, 2004 and 2003, respectively. MBTI is responsible for transportation between India and the United States for such employees. In addition, MBTI subcontracts with MBT for computer consulting and programming support services related to certain contracts obtained by MBTI. MBTI pays MBT 90% of the total contract revenues recognized under this agreement. The above transactions are summarized as follows:

	Years Ended March 31,		Years Ended March 31,	
	2004	2004	2003	2003
Beginning balance, due to parent (MBT)	$ 2,923,581	128,754,507	$ 1,002,050	44,130,282
Secondment fees incurred	345,000	15,193,800	338,400	14,903,136
90% of on-site revenue	10,316,178	454,324,479	7,681,659	338,300,262
Payments to Parent (MBT)	(6,356,409)	(279,936,252)	(5,247,173)	(231,085,499)
Payments made on behalf of parent (MBT)	(560,321)	(24,676,537)	(851,355)	(37,493,674)
Ending balance, due to parent (MBT)	$ 6,668,029	293,659,997	$ 2,923,581	128,754,507

5. CONCENTRATIONS:

MBTI works with three customers that each comprise a significant portion of MBTI's total business. Consulting sales revenue and accounts receivable concentrations are as follows:

Consulting sales revenue concentrations:

	Years Ended March 31, 2004			Years Ended March 31, 2003		
	Amount	Amount	Concentration	Amount	Amount	Concentration
Alltel Information Systems	$ 4,726,839	208,169,989	30%	$ 5,329,382	234,705,983	47%
Rockwell Electronic Commerce	$ 4,160,796	183,241,456	27%	$ 2,332,992	102,744,968	21%
Qwest	$ 3,020,596	133,027,048	19%	$ 826,196	36,385,672	7%

Accounts receivable concentrations:

	Years Ended March 31, 2004			Years Ended March 31, 2003		
	Amount	Amount	Concentration	Amount	Amount	Concentration
Rockwell Electronic Commerce	$ 1,110,098	48,888,716	41%	$ 503,508	22,174,492	24%
Alltel Information Systems	$ 626,792	27,603,920	23%	$ 1,000,159	44,047,002	47%
Qwest	$ 421,636	18,568,849	16%	$ 287,990	12,683,079	14%

6. COMMITMENTS:

MBTI leases office space under operating leases with monthly payments of $22,569 (Rs. 993,939). The lease terms range from one to twelve months in length. All leases expire in the next fiscal year. Rent expense under these operating leases was $279,159 (Rs. 12,294,162) and $155,903 (Rs. 6,865,968) for the years ended March 31, 2004 and 2003, respectively.

7. FINANCIAL CONDITION:

As of March 31, 2004, MBTI had a deficit in stockholders' equity of $1,590,160 (Rs. 70,030,646). The deficit was a result of the loss from operations, which increased the amount due to MBT (Parent) to $6,668,029 (Rs. 293,659,997). Over the past several months, MBTI has implemented a new marketing strategy, which management believes will be successful. The parent organization has represented that they will continue to support MBTI until its operations become profitable.

SUPPLEMENTAL SCHEDULES OF INCOME AND EXPENSES

	Years Ended March 31, 2004 USD	Years Ended March 31, 2004 INR	Years Ended March 31, 2003 USD	Years Ended March 31, 2003 INR
SCHEDULE I				
INCOME:				
Income from services, net	15,524,338	683,691,846	11,235,314	494,803,229
Interest income on bank deposits	8,513	374,913	11,128	490,077
	15,532,851	684,066,758	11,246,442	495,293,306
SCHEDULE II				
PERSONNEL EXPENSES:				
Salaries:				
Software engineers	1,441,544	63,485,598	1,277,121	56,244,409
Administrative	2,345,536	103,297,405	1,388,657	61,156,454
Payroll taxes	253,508	11,164,492	197,988	8,719,392
Employee benefits	227,702	10,027,996	142,312	6,267,420
	4,268,290	187,975,492	3,006,078	132,387,675
SCHEDULE III				
OPERATING AND OTHER EXPENSES:				
Contracted services	1,293,624	56,971,201	354,438	15,609,450
MBT secondment fees	345,000	15,193,800	338,400	14,903,136
MBT offshore project charges	10,316,178	454,324,479	7,681,659	338,300,262
Marketing and advertising	164,618	7,249,777	500	22,020
Insurance	149,040	6,563,722	115,360	5,080,454
Travel	703,894	30,999,492	547,025	24,090,981
Entertainment	3,705	163,168	2,735	120,449
Automobile expenses	2,652	116,794	5,991	263,844
Professional fees	1,463,463	64,450,911	924,747	40,725,858
Rent	279,159	12,294,162	155,903	6,865,968
Communications	286,941	12,636,882	216,044	9,514,578
Office expenses	74,241	3,269,574	35,968	1,584,031
Recruiting	139,436	6,140,761	-	-
Miscellaneous expenses	1,208	53,200	16,072	707,811
	15,223,159	670,427,922	10,394,842	457,788,842

