Pioneers in

Shared Infrastructure

REGISTERED OFFICE

GTL Infrastructure Limited,

Electronic Sadan I, MIDC, TTC Industrial Area, Mahape, Navi Mumbai - 400 710

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website: www.gtlinfra.com

Printed at Thomson Press

creating value through shared infrastructure

GTL INFRASTRUCTURE LIMITED

3rd ANNUAL REPORT 2005-06

Corporate Information

BOARD OF DIRECTORS

Tirodkar, Manoj G.
Chairman

Ranjalkar, Prakash
Whole-time Director

Dawra, S. S.
Director

Desai, Gajanan V.
Director

Lee, Sek Hong (Michael Lee)
Director

Naik, Charudatta
Director

Pathak, Vishwas
Director

Samant, Prakash
Director

Vaidya, Deepak
Director

COMPANY SECRETARY

Gunasingh, D. S.

AUDITORS

Bansi S. Mehta & Company
Chartered Accountants

BANKS / INSTITUTIONS

Andhra Bank
Bank of Baroda
Bank of India
Corporation Bank
DEG, Germany
Dena Bank
HDFC Bank Ltd.
ICICI Bank Ltd.
Indian Bank
Indian Overseas Bank
Oriental Bank of Commerce
Punjab National Bank
Small Industries Development Bank of India
UCO Bank
Union Bank of India
United Bank of India

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GTL
INFRASTRUCTURE

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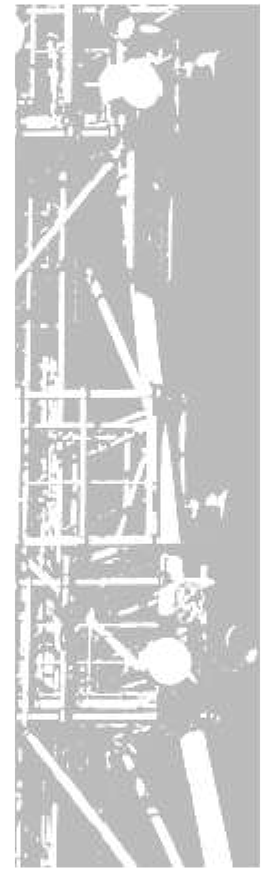


creating value
through shared infrastructure

We are riding an irrepressible wave of infrastructure creation, which is revolutionising the Indian telecom industry. We aim to facilitate a symbiotic relationship between operators and ourselves, by providing a single window, one-stop-shop shared infrastructure provisioning service. The concept of shared infrastructure will enable the operators to focus on and accelerate their market penetration in a more cost effective way. Today, we are poised to succeed in this exciting marketplace, backed by our experience, expertise, astute management and financial strength, in the process, creating value for our stakeholders.


GTL
INFRASTRUCTURE

Contents

Chairman's Letter

Once in a while we stumble upon an opportunity, which has life changing consequences. To me, shared infrastructure for telecom operators represents such an opportunity that will change the face of the Indian telecom industry. In my first letter to our stakeholders, I am pleased to put forth the dynamics of this evolving industry and the prospect it presents for us.

Shared Infrastructure - The Next Big Thing

Today, India has the eighth largest telecom network in the world, growing at a rate of over 20% per annum. The New Telecom Policy, 1999, facilitated major transformation in the Indian telecommunication sector. The Indian mobile market is now one of the fastest growing markets in the world, adding around 4 mn new subscribers every month. The market has grown from less than 10 mn in FY2002 to 92 mn subscribers in FY2006, and is expected to reach 205 mn by the end of FY08. The wireless operators are planning to spend US$ 20 bn over a period of the next three years for expanding their networks. It is estimated that the number of sites would grow to 180,000 by FY08 from the present figure of 82,000. As wireless operators enter their peak-capex cycles, we now find the entire telecom ecosystem: operators, regulator, government and industry bodies are willing to participate actively in the shared telecom infrastructure space.

The Big Operators increasingly want to reduce their cost of operations to remain competitive. They are exploring various ways of outsourcing the network deployment and management activities of telecom networks. At the same time, small regional operators who want to compete in the market space, need to cultivate a strong balance sheet to support their expansion plans and are looking actively for partners who can provide them ready to use infrastructure, especially in rural areas and highways. The ROIs in these areas are lower because of lower subscriber bas and average revenue per user (ARPU). In addition to reduction in capital expenditure, operators are also looking at the reducing their operational costs in terms of managing their

"Once in a while we stumble upon an opportunity, which has life changing consequences. To me, GIL represents such an opportunity in the changing face of the Indian telecom industry."

networks. This represents tremendous opportunities to players like us, who are willing to invest on behalf of the operators and present innovative business modes that can increase their ROI.

Shared infrastructure is a viable answer for the optimal utilisation of capex resources. This can reduce the operator's cost and time to market their service, thereby resulting in increased profitability. Third party shared infrastructure, although a new concept in India, is a proven model globally, particularly in the US and we are confident that it will also work for the Indian market.

Our primary business objective is to tap the immense infrastructure outsourcing opportunity present in the country. After recognising the infrastructure needs of mobile wireless telecom operators, we have entered into the business of infrastructure provisioning and management under a sharing model. By providing the much-needed, ready-to-use quality infrastructure facilities, we aim to allow operators to focus on their core competencies.

Raising Capital

Our business is very capital intensive. Only companies with a strong capital base can succeed in this industry. We have kept the goal of setting up at least 6,700 towers over a period of the next two to three years. This will require capital investment of approximately Rs. 2,030 crores, as our tower or shelters would be constructed for 4-5 operators. In the second phase we hope to build up to 15,000 towers.

GTL Limited (GTL) made an initial investment of Rs. 25 crores in GTL Infrastructure Ltd. (GIL) equity in FY2005. In the current financial year, GTL increased its equity stake in GIL by investing an additional Rs. 108 crores, taking GTL's investment in GIL's equity to Rs. 133 crores. GTL also transferred assets related to network infrastructure management to GIL, in lieu of GIL's equity. Every shareholder of GTL got one equity share of GIL for every share held in GTL. Infrastructure Development Finance Corporation (IDFC), a leading financial institution, has demonstrated its belief in the project by participating in the same by investing Rs. 16 crore in the form of equity. This roughly amounts to 5% of GIL's equity capital. We also issued 86.022 mn equity shares to Technology Infrastructure Fund Limited, a leading private equity fund. Consequently, the total equity capital, as it stands today, is Rs. 320.77 crores.

The balance funds are raised through long-term debts from leading domestic banks. We have commitments of Rs. 1,485 crores through long-term debt. The average cost of debt is 8.5% per annum with three years moratorium; the tenor is over 8 years. We are in the process of finalising 12-15 years longterm financing through leading domestic and international banks/financial institutions for our second phase.

Successful Take Off

We are delighted to tell you that our business model has started getting acceptance with telecom operators. We have made an excellent start and are already in the process of rolling out pilot sites for some of the leading operators. We have been awarded a Build Own Operate (BOO) contract for developing 200 new sites in Karnataka and Punjab circles, for which the contracted revenue is estimated to be Rs. 850-900 mn over the next 10 years. We are expecting to complete this project by September, 2006. We are also rolling out a pilot project for "MOST" A project promoted by Cellular Operator Association of India. Our goal is to rollout around 6,700 towers over a period of the next three years. Our order book visibility also consists of 3,500 sites from various cellular operators for whom we are currently rolling out sites in states such as Karnataka, Punjab, Maharashtra, Goa, Gujarat, Madhya Pradesh, Rajasthan and Uttar Pradesh (E).

"Our goal is to rollout 6,700 sites over a period of two to three years. This will require tremendous focus on execution"

Key Challenges

As we test our business model, we are aware of following challenges ahead of us:

Execution:

Our goal is to roll out 6,700 sites over a period of two to three years. This will require tremendous focus on execution. We need to demonstrate not only the cost efficiency, but also the speed in terms of deployment. We are confident that our talented pool of project managers, engineers and business partners will be able to satisfy our customers on these parameters. We are also helped by our parent, GTL's experience with leading OEMs and operators. GTL has executed 16,000 sites connecting 16 million subscribers.

Increasing the number of users per tower:

The success of the business model is dependent on the number of users per tower. As the number of users increases, it not only benefits us but also the users themselves. This is due to the fact that some benefits of sharing are passed on to the existing users with the additional user coming in. With approximately 5-6 operators per circle our marketing team is confident of achieving the average target of 1.9 users per tower.

Regulations:

We expect that the telecom ministry, urban planning ministries and local municipalities may enforce some restrictions on health and environment grounds. The same concept exists in the form of "zoning" in developed countries such as USA. This will require meticulous planning in terms of selection and implementation of a site. Such regulations will control the number of sites/towers, resulting in the operators having to share existing or new sites. This will accelerate the concept of sharing towers in India.

The Way Ahead

Our business also has the potential to capture new revenue opportunities around the existing assets established by wireless telecom operators. As the demand for speedier, next generation networks such as 3G grows, these operators would require the associated passive infrastructure to transmit their new services like video on demand, data services and other value-added applications. As a result, our business has immense potential from adding users in wireless broadband, broadcasting, DTH, FM Radios and WiMAX explosion.

Right now, we plan to focus on growing and expanding our base in India. With the aim of becoming a global player as a leading telecom infrastructure provider, we hope to explore international markets in the near future.

Today, we are standing at the threshold of an exhilarating journey. As we embark on this exciting voyage, I see a bright future for the company and value-creation for our stakeholders. I would like to thank our shareholders, bankers and employees, for their support and trust in us and look forward to a fruitful partnership in the years to come.

Mumbai
August 11, 2006

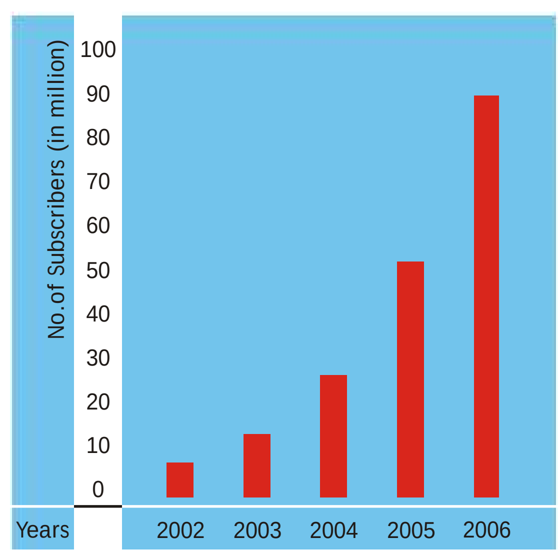
Manoj G. Tirodkar
Chairman

INDUSTRY OVERVIEW

Indian Telecom Industry Overview

The Indian telecommunications sector has undergone a major transformation, thanks to significant policy reforms during recent years, creating an enabling environment for investment in the communications infrastructure. The telecom sector is now one of the fastest growing sectors of the economy, growing at an average of more than 20% per annum, over the last four years. With rising tele-density in India, most telecom operators are facing capacity constraints on their networks. Coverage obligations, increasing pressure to improve network quality and competition have led to aggressive rollout plans by existing cellular operators. Once rural India is covered over the foreseeable future, the current Average Revenue Per User (ARPU) of Rs. 374 is expected to fall to less than Rs. 200 (<US$ 5) per month. For operators to be profitable in semi-urban or rural segments of the market, the capex per subscriber / connection should be reduced by at least 30%-40%. GTL Infrastructure Limited (GIL) aims to address this opportunity. GIL, can enable operators to reduce their time-to-market and accelerate their access to their customers. Most telecom operators are looking at various measures, including outsourcing and sharing of network infrastructure, thereby presenting a growing market for GIL.

Mobile Subscriber Base



Source: Industry Report / Company Data.

Wireless Capex Estimates

Capex Forecast (in Rs. million)	Mar-06	Mar-07	Mar-08	Mar-09
Bharti	39,594	60,075	56,738	48,764
Hutch	18,796	49,080	52,839	48,534
Reliance	20,502	40,194	45,622	47,357
Tata	35,000	35,295	34,968	31,830
Idea	14,216	20,075	18,077	16,294
BSNL	31,838	50,486	40,087	35,695
Others	21,260	25,076	24,488	20,889
Total	181,206	280,281	272,819	249,363
Total (in US$ mn)	4,027	6,228	6,063	5,541

Source: Companies, Lehman Brothers estimates

Tower Projections

Cell Sites (in 000)	Mid-06	Mid-07
Bharti	24.0	45.0
Hutch	15.5	28.5
BSNL	14.5	22.0
Reliance	8.0	11.0
Tata	6.6	9.0
Idea	7.0	12.0
Spice	1.5	1.5
MTNL	0.9	1.0
Aircel	3.5	6.0
Total	81.5	136.0

Most of the Indian wireless operators are currently in their peak-capex cycles. The sharp decline in handset prices and tariffs has significantly increased the addressable market, and operators are now expanding their footprints to capture this growth potential. It is estimated that Indian wireless operators need a capex outlay on telecom of US$ 6.2 bn in FY07 and US$ 6.1 bn in FY08. Total mobile subscribers are expected to increase from 92 mn at the end of FY06 to 205 mn by the end of FY08. During this time, the number of towers is expected to go up from approximately 82,000 (mid-2006) to more than 136,000 by FY07, and possibly 180,000 by the end of FY08. We estimate an all-India operator rollout to require an additional 65,000-70,000 towers by the end of this period. This reflects an enormous market opportunity for GIL. *(Source: Lehman Brothers estimates)*

In India, the license regulations allow the sharing of passive infrastructure only and restrict site sharing of active infrastructure. A continuous decline in radio pricing coupled with increases in steel and manpower costs is changing the passive-active cost ratio,thereby pushing up the passive infrastructure spend to two- thirds of the total site capex. Hence, operators have started sharing passive infrastructure to pull the reins in their otherwise fast rising capex outlay. The sharing of network infrastructure would also reduce the operator's time-to-market, as well as increase their ROCE.

Tele-density	As on March 2006
Total subscribers	139.6 mn
Tele-density	12.73
Fixed line	49.7 mn
Mobile	89.9 mn
GSM additions per month	3.78 mn
CDMA additions per month	1.25 mn

Source: TRAI

OPPORTUNITIES

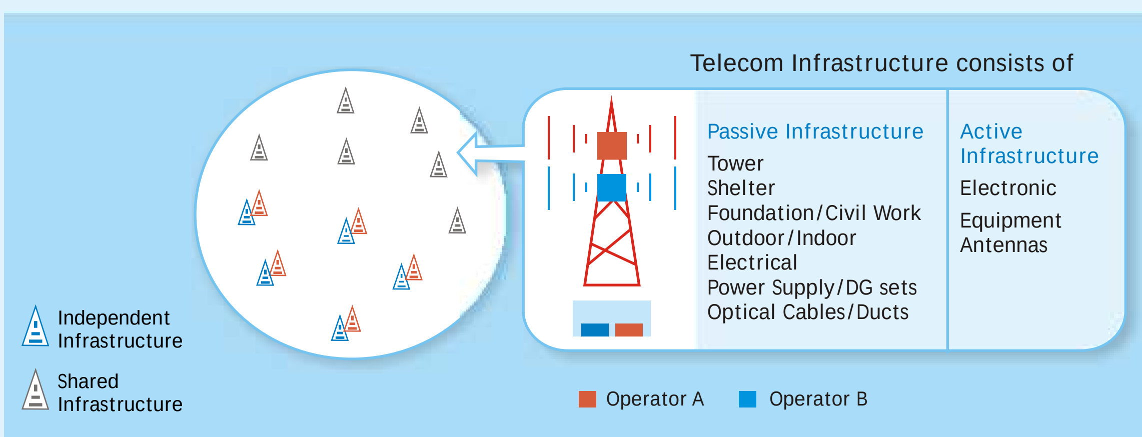
Tower Sharing Rationale

- Presence of multiple operators in India (effectively 6-8 players in telecom industry)
- Comparable market shares for top 3-4 operators (Bharti, Reliance, BSNL and Hutch)
- Large coverage requirements in urban and rural areas as well as highways
- Very cheap voice pricing, with margins as low as 35%- 40%, creating pressure for optimal performance
- Significant capacity requirements from high Minutes of Usages (MOU), equal to 400 minutes as compared to 600 minutes in the US
- Spectrum scarcity forcing denser coverage, affecting quality. To ensure minimum service quality standards, operators need to have much denser tower locations.