Note:

Foreign Currency amounts are translated for convenience into Indian Rupees (INR) at the exchange rate of Rs. 44.04 = USD 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai branch of State Bank of India on 31st March, 2004.

MBT GmbH

SUPERVISORY BOARD

Mr. Robert John Helleur - Chairman

Mr. Ulhas N. Yargop

Mr. Clive Goodwin

BOARD OF DIRECTORS

Mr. Marcus Schueler
Mr. Sonjoy Anand

AUDITORS

Deloitte & Touche GmbH,
Dusseldorf, Germany.

BANKERS

Dresdner Bank AG
State Bank of India, Germany.

REGISTERED OFFICE

MBT GmbH
Rather Straße 110B,
40476,
Dusseldorf,
Germany.

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Independent Auditors, Report

We have audited the annual financial statements, together with the bookkeeping system, of MBT GmbH, DÜsseldorf, for the business year from 1 April, 2003 to 31 March 2004. The maintenance of the books and records and the preparation of annual financial statements pursuant to German Commercial Law are the responsibility of the Company's Management. Our responsibility is to express an opinion on these annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements by appropriate application of § 317 HGB ["Handelsgestzbuch": "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der WirtschaftspÜfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and the results of operations of MBT GmbH, DÜsseldorf, in accordance with German principles of proper accounting.

Without qualifying this conclusion, we draw your attention to the fact that the continued existence of the Company is only guaranteed if the Company is provided or guaranteed sufficient financial means to finance its current operations.

Deloitte & Touche GmbH
WirtschaftsprÜfungsgesellschaft

Signed: Thiede
WirtschaftsprÜfer
[German Public Auditor]

Signed: Herrel
WirtschaftsprÜfer
[German Public Auditor]

DÜsseldorf, 6 April 2004

Balance Sheet as at 31 March 2004

Assets	31 March 2004 EUR	31 March 2004 INR	Prior year EUR'000	Prior year INR'000
A. Fixed assets				
I. Intangible assets				
Software	17,948.50	967,245	11	593
II. Tangible assets				
Other equipment, factory and office equipment	110,194.34	5,938,373	101	5,443
	128,142.84	6,905,618	112	6,036
B. Current assets				
I. Receivables and other assets				
1. Trade receivables	133,877.40	7,214,653	30	1,617
2. Receivables from affiliated companies	515,828.53	27,797,999	-	-
3. Other assets	59,883.49	3,227,121	108	5,820
	709,589.42	38,239,774	138	7,437
II. Cash-in-hand, bank balances	777,763.49	41,913,674	204	10,994
	1,487,352.91	80,153,448	342	10,994
C. Prepaid expenses	4,886.04	263,309	5	269
D. Deficit not covered by equity	-	-	134	7,221
	1,620,381.79	87,322,374.66	593	31,957

Liabilities	31 March 2004 EUR	31 March 2004 INR	Prior year EUR'000	Prior year INR'000
A. Equity				
I. Subscribed capital	575,000.00	30,986,750	575	30,987
II. Capital reserves	4,500,000.00	242,505,000	-	-
III. Net retained losses	709,010.23	38,208,561	118	6,359
V. Net loss for the year	3,389,906.79	182,682,077	591	31,849
Deficit not covered by equity	-	-	134	7,221
	976,082.98	52,601,112	-	-
B. Accruals				
Other accruals	231,726.50	12,487,741	15	808
	231,726.50	12,487,741	15	808
C. Liabilities				
1. Trade payables	72,744.98	3,920,227	258	13,904
2. Payables to affiliated companies	56,339.65	3,036,144	233	12,556
3. Other liabilities	283,487.68	15,277,151	87	4,688
Of which taxes:EUR 102780.570 (prior year: EUR 16 thousand) Of which relating to social security and similar obligations: EUR 42205.11 (prior year: EUR 24 thousand)				
	412,572.31	22,233,522	578	31,148
	1,620,381.79	87,322,375	593	31,957