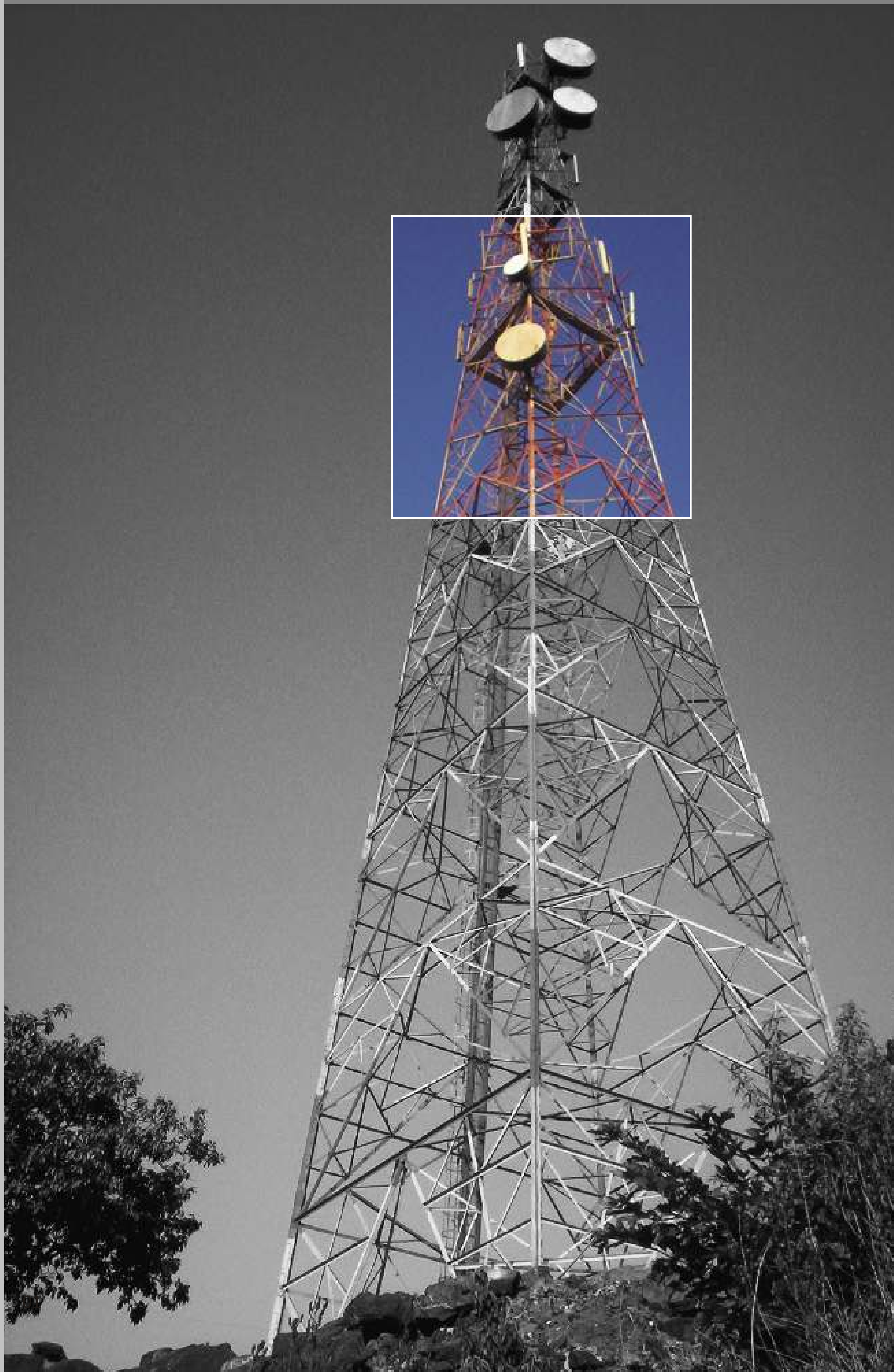
Concept of Shared Passive Infrastructure

The objectives of Infrastructure Sharing is to maximise the use of existing infrastructure and provide cost effective infrastructure for coverage requirements and in low Average Revenue Per User (ARPU) areas.

Passive Telecom Infrastructure includes the tower, shelter, air-conditioning equipment, diesel generator and back-up power for cellular operators



However, in Infrastructure Sharing, the protection of commercially sensitive data, from the operators sharing the network, has to be addressed. Operators should necessarily cede some of their independence and their control over the network, in exchange for cost savings.



Operators worldwide have realised the importance of network outsourcing and Infrastructure sharing, wherein an infrastructure provider builds, owns and operates the passive infrastructure required to support the operators' access network installed at the site. This model has triggered a phenomenon known as network sharing, which allows operators to reap the benefits of shared infrastructure to maximise usage and minimise redundancy in overall asset investments.

Network sharing has been at the heart of passive infrastructure outsourcing across the world, where a neutral party owns and operates the passive infrastructure, thereby taking care of the investment required and management of the infrastructure. Network sharing for wireless operators is a strategic initiative to reduce costs.

The basic tenet of GIL's business model is the high fixed costs and low variable costs. Thus, once a tower has reached a scale where it covers its fixed costs, nearly all of the incremental revenue adds to the cash flow. Higher the number of towers, higher is the EBDITA margin. Globally, the growth of tower sharing has been driven by growth in subscriber base, minutes of usage, better network quality and network migration. For a tower Company, the number of towers owned and number of users per tower, are the key success factors.

Creating value through being

Pioneers in Shared Infrastructure

Operators worldwide have realised the importance of infrastructure outsourcing and sharing. The concept of shared infrastructure is a tried and tested model globally and we are amongst the first in India to take this concept up in a meaningful way. With this concept, fast catching on in the Indian marketplace, we are a part of the catalysing force that is rapidly transforming the development of the Indian telecom infrastructure.

GIL ADVANTAGE

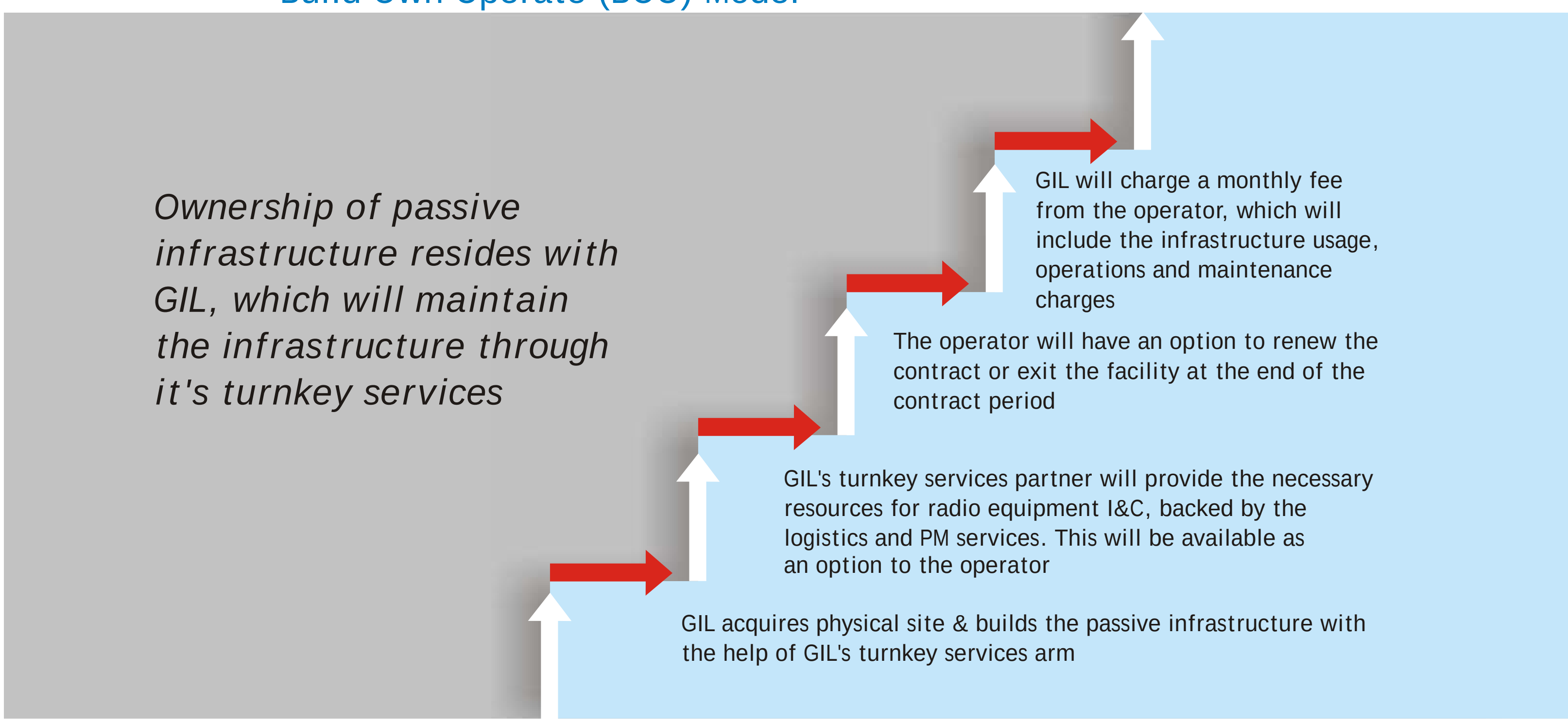
Although we are a new entity, we are backed by our strong expertise, experience, capital base and intimate understanding of the Indian market place. We are advantageously poised to play a crucial role in implementing the concept of shared infrastructure in the Indian marketplace. We possess extensive skills in designing and implementing telecom networks. Our status as a preferred partner with leading OEM's, gives us an added advantage in securing stronger customer alliances, and in garnering leadership status.

GIL is strategically positioning itself to lead the industry. We plan to focus on making our clients successful and, in doing so, generate consistently high returns on invested capital, thereby, increasing the shareholder value. Our revenue and returns on investments is primarily driven by our ability to:

- Increase the utilisation of the space and infrastructure capacity owned by us, by increasing the number of users per site and renting out to maximum number of users.
- Develop/acquire sites of strategic importance and high growth potential that should enable us to secure better commercial terms from users and attract additional users. Infrastructure provisioning fees/rentals for sites are extremely location-sensitive.
- Develop sites in a cost effective manner. We would consider purchasing land only for those Ground Based Sites (GBS) which have sufficient demand and are strategically located. Otherwise, for most of our sites, we plan to take land on leasehold;
- Negotiate and secure long-term contracts with high quality users in terms of credit, with built-in price escalation provisions to mitigate financing risks;
- Leverage and secure long term financing at attractive terms and be involved in active treasury management to keep financing costs low;
- Minimise working capital requirements;
- Maintain low operating and administration expenses
- Secure better O&M margins from operators and retain a healthy share of it in GIL
- Maintain high service standards and build strong customer relationships
- Make opportunistic acquisitions of shared sites with at least two users

The business model has been tested extensively and we have got encouraging responses from almost all the leading players in the GSM and CDMA space. With our parent GTL Limited, we are working with companies such as Hutch, Bharti, Aircel, Idea, BSNL, MTNL and Spice in the GSM space. In the CDMA space, we are in touch with companies such as Reliance and Tata Indicom. The efforts have borne fruit in terms of some pilot projects such as 200 sites for the Karnataka and Punjab circles and a MOST (Mobile Operator Shared Tower) project sponsored by COAI and AUSPI. We are also looking at a pipeline of over 6,700 sites over the next 3 years.

Build Own Operate (BOO) Model



Under this model, GIL rolls out the entire passive infrastructure required in the needed territories and provisions it to multiple operators. GIL owns the passive assets, thus freeing up the operators' capital. GIL plans to give the operators, a 'ready to move in' telecom equipment housing facility, in the form of base station sites and network management/monitoring facilities. The operator pays a monthly/quarterly fee to GIL for utilising the facility.

In essence, our orientation is towards providing a single window, one-stop-shop infrastructure provisioning services to telecom operators by undertaking the complete range of responsibilities including building and maintaining tower sites.

Salient Features

- Ownership of infrastructure by GIL
- Site Infrastructure provisioning charges payable by telecom operators on a monthly/quarterly basis

Advantages

- Capital investment risks are reduced for an operator, as infrastructure will be partly owned by GIL
- With less assets on the balance sheet, the operator's return on capital employed improves, in turn strengthening its image within the market
- With the presence of a neutral party, sites can be shared to bring in additional OPEX benefits to the operator

OUTLOOK AND WAY FORWARD

The upgradation of technology platforms, migration to speedier, next-generation wireless technologies, increasing and improving capacity and coverage, and quality of their networks, are going to put significant pressure on cellular service providers to expand the tower infrastructure. This is going to fuel the demand for new towers and associated passive infrastructure. Given these dynamics, GIL's business prospect has huge growth potential and has upsides in the form of adding customers in wireless broadband, growth of broadcasting and adding third generation ("3G") and wireless data capabilities on the existing networks.

Looking at the business dynamics, and the expansion plans of cellular operators, we are formulating our strategies, and fine-tuning our business model and structuring arrangements. This should make it easier for the operators to opt for Shared Network Infrastructure.

Creating value through

Our Well-defined Business Strategy

Our multi-pronged strategy involves a judicious mix of Greenfield Rollouts, Acquisitions and Client-centric Alliances. Our basic plan is to rollout passive infrastructure required in needed territories and provision them out to multiple operators. In essence, we are oriented towards providing a single window, one-stop-shop infrastructure provisioning services to telecom operators by undertaking the complete range of responsibilities in building and maintaining cell site infrastructure.

DISCUSSION ON FINANCIALS

Equity Capital

The company has paid-up Share Capital of Rs. 320.77 crores as on July 2006. The equity Share Capital has been contributed by GTL limited - Rs. 133.00 crores (41.47 %), by IDFC – Rs. 16.00 crores (4.99 %), by Foreign Direct Investments – Rs. 86.20 crores (26.87%) and by shareholders of GTL limited – Rs. 85.57 crores (26.67 %).

Debt

The company has tied up long term debt amounting to Rs. 1,485 crores from Indian banks and financial institutions in India and overseas. Thus, the Company has tied up fund arrangement of more than Rs. 1,800 crores, which it feels is adequate to cover the capital expenditure needs in medium term. The borrowings of the Company commenced only after December, 2005. The Interest for the period relates to interest on borrowings for the assets capitalised by the Company.

De-Merger

With a view to give effect to the Scheme of Arrangement and Reconstruction approved by the Hon'ble High Court on April 28, 2006 with effect from the Appointed Date viz October 1, 2005, the period of the current FY 06 has been extended by 3 months to end on 30th June 2006. As per the Scheme of Arrangement and Reconstruction approved by the Shareholders and the Hon'ble High Court of Judicature at Mumbai (Scheme), the Infrastructure Unit of GTL Limited, has been de-merged into our Company with effect from the Appointed Date i.e. October 1, 2005. In terms of the Scheme, the assets and liabilities of Infrastructure Unit have been taken over by the Company and recorded at their book values on the Appointed Date. In consideration of the

Creating value through

Our Strong Financial Base

Building infrastructure for a nation can be a very capital intensive business. Only companies with a strong capital base can hold ambitions for succeeding in this game. As our first priority, we have ensured a sturdy equity base for ourselves. Also, by structuring debt efficiently, and by ensuring that our capital base can be scaled as we grow, we are ready and equipped to be a serious player in this marketplace. Keeping this in mind, we have made our financial strategy a key part of our ingredients for success.

de-merger of the Infrastructure Unit, the Company has issued 85,569,812 Equity Shares of Rs. 10 each to the shareholders of GTL Limited in the ratio of 1 fully paid-up Equity Share of Rs.10/- each of the Company for every 1 fully paid-up Equity Share of Rs. 10/- each held in GTL Limited. Your Company has acquired "Network Infrastructure" assets of GTL Limited comprising of Network Operating Centre and associated equipment and applications for a cash consideration of Rs. 214.59 Crores.

in Rs. lacs

	As on June 30, 2006 (15 Months)	As on March 31, 2005 (12 Months)
Total Income	1,700.42	11.31
Total Expenditure	934.47	58.57
Consumption of raw materials	178.06	-
Staff cost	215.43	29.97
Other Expenditure	540.98	28.60
PBDIT	765.95	(47.26)
Depreciation	1,930.54	2.27
PBIT	(1,164.59)	(49.53)
Interest	70.59	-
Profit/Loss before tax	(1,235.18)	(49.53)
Provision for taxation	-	-
Net Profit/Loss	(1,235.18)	(49.53)

Income from Operations

Under the said review period the company earned total revenue of Rs. 17 Crores and capitalized assets worth Rs. 173 Crores comprising of telecom and network infrastructure. The revenues are mainly from the anchor users only for a limited part of review period. The company's business strategy is to further share these assets with multiple users. The full revenue and impact of sharing will be reflected in ensuing financial year(s).

Depreciation

During the period under review the company had a depreciation charge of Rs. 19.30 Crores on the capital assets. The operations have resulted in a loss of Rs. 12.35 Crores before tax. But for the depreciation, the operations would have resulted in cash profit before tax of Rs. 6.95 Crores. The depreciation impact on the result is high as the assets are acquired in the current year and will be utilized efficiently in the near future.

Order-book Visibility

In a major expansion drive, the Company proposes to build own and operate (BOO) shared passive telecom infrastructure of approx. 6,700 sites with a proposed investment of Rs. 2,030 Crores. All the major GSM and CDMA operators have shown interest in the Company's plan. We expect to conclude approx. 2,000 sites with GSM operators and 1,500 sites with CDMA Operators in the near term. The Company is also working on a pilot project "MOST", a project sponsored by COAI & AUSPI under guidance of DoT. The Company has already signed contracts for the assets acquired from GTL Limited both though de-merger and acquisition, which will earn revenue of Rs. 480 Crores over next 8 years. The same infrastructure will be used to manage and maintain the shared telecom infrastructure. The Company is making further investments in creating world-class network infrastructure at Pune and Navi Mumbai, to be used/shared by leading domestic and international corporates/telecom service providers/BPO companies.

"There came a time when the risk to remain tight in the bud was more painful than the risk it to took blossom"

- Anais Nin

INTERNAL CONTROL SYSTEMS

We maintain adequate internal control systems comprising of budgetary control, policies and procedures. These systems provide reasonable assurance of recording the transactions of its operations in all material respects and protection against significant misuse or loss of company assets.

We have an in-house internal audit department, which performs regular internal audit to ensure adequacy of the internal control systems and their adherence to management policies and statutory requirements. Depending upon the requirement, we take the assistance of professionals from outside to achieve an objective review of the internal control systems.

To assist the board audit committee to discharge its internal audit related functions, there exists an internal audit committee, which meets periodically to review the functioning of internal audit. The Board Audit Committee periodically reviews the audit plans, audit observations of both internal and external audits, risk assessment and adequacy of internal controls.

RISK MANAGEMENT

This Report, prepared in accordance with Clause 49 (IV) of the Listing Agreement with Stock Exchanges in India, sets out the Enterprise-wide Risk Management practiced by GTL Infrastructure Limited (GIL). Shareholders and other readers are cautioned that the risks outlined here are not exhaustive and are for information purposes only. The Report may contain statements, which may be forward-looking in nature. GIL's business model is subject to uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Hence, all readers are requested to exercise their own judgment in assessing the risks associated with the Company.