Note : Foreign Currency amounts are translated for convenience into Indian Rupees (INR) at the exchange rate of Rs. 53.89 = EURO 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai branch of State Bank of India on 31st March, 2004

Profit and Loss Account for the Period from 1 April 2003 to 31 March 2004

	2003/2004 EUR	2003/2004 INR	Prior year EUR'000	Prior year INR'000
1. Sales	1,052,958.46	56,743,931	134	7,221
2. Other operating income	212,690.30	11,461,880	2	108
3. Personnel expenses				
a) Wages and salaries	2,270,678.66	122,366,873	182	9,808
b) Social security	198,907.51	10,719,126	28	1,509
4. Depreciation on intangible fixed assets and tangible assets	52,661.68	2,837,938	30	1,617
5. Other operating expenses	2,131,154.27	114,847,904	481	25,921
6. Other interest and similar income	5,180.53	279,179	-	-
7. Interest and similar expenses Of which to affiliated companies: EUR 6,479.33 (INR 350,141.11); (prior year: EUR 6 thousand) (INR 323 thousand)	7,333.96	395,227	6	323
8. Net loss for the year	(3,389,906.79)	**(182,682,077)**	(591)	(31,849)

Movements in Fixed Assets in the Business Year 2003/2004

	Acquisition/ production cost			Accumulated depreciation			Net book values	
	Balance as at 1 April 2003 EUR	Additions EUR	Balance as at 31 March 2004 EUR	Balance as at 1 April 2003 EUR	Additions EUR	Balance as at 31 March 2004 EUR	31 March 2004 EUR	Prior year EUR'000
I. Intangible assets								
Software	13,336.20	14,538.55	27,874.75	2,225.20	7,701.05	9,926.25	17,948.50	11
II. Tangible assets								
Other equipment, factory and office equipment	115,543.75	54,287.97	169,831.72	14,676.75	44,960.63	59,637.38	110,194.34	101
	128,879.95	68,826.52	197,706.47	16,901.95	52,661.68	69,563.63	128,142.84	112

	Acquisition/ production cost			Accumulated depreciation			Net book values	
	Balance as at 1 April 2003 INR	Additions INR	Balance as at 31 March 2004 INR	Balance as at 1 April 2003 INR	Additions INR	Balance as at 31 March 2004 INR	31 March 2004 INR	Prior year INR'000
I. Intangible assets Software	718,688	783,482	1,502,170	119,916	415,010	534,926	967,245	593
II. Tangible assets								
Other equipment, factory and office equipment	6,226,653	2,925,579	9,152,231	790,930	2,422,928	3,213,858	5,938,373	5,443
	6,945,341	3,709,061	10,654,402	910,846	2,837,938	3,748,784	6,905,618	6,036

Notes to the Financial Statements

A. General Information

The annual financial statements for the business year 2003/2004 comply with the valid stipulation of the German Commercial Code (HGB) and the statutes for the limited companies (GmbH).

The company has partly taken favour of disclosure simplifications of the German Commercial Code.

The company is a small corporation according to sec 267 para 1 German Commercial Code.

B. Information on Accounting and Valuation Methods.

Intangible assets are valued at acquisition cost less scheduled amortization and depreciation.

Fixed assets are valued at acquisition cost less scheduled amortization and depreciation in accordance with their estimated useful life. Low value assets (less than EUR 410) are fully depreciated in the year of their acquisition.

Receivables and other assets as well as liquid funds are capitalized at nominal. If necessary, allowance for implied risk are set up.

The subscribed capital is valued at nominal value.

Other accruals cover all risks and contingent liabilities identifiable as at the balance sheet date

The liabilities are recorded at the amount at which they will be repaid.

Receivables and payables denominated in foreign currency are translated at the rate in effect at the date of transaction. Exchange losses as at the balance sheet date are taken into account

C. Notes to the Balance Sheet.

Receivables and other assets

All receivables and other assets have a residual term of less than one year.

The receivables from affiliated companies relate to trade receivables EUR 437680.68 (INR 23,586,612.) receivables from affiliated companies relate to shareholders.