Rapid changes in the global economic environment, clients' expectations, severe competition within and outside local boundaries, brings newer challenges and varied risk scenarios, such as business loss, adverse currency fluctuation, reduced margins, poaching of talents and unforeseen legal requirements to all economic entities. GIL is no exception to such scenarios and accepts risk as an inherent part of its business activities.

However, application of appropriate Risk Management techniques can help managing these risks effectively. Effective risk management begins with a clear understanding of an organisation's appetite for risk.

GIL understands this and has sought a comprehensive view to Risk Management, right from its inception. In order to address risks inherent to various dimensions of the business, such as strategy, operations, finance and compliance, and their resulting organisational impact, it has developed a Risk Management framework. This framework is intended to provide comprehensive controls and ongoing management of its major risks. In addition, this framework recognises the diversity among GIL's core businesses, which helps reduce the impact of volatility in any particular area on its operating results as a whole. To further learn, enhance and innovate, GIL continues to benchmark its' Risk Management practices vis-à-vis global best practices. GIL's Risk Management framework addresses the recommendations for Enterprise Risk Management proposed by various specialised bodies such as COSO and AIRMIC.

Further, GIL's ability to properly identify, measure, monitor and report risk is critical to its soundness and profitability.

RISK GOVERNANCE

The Board of Directors exercises oversight of the overall risk management through the Board's Audit Committee. The Audit Committee is responsible for oversight of guidelines and policies to govern the process by which risk assessment and management is undertaken. In addition, the Audit Committee reviews with management, the system of internal controls and financial reporting that is relied upon to provide reasonable assurance of compliance with GIL's operational risk management processes.

GIL's risk governance structure is built upon the premise that each line of business is responsible for managing the risks inherent in its business activity.

The major risks identified by the Company are discussed in the following sections:

1 | Business Risk

a) Concentration risk:

GIL has only one revenue segment viz. Passive Infrastructure for Telecom Networks. The focus on only one business exposes us to the risk of revenue concentration. GIL has managed this risk by spreading its revenues across several geographies and customers.

b) Competition risk:

GIL operates in an emerging area, and is likely to be intensely competitive, both from overseas as well as domestic players. Considering the estimated growth in the field, the competition can only increase in the future.

2 | Operations Risk

GIL encounters risks from processes, systems and people like other service providers. It mitigates such risks through continual improvements and standardising of information processes, designing and building workflow-based systems that integrate the various processes relating to management, operations and human capital.

3 | Financial Risk

a) Credit risk:

GIL has in place an extensive credit evaluation and appraisal process. An internal rating mechanism grades and sorts existing and new customers based on their credit worthiness. The payment terms with various customers are decided based on their respective credit ratings.

b) Financing risk:

Success of GIL depends on its ability to secure long-term debt financing for funding the initial investment as well as future expansion, which might lead to asset liability mismatch. Besides, GIL is also exposed to interest rate risks arising from long-term debt obligation.

c) Foreign exchange fluctuation risk:

Since GIL does not have any international operations, it doesn't have any receivables or payables in foreign currencies. However, the Company has borrowings in foreign currencies, which exposes the Company to foreign exchange fluctuation risk. To mitigate this risk, GIL has a well-defined Foreign Exchange Risk

Management mechanism in place. The Company enters into the hedging transactions (swaps, forward covers and options) for net open exposure in foreign currencies. The positions are taken based on the estimated re-payment dates of the borrowings.

4 | Technology Risk

GIL is a technology neutral company. The passive telecom infrastructure owned by the Company for leasing can be used for both GSM and CDMA operations. However, the following remote possibilities, can lead to business loss for the Company.

- New technologies may result in subscribers' demands being met by capacity enhancement rather than coverage enhancement, hence reducing the need for cell sites.
- The development and implementation of new technologies designed to enhance the efficiency of wireless networks could reduce the use and need for tower-based wireless services transmission and reception and have the effect of decreasing demand for tower space.
- In addition, advances in technology, such as the development of new antenna systems, new terrestrial deployment technologies and new satellite systems, may reduce the need for land-based, or terrestrial, transmission networks or our towers.

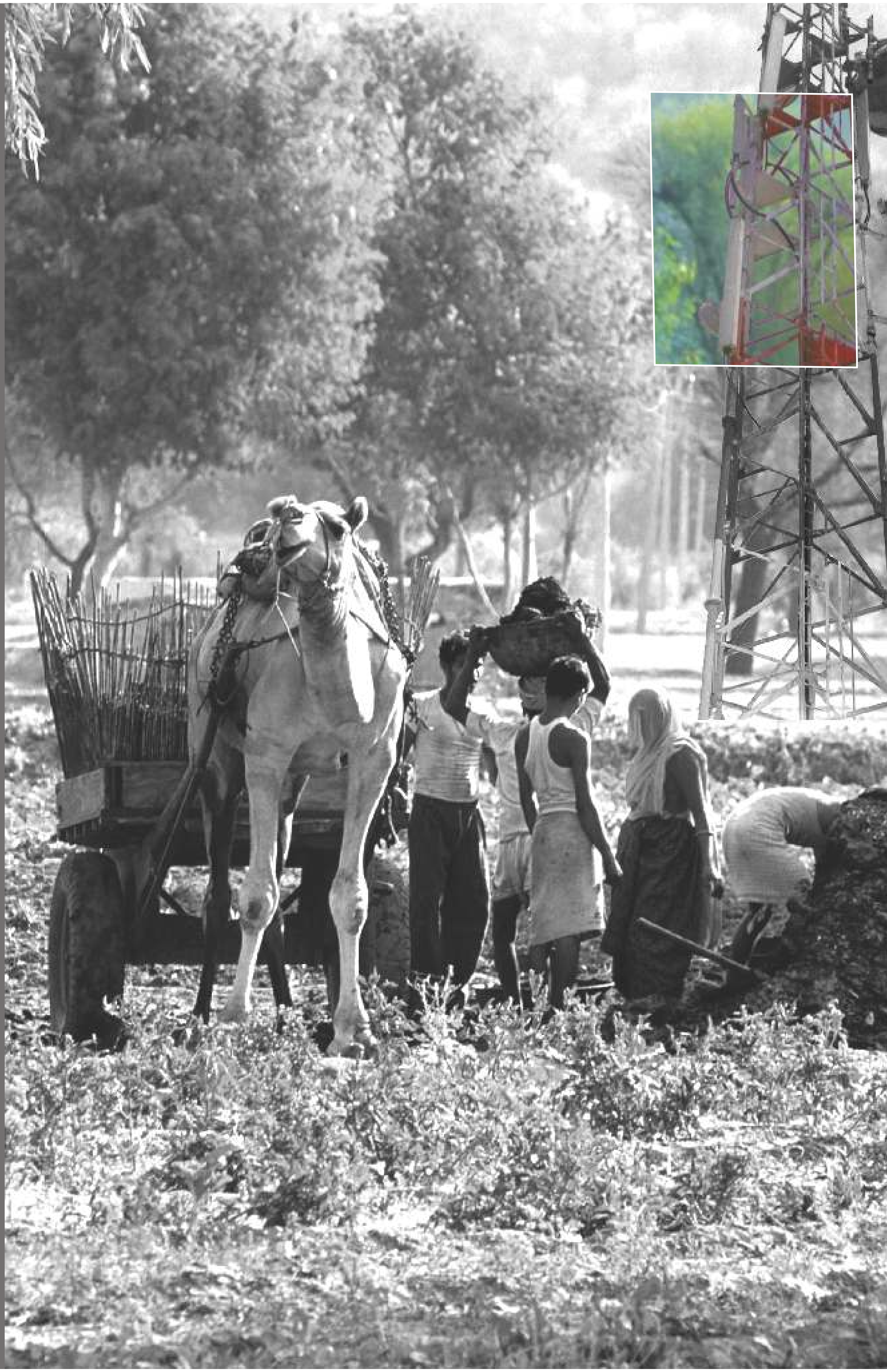
While the probability of emergence of such technology in the near future is very minimal, any such development has also got the potential of bringing new business opportunities.

5 | Legal and Compliance Risk

The IT and telecom industries are very dynamic and highly prone to the continually evolving and changing regulatory frameworks. While GIL has systems in place for ensuring compliance with existing rules and regulations, the regulatory authorities may interpret these differently at different points of time. However, GIL has had no such experience so far. GIL has a review and documentation process for contracts with a focus on evaluating legal risks. This is to cover risks and confine GIL's liabilities under contracts. GIL takes adequate insurance cover to cover possible liabilities from non-performance of contracts, reviewing them continually and initiating corrective action. As a policy, contracts with open-ended obligations are rejected.

6 | Insurance

In order to reduce and mitigate identifiable risks, GIL has in place various insurance covers from reputed insurance companies. GIL's entire physical infrastructure is insured against fire and allied perils, theft and burglary.



HUMAN RESOURCE

At GIL, we plan to make human resources as one of our biggest assets in terms of competitive advantage. With this in view, we are focusing our efforts towards aligning our Human Resource (HR) functions to our business objectives. We plan to establish our HR brief as a core and strategic business initiative for charting out our growth. As industry pioneers in shared infrastructure our HR initiatives would play a crucial role in building a strong professional workforce and establish the relevant resource pools to give us an edge in the global market.

We are benchmarking certain HR processes using international HR excellence models and would soon adapt the most relevant models to our business. We have embarked on the journey of implementing the PCMM model. PCMM is an organisational change model, which is designed on the premise that our workforce practices should survive only when an organisation is sensitive towards employee support. We believe that this model aims at bringing change to the organisation's culture through stages of improvements in its operating processes; and this is a unique approach to organisational development. It is the shared values and the resulting patterns of behaviour that would help us integrate people, processes and technologies to promote a culture of excellence and innovation. This would also assist us in simplifying the processes, thus providing a common language across the organisation.

Creating value through

Our Unique Positioning

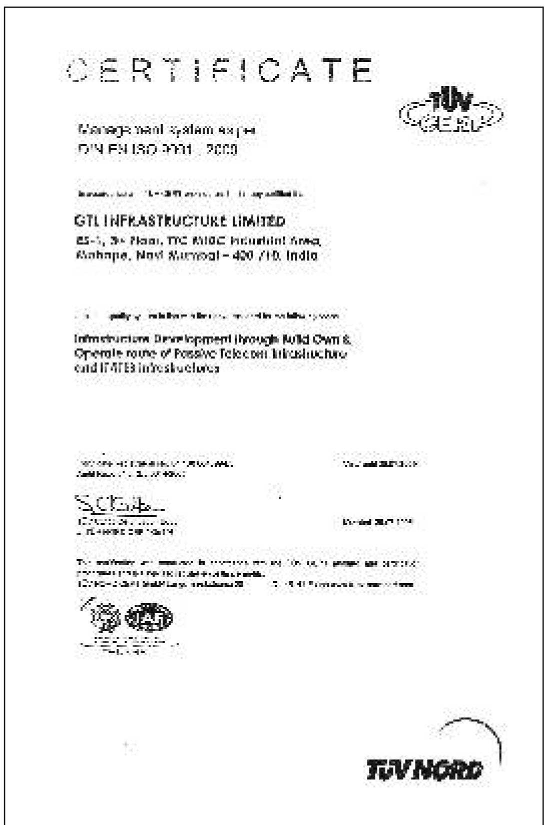
Although we are a new entity, we are by no means an infant. Backed by our strong expertise, experience, capital base and intimate understanding of the Indian market place, we are advantageously poised to play a crucial role in implementing the concept of shared infrastructure in the unique Indian marketplace. We possess extensive skills in designing and implementing telecom networks. Our status as a preferred partner with leading OEM's gives us an added advantage in securing stronger customer alliances, and in garnering leadership status.

QUALITY AND PROCESS

Over the last two decades, the liberalisation, privatisation and globalisation policies of the Indian government have proved to be beneficial for the Indian economy. They have also meant a double-edged sword for the Indian Industry.

The new and efficient industries were posed with the challenge of unlimited opportunities while the inefficient ones were faced with the threat of closure. We as industry pioneers accepted this challenge right since our day of inception and decided to adopt the time-tested quality models, implemented by industries globally, to drive growth and improvements within our organisation. In simple words, our quality movement focuses on achieving overall excellence and is measured on a total quality management platform.

Our management is committed to guiding the Company towards the right path of quality excellence. We have planned our quality vision for the future and have also charted the roadmap for achieving it. We have already obtained the ISO 9000-2001 certificate for our operations on the BOO model. We are geared towards the enhancement of our various excellence models, which represent our continuous progress on all fronts in terms of on-time delivery, predictability and cost reduction. As we begin our journey towards excellence with perseverance, we are consciously emphasising the role that each GIL employee would play to achieve our dream of becoming a global infrastructure provider, by satisfying and delighting our customers.


CERTIFICATE

GTL INFRASTRUCTURE LIMITED

TÜV NORD

GTL Infrastructure Limited

QUALITY POLICY

We are committed to build, own and operate best in class managed infrastructure. We are focused towards maximizing customer satisfaction built upon agreed service deliverables.

We shall strive to be the most preferred company both for customers and employees through focus on business objectives and innovation.

We believe in mutually beneficial supplier relationship and shall work closely with our suppliers and service providers to ensure excellence in our operations.

We shall follow process based approach with active involvement of our people towards continual improvement and offering exceptional value to all stakeholders.

Prakash Ranjalkar
Chief Operating Officer

Corporate Governance

Corporate Governance Report

The Company was promoted by GTL Limited (GTL). As the shareholders are aware, GTL started its operations in telecom products in the mid eighties. In response to the changes in the technology and its operating space, it dynamically re-aligned its business, to emerge as India's largest Network Services Provider to the World.

During the course of its business operations with Telecom Operators and specific large enterprises, GTL realized that they are increasingly exploring the possibilities of Shared Network Services business, as it will reduce the capital expenditure requirement of individual operators and allow them to share the benefits of aggregation of capital investments. Having identified this as a potential growth opportunity, taking into account the capital-intensive nature of the business and the need for segregation of infrastructure assets for shared use by the operators, GTL decided to carry on the activities in a separate company, namely GTL Infrastructure Limited.

Accordingly, the Company is engaged in the business of providing shared infrastructure services in Telecom and related areas, since 2005. Apart from raising financial resources from the debt and equity market and putting in place a senior management team, the Company has signed Contract / MOUs for providing passive infrastructure and is in the process of execution of the projects. It is also in negotiation for developing new sites / acquisition of existing sites from cellular operators.

Both GTL and the Company have also implimented a restructuring exercise and as per the Scheme approved by the Hon'ble High Court of Judicature at Bombay, the Company has issued its shares in the ratio of 1:1 to the shareholders of GTL. This, along with FDI received has resulted in the increase of the paid up equity capital of the Company from Rs 149 Crores (held by GTL and IDFC) to Rs 320 Crores. Accordingly the Company has filed its application with the Bombay Stock Exchange Ltd (BSE) and the National Stock Exchange of India Ltd (NSE) for listing of its shares.

On the above background, though the Company is yet to be listed and Clause 49 of the Listing Agreement is not applicable as on date, with a view to adhere to good Corporate Governance Practices, it thought it fit to put in place a Corporate Governance System and give a report on compliance with Clause 49 of the Listing Agreement of the Stock Exchanges.

Certificate of Auditors on Corporate Governance

To the Members of
GTL Infrastructure Limited

We have been informed by GTL Infrastructure Limited (GIL), having its registered office at Electronic Sadan I, MIDC, TTC Industrial Area, Mahape, Navi Mumbai – 400710, that the Company has filed application for listing of its shares with the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) and is yet to be listed on the said Exchanges and as such, Clause 49 of the Listing Agreement is not applicable to the Company; nonetheless, the Company has prepared a Report on Corporate Governance on the lines of Clause 49 of the Listing Agreement of the Stock Exchanges and by their letter of August 11, 2006 has asked to certify the compliance of conditions of Corporate Governance.

In the lights of the said appointment, we have examined the compliance of conditions of Corporate Governance by the Company for the Fifteen Months Period ended on June 30, 2006, as stipulated in Clause 49 of the Listing Agreement, as would be entered into by the Company with the Stock Exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of the Corporate Governance. It is neither the audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has generally complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

PLACE: MUMBAI
DATED: AUGUST 11, 2006

For BANSI S. MEHTA & CO.,
Chartered Accountants

PARESH.H.CLERK
Partner
Membership No. 36148

Certificate of Practicing Company Secretary on Secretarial Compliance

To
The Board of Directors,
GTL Infrastructure Limited.