Other Accruals

Other accruals comprise mainly of accruals for vacation not taken (EUR 48 Thousand) (INR 2,586 thousand), management bonuses (EUR 74 thousand) (INR 3988 thousand) year end audit (EUR 8 thousand) (INR 431 thousand) and other accruals (EUR 102 thousand) (INR 5497 thousand)

Liabilities

All liabilities have a residual term of less than one year.

The liabilities to affiliated companies relate to financing transactions.

D. Other Required Disclosures

As at the balance sheet date, the financial commitments as stipulated by sec 285 para 3 German Commercial Code are as follows;

Financing Commitments from rent contracts	**EUR**	**INR**
Upto one year	124,454.80	6,706,869
One to two years	11,774.80	634,544
Two to three years	7,174.80	386,650
Later	7,174.80	386,650
Financial Commitments from leasing contracts		
Upto one year	61210.56	3,298,637
One to two years	62960.64	3,392,949
Two to three years	40021.56	2,156,762
Later	5862	315,903

Management

Managing Director were :

Marcus Schuler,Sprockhovel, Gernaby (from 14 August 2003)

Sonjoy Anand, Pune, India (From 16 February 2004)

Robert John Helleur , Ipswich, Great Britain (elected , but resigned prior to his entry in the trade register)

Jens Denecke , London , Great Britain, Ingenieur (resigned as of 23 October 2003)

Supervisory Board

The supervisory board comprises of the following members :

Robert John Helleur, Ipswich, Great Britain, Chairman

Ulhas Yargop, Mumbai, India

Clive Goodwin, Middlesex, Great Britain

Mahindra-British Telecom Ltd., Mumbai, India prepares the consolidated financial statements for the smallest and largest group of companies in which the annual financial statements of MBT GmbH, DÜsseldorf are included. These annual financial statements are available at the registered office of Mahindra British Telecom Ltd., Mumbai, India.

Marcus SchÜler Managing Director	Sonjoy Anand Managing Director
DÜsseldorf, 5 April 2004	Pune, 5 April 2004

Memo by Deloitte & Touche :

Foreign currency amounts are translated for convenience into Indian Rupees (INR) at the exchange rate of INR 53.89 = EURO 1 which is the average of the telegraphic transfer buying & selling rates quoted by the Mumbai Branch of State Bank of India on 31st March, 2004.

MBT SOFTWARE TECHNOLOGIES PTE. LIMITED

BOARD OF DIRECTORS

Mr. Robert John Helleur
Mr. Lim Tiong Beng

AUDITORS

Deloitte & Touche
Certified Public Accountants,
Singapore

BANKERS

Standard Chartered Bank
Singapore

REGISTERED OFFICE

152, Beach Road,
#32-01/04 Gateway Tower (East),
Singapore 189721

CONTENTS	PAGE

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company for the financial year ended March 31, 2004.

1 DIRECTORS

The directors of the company in office at the date of this report are:

Lim Tiong Beng

Robert John Helleur

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3 DIRECTORS, INTERESTS IN SHARES AND DEBENTURES

The directors holding office at the end of the financial year had no interests in the share capital of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and companies in which interests are held	Shareholdings registered in the names of directors				Shareholdings in which directors are deemed to have an interest	
	At beginning of year		At end of year		At beginning of year	At end of year
	Stock	Options	Stock	Options	Stock	Stock
Mahindra British Telecom Ltd	Units of Indian rupee 2 each					
Mr Robert John Helleur	-	248,000	36,020	211,980	-	-
Mr Robert John Helleur	-	31,350*	-	77,990*	-	-

* These are options vested to Mr Robert John Helleur.

4 DIRECTORS, RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest. Certain directors have received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.

5 OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the company was granted.

6 OPTIONS EXERCISED

During the financial year, there were no shares of the company issued by virtue of the exercise of an option to take up unissued shares.