We have examined the registers, records, books and papers of GTL Infrastructure Limited (“the Company”) as required to be maintained under the Companies Act, 1956 (“the Act”), the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company (“the requirements”) for the year ended June 30, 2006. Based on our examination as well as information and explanation furnished by the Company to us and the records made available to us, we hereby report that:

1. The requisite statutory registers and other records required under the Act and the Rules made there under have been maintained in accordance with the Act either in physical or electronic mode as applicable.
2. The requisite forms, returns and documents required under the Act and the Rules made there under to be filed with the Registrar of Companies and other authorities have been duly filed as per the requirements of the Act.
3. The requirements relating to the meetings of Directors and its Committee(s) thereof and of the Shareholders as well as relating to the minutes of the proceedings have been duly complied with.
4. The appointments of additional Directors have been made in accordance with the requirements of the Act. There was only one retirement of a Director who was re-elected in the last Annual General Meeting.
5. Due disclosures under the requirements of the statutes have been made by the Company. The Company has also complied with the requirements in pursuance of the disclosures made by its Directors.
6. The issue and allotment of shares are in conformity with the requirements of the Act.
7. The Company has complied with the provisions of Section 293(1)(a) and 293(1)(d) of the Act in respect of monies borrowed from financial institutions and banks and falling within the purview of those sections.
8. The Company has complied with the provisions of section 372A in respect of investments made during the financial year ending on June 30, 2006.
9. The Company has, wherever required, obtained the necessary approvals of the Board, Committee thereof, shareholders, the Central Government or any other authorities as per the requirements of the Act.
10. The Company has not defaulted in any of the provisions given under Section 274 (1) (g) of the Act, which would otherwise disqualify the Directors of the Company from acting as a Director of any other Company. It may be stated that the Company has not accepted any Fixed Deposits. The Annual Returns and the Annual Reports have been filed as required under the Act.
11. The Company has obtained the approval of the Bondholders and Reserve Bank of India and has adhered to other formalities for splitting of the Foreign Currency Convertible Bonds issued by GTL Limited, as approved by the Hon’ble High Court of Judicature at Bombay.
12. The Company has complied with the requirements of the Act, FEMA, RBI Regulations and other allied rules and regulations in respect of the Foreign Direct Investment received by it.
13. The Company has allotted options under the ESOP Schemes for its employees and during the year under review, the Company has complied with the relevant provisions of Employee Stock Option Scheme and Employee Stock Purchase Scheme Rules, 2002 in respect of ESOP scheme of the Company.

for **V.RAVIKUMAR & ASSOCIATES**,
Company Secretaries,

V.Ravikumar
Practising Company Secretary
FCS: 4568 / CP: 5213

Mumbai, August 11, 2006

Certificate of Whole-Time Director and Chief Financial Officer Under Clause 49 of the Listing Agreement

We, Prakash Ranjalkar, Whole-time Director and Shishir Parikh, Chief Financial Officer of GTL Infrastructure Limited hereby certify that:

(a) We have reviewed financial statements and the cash flow statement for the fifteen months period ended June 30, 2006 and that to the best of our knowledge and belief:
   i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the period, which are fraudulent, illegal or violative of the Company's code of conduct.

(c) We are responsible for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit Committee:
   i. significant changes in internal control over financial reporting during the year;
   ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Mumbai	Prakash Ranjalkar	Shishir Parikh
Date: August 11, 2006	Whole-time Director	Chief Financial Officer

Information on Directors' Appointment / Re-appointment

The information on Directors recommended for appointment / re-appointment at the ensuing Annual General Meeting is as under:

Mr. Lee Sek Hong (Michael Lee), Independent Director.
Mr. Lee has been a Member of the Board since August 8, 2005. He retires by rotation in the ensuing Annual General Meeting and is eligible for re-appointment.

A Science Graduate from Acadia University of Canada, he has more than 20 years of experience in the technology service industry. He was the Managing Director of GE Information Services, South East Asia Operations, with overall responsibility for the company's sales, services and acquisitions in the region. He has expertise in strategic business planning, systems design and operation management.

He holds Directorship in GlobalCom Information Services Pte. Ltd. Singapore. In GTL Infrastructure Limited, he is a Member of Nomination & Remuneration Committee of the Board. He does not hold any shares of the Company.

Mr. Charudatta Naik, Non-Independent Director.
Mr. Naik has been a Member of the Board since inception of the Company on 4th February, 2004. He retires by rotation in the ensuing Annual General Meeting and is eligible for re-appointment.

Mr. Naik is an engineer in Electronics & Telecom and has an overall experience of 16 years in various telecom and system integration companies. He has played a vital role in introducing Fourth Generation Voice Switches and First Private Feature Transparent Network in India. He is the Chief Operating Officer of GTL Limited.

He holds Directorship in SEZ Consultancy Services Ltd. In GTL Infrastructure Limited, he is a Member of Audit Committee of the Board. He holds 33,950 equity shares of the Company. He also holds 500,000 options under Employees Stock Option Scheme of the Company.

Mr. S.S. Dawra, Independent Director.
Mr. Dawra was appointed as an Additional Director in the Board Meeting held on August 1, 2006. As such he holds office up to the date of the ensuing Annual General Meeting.

Mr. Dawra is a retired I.A.S. officer belonging to the Punjab Cadre. The senior positions held by him includes Secretary in various Ministries of Govt. of India; Principal Secretary to Chief Minister of Punjab; Director, Enforcement (FERA); Chairman, Delhi Metro Rail Corp; Managing Director of Nafed & Markfed; and Secretary of ICAR. In his distinguished service, among other things, he had been responsible in initiating reforms in new pension scheme for Govt Employees, giving impetus to the Delhi Metro Rail Project, introducing new schemes in the area of hydrogen and solar energy and the changeover from FERA to FEMA.

He holds Directorship in Food Corporation of India and HDIL. He is a Member of Audit Committee of HDIL. He is also holding the position of Chairman, Punjab Revenue Commission, Chandigarh. He does not hold any shares of the Company.

Mr. Deepak Vaidya, Independent Director
Mr. Vaidya was appointed as an Additional Director in the Board Meeting held on August 1, 2006. As such he holds office up to the date of the ensuing Annual General Meeting.

Mr. Vaidya is a fellow of the Institute of Chartered Accountants (England & Wales) and has an overall experience of more than 30 years. The assignments handled by him includes Partner of Bombay Office of Schroder Capital Partners Ltd; Consultant to various multinationals for entering Indian market place; Group Executive for Consolidated Home Executive Industries BV, Singapore; and owning and managing a number of business including a machine tool workshop and texturising plant in the man-made fibre industry. Mr. Vaidya has worked throughout the Region including Singapore, Indonesia and India. Mr. Vaidya represented Schroder Ventures Funds on a number of investee company boards in India. He was also the Indian representative on the International Advisory Board of the National Association of Securities Dealers. Mr. Vaidya is presently engaged in raising a Private Equity Fund for India under the umbrella of Deeva Capital.

He is Chairman of Strides Arcolab Ltd and Director of Orchid Chemicals & Pharmaceuticals Ltd, Apollo Hospitals Enterprise Ltd, PPN Power Generating Ltd, Suntec Business Solutions Pvt Ltd and Hotel Scopevista Ltd. He is also Chairman of Audit Committee of Apollo Hospitals Enterprise Ltd and Shareholders / Investors Grievance Committee of Strides Arcolab Ltd. He is also Member of Audit Committee of Strides Arcolab Ltd and Orchid Chemical & Pharmaceuticals Ltd and Member of Remuneration Committee of Strides Arcolab Ltd. He does not hold any shares of the Company.

Mr. Prakash Samant, Independent Director
Mr. Samant was appointed as an Additional Director in the Board Meeting held on August 1, 2006. As such he holds office up to the date of the ensuing Annual General Meeting.

Mr. Samant is a rank holder in Chartered Accountant and Company Secretary Examinations; handled variety of assignments in the areas of finance, legal and secretarial functions in diverse industries; has significant experience in investment analysis and due diligence for identifying investment opportunities in India and abroad both through private acquisition and divestment process of Govt of India. His successful assignments also include conceptualization to financial closure of large projects and finalization of Joint Venture with large MNCs. He has over 23 years of industry experience.

Presently, he is serving as the Managing Director of Metmin Investment and Trading Pvt Ltd, an NRI Group of Companies in Mumbai. Mr. Samant is also Director in Metmin Finance and Holdings Pvt Ltd, Metmin Exploration Pvt. Ltd, Metdist Industries Pvt. Ltd and Asta India Pvt. Ltd. He does not hold any shares of the Company.

Report on Compliance with Clause 49 of Listing Agreement of Stock Exchanges

1. Company's philosophy on Code of Governance

The Company's Philosophy on the code of governance as adopted by its Board of Directors:

- Ensure that the quantity, quality and frequency of financial and managerial information, which the management shares with the Board, fully places the Board Members in control of the Company's affairs.
- Ensure that the Board exercises its fiduciary responsibilities towards shareowners and creditors, thereby ensuring high accountability.
- Ensure that the extent to which the information is disclosed to present and potential investors is maximized.
- Ensure that the decision-making is transparent and documentary evidence is traceable through the minutes of the meetings of the Board / Committees thereof.
- Ensure that the Board, the Management, the Employees and all concerned are fully committed to maximizing long-term value to the shareowners and the Company.
- Ensure that the core values of the Company are protected.
- Ensure that the Company positions itself from time to time to be at par with any other world-class company in operating practices.