7 UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares under option.

8 AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

On behalf of the Directors

Robert John Helleur
Lim Tiong Beng

April 5, 2004

AUDITORS, REPORT
TO THE MEMBER OF MBT SOFTWARE TECHNOLOGIES PTE. LIMITED

We have audited the financial statements of MBT Software Technologies Pte. Limited for the year ended March 31, 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. 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 the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company as at March 31, 2004 and of the results, changes in equity and cash flows of the company for the year ended on that date; and

b) the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche

Certified Public Accountants

Singapore

Date: April 5, 2004

BALANCE SHEET - March 31, 2004

	Note	2004 $	2004 Rs.	2003 $	2003 Rs.
ASSETS					
Current assets:					
Cash and cash equivalents		78,356	2,055,278	316,433	8,300,038
Trade receivables	5	338,571	8,880,717	702,878	18,436,490
Other receivables and prepayments	6	83,104	2,179,818	3,570	93,641
Total current assets		500,031	13,115,813	1,022,881	26,830,169
Total assets		500,031	13,115,813	1,022,881	26,830,169
LIABILITIES AND EQUITY					
Current liabilities:					
Other payables	7	38,027	997,448	490,191	12,857,710
Income tax payable		28	734	96,938	2,542,684
Total current liabilities		38,055	998,182	587,129	15,400,394
Issued capital	8	50,000	1,311,500	50,000	1,311,500
Accumulated profits		411,976	10,806,131	385,752	10,118,275
Total equity		461,976	12,117,631	435,752	11,429,775
Total liabilities and equity		500,031	13,115,813	1,022,881	26,830,169

See accompanying notes to financial statements.

PROFIT AND LOSS STATEMENT Year ended March 31, 2004

	Note	April 1, 2003 to March 31, 2004 $	April 1, 2003 to March 31, 2004 Rs.	April 30, 2002 to March 31, 2003 $	April 30, 2002 to March 31, 2003 Rs
Revenue	9	1,483,724	38,918,081	1,108,088	29,065,148
Staff costs	10	(1,019,265)	(26,735,321)	(503,103)	(13,196,392)
Other operating expenses		(438,235)	(11,494,904)	(122,295)	(3,207,798)
Profit before income tax	10	26,224	687,856	482,690	12,660,958
Income tax expense	11	-	-	(96,938)	(2,542,684)
Profit after income tax		26,224	687,856	385,752	10,118,274

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended March 31, 2004

	Issued capital		Accumulated profits		Total	
	$	Rs	$	Rs	$	Rs.
Balance at April 30, 2002 (date of incorporation)	20	525	-	-	20	525
Issue of shares	49,980	1,310,975	-	-	49,980	1,310,975
Net profit for the period	-	-	385,752	10,118,275	385,752	10,118,275
Balance at March 31, 2003	50,000	1,311,500	385,752	10,118,275	435,752	11,429,775
Net profit for the year	-	-	26,224	687,856	26,224	687,856
Balance at March 31, 2004	50,000	1,311,500	411,976	10,806,131	461,976	12,117,631

See accompanying notes to financial statements.

CASH FLOW STATEMENT
Year ended March 31, 2004

	April 1, 2003 to March 31, 2004		April 30, 2002 to March 31, 2003	
	$	Rs.	$	Rs
Cash flows from operating activities:				
Profit before income tax	26,224	687,856	482,690	12,660,959
Trade receivables	364,307	9,555,773	(702,878)	(18,436,490)
Other receivables and prepayments	(79,534)	(2,086,177)	(3,570)	(93,641)
Other payables	(452,164)	(11,860,262)	490,191	12,857,710
Cash (used in) generated from operations	(141,167)	(3,702,810)	266,433	6,988,538
Income tax paid	(96,910)	(2,541,950)	-	-
Net cash (used in) from operating activities	(238,077)	(6,244,760)	266,433	6,988,538
Cash flows from financing activity:				
Proceeds from issuing shares	-	-	50,000	1,311,500
Net cash from financing activity	-	-	50,000	1,311,500
Net (decrease) increase in cash and cash equivalents	(238,077)	(6,244,760)	316,433	8,300,038
Cash and cash equivalents at date of incorporation	316,433	8,300,038	-	-
Cash and cash equivalents at end of year	78,356	2,055,278	316,433	8,300,038

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS - March 31, 2004

1 GENERAL

The company is incorporated in the Republic of Singapore with its principal place of business and registered office at 152 Beach Road #32-01/04, Gateway East, Singapore 189721. The financial statements are expressed in Singapore dollars and Indian Rupees.

The accompanying Indian Rupees financial statements are used solely for the purpose of consolidation of the company's financial statements with that of its ultimate holding company and are disclosed as supplementary information only.

The company is principally engaged in providing consultancy and services relating to information technology and development of software solutions and products.

The financial statements of the company for the financial year ended March 31, 2004 were authorised for issue by the Board of Directors on April 5, 2004.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost convention and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS").

The company has adopted all the applicable new/revised FRS and INT FRS which became effective during the year. The adoption of the new/revised FRS and INT FRS does not affect the results of the company for the current or prior periods.

FINANCIAL ASSETS - The company's principal financial assets are bank balances and cash, trade and other receivables. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

FINANCIAL LIABILITIES AND EQUITY – Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities include other payables. Other payables are stated at their nominal value. Equity instruments are recorded at the fair value of the consideration received, net of direct issue costs.

PROVISIONS – Provisions are recognised when the company has a present obligation as a result of a past event where it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

FOREIGN CURRENCY TRANSACTIONS - Transactions in foreign currencies are recorded in Singapore dollars at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment profits and losses are dealt with in the profit and loss statement.

INDIAN RUPEES FINANCIAL STATEMENTS - The accompanying Indian Rupees financial statements have been translated for convenience in accordance with INT FRS 30. All balance sheet items are translated at the rate of one Singapore dollar to Indian Rupee ("Rs") 26.23 (2003 : S$1= Indian Rupee 26.23), the rate prevailing at the balance sheet date except for the current year's profit and loss, which is at the average rate for the year. The translation should not be construed as representations that Indian Rupee have been or could be converted to Singapore dollars and vice-versa and is disclosed as supplementary information only.

REVENUE RECOGNITION - Revenue from the rendering of services that are of a short duration is recognised when the services are completed.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes, such as the Singapore Central Provident Fund) are charged as an expense when incurred.

INCOME TAX - Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

3 FINANCIAL RISKS AND MANAGEMENT

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the company. The company has adopted the policy of only dealing with creditworthy counterparties.

The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the company's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(ii) Fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities reported in the balance sheet approximate their carrying amounts.

4 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The company is a subsidiary of Mahindra – British Telecom Limited, incorporated in India which is also the company's ultimate holding company. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured, interest-free and without fixed repayment terms unless otherwise stated.

Significant intercompany transactions, other than those disclosed elsewhere in the notes to the profit and loss statement are as follows:

	April 1, 2003 to March 31, 2004		April 30, 2002 to March 31, 2003	
	$	Rs.	$	Rs.
Other charges	351,076	9,208,723	480,957	12,615,502
Secondment fees	416,000	10,911,680	-	-
5 TRADE RECEIVABLES				
Outside parties	338,571	8,880,717	702,878	18,436,490
6 OTHER RECEIVABLES AND PREPAYMENTS				
Holding Company (Note 4)	65,705	1,723,442	-	-
Deposits	5,527	1,44,973	1,500	39,345
Prepayments	2,070	54,296	2,070	54,296
Staff Advances	9,802	257,106	-	-
	83,104	2,179,817	3,570	93,641
7 OTHER PAYABLES				
Holding company (Note 4)	-	-	480,957	12,615,502
Other payables	38,027	997,448	9,234	242,208
	38,027	997,448	490,191	12,857,710

8 ISSUED CAPITAL

	2004	2003	2004		2003	
	Number of ordinary shares of $10 each		$	Rs.	$	Rs.
Authorised	10,000	10,000	100,000	2,623,000	100,000	2,623,000
Issued and paid up:						
At beginning of year	5,000	-	50,000	1,311,500	-	-
Issued during the financial year	-	5,000	-	-	50,000	1,311,500
At end of year	5,000	5,000	50,000	1,31 1,500	50,000	1,311,500

9 REVENUE

	April 1, 2003 to March 31, 2004 $	April 1, 2003 to March 31, 2004 Rs.	April 30, 2002 to March 31, 2003 $	April 30, 2002 to March 31, 2003 Rs.
Rendering of services	1,483,724	38,918,081	1,108,088	29,065,148

	April 1, 2003 to March 31, 2004	April 30, 2002 to March 31, 2003
10 PROFIT BEFORE INCOME TAX		
Number of employees at the end of year (contract based employees)	15	17

	April 1, 2003 to March 31, 2004 $	April 1, 2003 to March 31, 2004 Rs.	April 30, 2002 to March 31, 2003 $	April 30, 2002 to March 31, 2003 Rs.
Directors' fees	2,000	52,460	2,100	55,083
Staff costs	1,019,265	26,735,321	503,103	13,196,392
Cost of defined contribution plans included in staff costs	3,143	82,441	-	-
Foreign exchange adjustment gain	-	-	(16)	(420)
11 INCOME TAX EXPENSE				
Current	-	-	96,938	2,542,684

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 22% (2003 : 22%) to profit before income tax as a result of the following differences:

	April 1, 2003 to March 31, 2004 $	April 1, 2003 to March 31, 2004 Rs.	April 30, 2002 to March 31, 2003 $	April 30, 2002 to March 31, 2003 Rs.
Income tax expense statutory rate	5,245	137,576	106,192	2,785,416
Non-allowable items	30	787	2,296	60,224
Exempt income	(5,275)	(138,363)	(11,550)	(302,957)
Total income tax expense	-	-	96,938	2,542,683

12 COMPARATIVE FIGURES

The financial statements for 2004 cover the financial year from April 1, 2003 to March 31, 2004.

The financial statements for 2003 cover the financial period since incorporation on April 30, 2002 to March 31, 2003.

STATEMENT OF DIRECTORS

In the opinion of the directors, the financial statements are drawn up so as to give a true and fair view of the state of affairs of the company as at March 31, 2004 and of the results, changes in equity and cash flows of the company for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the Directors

Robert John Helleur
Lim Tiong Beng

April 5, 2004

NOTES

Global Presence

INDIA

Mahindra-British Telecom Limited
Sharda Centre, Off Karve Road
PUNE, Maharashtra, INDIA
Tel: +91 20 401 8100
Fax: +91 20 2542 4466

Mahindra-British Telecom Limited
Wing 1, Oberoi Estate Gardens
Chandivali, Andheri (E)
MUMBAI 400 072
Maharashtra, INDIA
Tel: +91 22 5679 2000
Fax: +91 22 2852 8959

Mahindra-British Telecom Limited
46 Aradhana, Sector 13
R. K. Puram
NEW DELHI 110 066
INDIA
Tel: +91 11 688 9471
Fax: +91 11 410 2146

UNITED ARAB EMIRATES

Mahindra-British Telecom Limited
PO Box 54275
DUBAI
UNITED ARAB EMIRATES
Tel: +971 4 299 6365
Fax: +971 4 299 6364

SINGAPORE

MBT Software Technologies
Pte., Limited
152 Beach Road
33-00 Gateway Tower East
SINGAPORE 189721
Tel: +65 291 8028
Fax: +65 299 2293

UNITED KINGDOM

Mahindra-British Telecom Limited
First Floor,
Charles Schwab Building
401 Grafton Gate (E)
MILTON KEYNES MK9 1AQ
UNITED KINGDOM
Tel: +44 01908 553400
Fax: +44 01908 553499

Mahindra-British Telecom Limited
Unit 1, Sherwood Place
Sherwood Drive
BLETCHLEY MK3 6RT
UNITED KINGDOM
Tel: +44 1908 624800
Fax: +44 1908 624899

Mahindra-British Telecom Limited
52 Barrack Square
Martlesham Heath
IPSWICH IP5 3RF
UNITED KINGDOM
Tel: +44 01473 667100
Fax: +44 01473 667199

Mahindra-British Telecom Limited
Central Boulevard
Blythe Valley Business Park,
Solihull, West Midlands
BIRMINGHAM B90 8AG
Tel: +44 01564711727
Fax: +44 01564711001

GERMANY

MBT GmbH
Rather Straße 110B,
D-40476 DÜSSELDORF
GERMANY
Tel: +49 (0) 211 60012-101
Fax: +49 (0) 211 60012-111

UNITED STATES OF AMERICA

MBT International Inc.
400 Perimeter Center Terrace NE
Suite 900
ATLANTA, GA 30346
Tel: 770.821.5482
Fax: 770.821.5483

MBT International Inc.
17304 Preston Road
Dominion Plaza, 8th Floor
DALLAS TX 75252
Tel: 972 733 6825
Fax: 972 733 6826

MBT International Inc.
8310 South Valley Highway
Third Floor, Englewood,
DENVER CO 80112
Tel: 303.524.1414
Fax: 303.524.1477

MBT International Inc.
One Gateway Center,
Suite 2600
Newark,
NEW JERSEY NJ 07102
Tel: (973) 6450585
Fax: (732) 7473075

AUSTRALIA

Mahindra-British Telecom Limited
Level 21, 201 Miller St
NORTH SYDNEY NSW 2060
AUSTRALIA
Tel: +61 2 9959 2240
Fax: +61 2 9959 2244

www.mahindrabt.com

Prabodh