2. Board of Directors

Details of Directors

Sr. no	Name of Director	NPD*	ED/ NED/ID/NID*	Attendance in Board Meetings		Attendance in last AGM	Other Board		
							Directorship **	Committee Chairmanship ***	Committee Membership***
				Held	Attended				
1.	Manoj Tirodkar, Chairman	NPD	NED/NID	12	9 +	Present	1	0	1
2	C.V. Kane	NPD	NED/NID	12	2@	NA	0	0	0
3	Charudatta Naik	NPD	NED/NID	12	9	Present	1	0	0
4	Deepak Vaidya	NPD	NED/ID	12	NA $	NA	5	2	4
5	G.V.Desai	NPD	NED/ID	12	12	Present	2	1	1
6	Lee Sek Hong (Michael Lee)#	NPD	NED/ID	12	1 +	Absent	0	0	0
7	Prakash Ranjalkar	NPD	ED/NID	12	11	Present	0	0	0
8	Prakash Samant	NPD	NED/ID	12	NA $	NA	0	0	0
9	S.S. Dawra	NPD	NED/ID	12	NA $	NA	2	0	1
10	Vishwas Pathak	NPD	NED/ID	12	10 +	Present	2	0	0

*NPD – Non-Promoter Director; ED – Executive Director; NED – Non-Executive Director; ID – Independent Director; NID – Non Independent Director

** In Indian Public Limited Companies

*** In Audit and Shareholders' / Investors' Grievance Committees of Indian Public Limited Companies

@ Ceased to be Director w.e.f 18.07.05

\+ Inducted as Additional Directors w.e.f 08.08.05

$ Inducted as Additional Directors w.e.f 01.08.06

Was granted leave of absence for the Board Meetings not attended by him on account of his occupation in Singapore

Details of Board Meetings held during the fifteen months period ended June 30, 2006:

Date of Board Meeting	20.04.05	04.05.05	08.08.05	26.09.05	31.10.05	11.11.05	21.11.05	26.11.05	03.01.06	09.03.06	17.04.06	11.05.06
Board Strength	4	4	6	6	6	6	6	6	6	6	6	6
No. of Directors Present	4	3	4	6	5	5	5	5	5	5	4	3

3. Audit Committee

Brief description of terms of reference:

- Review the financial reporting process and disclosure of its financial information.
- Review with the Management the annual / quarterly financial statements before submission to the Board for approval.
- Review with the Management, Statutory Auditors and Internal Auditors the adequacy of internal control systems.
- Review the Company's accounting policies.
- Look into reasons for substantial defaults, if any, in payment to depositors, shareholders and creditors.
- Recommend the appointment and removal of Statutory Auditors and fixation of Audit Fee.
- Approval of payment to Statutory Auditors for any other services rendered by them.
- Other functions as required by applicable Regulations

Composition of Committee and Attendance of Members:

Sr. No	Name of Director and position	Meetings/Attendance	
		20.04.05	31.10.05
1.	G.V. Desai, Chairman*	Present	Present
2.	Charudatta Naik, Member	Present	Absent
3	C.V. Kane, Member**	Present	NA
4.	Prakash Ranjalkar, Member***	Absent	NA
5.	Vishwas Pathak, Member****	NA	Present

* Appointed as Chairman w.e.f. 24.07.06

** Ceased to be Director / Member w.e.f 18.07.05

*** Relinquished w.e.f. 26.09.05 consequent on reconstitution of the Committee.

**** Appointed w.e.f 26.09.05

4. Nomination & Remuneration Committee

Brief description of terms of reference:

- Frame Company's policies on Board and Directors with the approval of the Board.
- Make recommendations for the appointments on the Board.
- Recommend compensation payable to the Executive Directors.
- Review of HR Policies/Initiatives & Senior Level Appointments.
- Administer and supervise Employees Stock Option Schemes.
- Perform such other functions consistent with applicable regulatory requirements.

Composition of Committee and Attendance of Members:

Sr. No	Name of Director and Position	Meetings/Attendance			
		20.04.05	21.11.05	26.11.05	26.04.06
1.	Prakash Samant, Chairman*	NA	NA	NA	NA
2.	G.V.Desai, Member	Present	Present	Present	Present
3.	C.V.Kane, Member**	Present	NA	NA	NA
4.	Charudatta Naik, Member***	Present	Present	Present	Present
5.	Lee Sek Hong (Michael Lee)****	NA	Absent	Absent	Absent

*Appointed as Chairman w.e.f. 11.08.06

** Ceased to be Director / Member w.e.f. 18.07.05.

*** Ceased to be Member w.e.f. 01.08.06.

**** Appointed w.e.f 26.09.05

Corporate Governance Report

- **Remuneration Policy:** The Policy Dossier approved by the Board at its meeting held on August 11, 2006, *inter alia*, provides for the following:

■ **ExecutiveDirectors:**
- ☐ Salary and commission not to exceed limits prescribed under the Companies Act, 1956.
- ☐ Remunerate from time to time depending upon the performance of the Company, Individual Director's performance and prevailing Industry norms.
- ☐ No sitting fees.
- ☐ No ESOP for Promoter Directors.

■ **Non-Executive Directors:**
- ☐ Eligible for commission based on time, efforts and output given by them.
- ☐ Sitting fees and commission not to exceed limits prescribed under the Companies Act, 1956.
- ☐ Eligible for ESOP (other than Promoter Directors).

- **Details of remuneration to all the Directors:**

Sr. No.	Name of Director	Salary (Rs.)	Benefits (Rs.)	Bonus/ Commission (Rs.)	Performance linked incentives (along with Criteria)	Sitting fees (Rs.)	Total (Rs.)	Stock Options	Service Contract/ Notice period/Severance fees/Pension
1.	Manoj Tirodkar	-	-	-	-	20000	20000	Nil	Retirement by Rotation
2.	C.V. Kane	-	-	-	-	-	-	Nil	Ceased to be a Director w.e.f 18.07.05.
3.	Charudatta Naik	-	-	-	-	22000	22000	#	Retirement by Rotation
4.	Deepak Vaidya	NA	NA	NA	NA	NA	NA	Nil	Additional Director w.e.f 1.8.06.
5	G.V.Desai	-	-	-	-	28000	28000	Nil	Retirement by Rotation
6.	Lee Sek Hong (Michael Lee)	-	-	-	-	2000	2000	Nil	Retirement by Rotation
7.	Prakash Ranjalkmar	1,920,000	1,893,154	-	-	-	3,813,154	##	*
8.	Prakash Samant	NA	NA	NA	NA	NA	NA	NA	Additional Director w.e.f 01.08.06
9	S.S. Dawra	NA	NA	NA	NA	NA	NA	NA	Additional Director w.e.f 01.08.06
10	Vishwas Pathak	-	-	-	-	26000	26000	-	Retirement by Rotation

*5 years w.e.f 01.04.05 / Notice period 3 months / NA / NA

5,00,000 options allotted on 26.11.2005.

4,80,000 options allotted on 26.11.2005

Notes:

1. All options issued underlie equal number of equity shares of Face Value of Rs.10 issued at par.
2. Apart from the above, the Company does not have any other pecuniary relationship or transactions with the Directors.

5. Shareholders' / Investors' Grievance Committee

- ☐ Name of Non-Executive Director heading the Committee: Mr. Manoj Tirodkar
- ☐ Name and Designation of compliance officer: Mr. D.S. Gunasingh, Company Secretary
- ☐ Number of shareholders complaints received so far : NIL
- ☐ Number not solved to the satisfaction of shareholders : NA
- ☐ Number of pending complaints : NA

Consequent to the allotment of shares to the shareholders of GTL Limited on July 17, 06, a Shareholders' / Investors' Grievance Committee was constituted on July 7, 2006. The following are the present Members of the Committee:

1. Mr. Manoj Tirodkar, Chairman
2. Mr. G.V. Desai
3. Mr. Vishwas Pathak

6. General Meetings

Location and time of the Company's last three AGMs with details of special resolutions passed

Particulars	2002-03	2003-04	2004-05
Date	NA*	September 30, 2004	September 30, 2005
Time	NA*	09.30 A.M.	11.00 A.M.
Venue	NA*	Electronic Sadan I TTC Industrial Area, MIDC, Mahape, Navi Mumbai 400 710.	Electronic Sadan I TTC Industrial Area, MIDC, Mahape, Navi Mumbai 400 710.
Details of Special Resolutions passed in the AGM	NA*	-	-
Details of Special Resolutions passed in the EGMs	NA*	No Special resolutions passed	1. Alteration of main objects of Memorandum & Change of name of the Company vide resolution dated January 28, 05. 2. Increase of Authorised Share Capital from Rs 1 Cr to Rs 25 Crs vide resolution dated February 22, 05.

* As the Company was incorporated only on February 4, 04

- ☐ Special resolutions that were put through postal ballot last year; details of voting pattern:
  Not applicable as no special resolution was put through postal ballot in the last year
- ☐ Person who conducted the postal ballot exercise: NA
- ☐ Whether special resolutions are proposed to be conducted through postal ballot:
  Yes, shall be conducted as per the provisions of the Companies Act, 1956.
- ☐ The Procedure for postal ballot:
  Shall be as per the provisions of the Companies Act, 1956 and rules made there under.

7. Disclosures

- ☐ Disclosure on materially significant related party transactions of the Company, that may have potential conflict with the interests of the Company at large:
  The Company does not have any material related party transactions, which may have potential conflict with its interests at large. In any case disclosures regarding the transactions with related parties are given in the notes to the Accounts.

- ☐ Details of non-compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges or SEBI or any Statutory Authority, on any matter related to Capital Markets during the last three years.
  Not applicable as the Company is yet to be listed.

- ☐ Details of Compliance with mandatory requirements and adoption of the non-mandatory requirements:
  The Company has complied with all mandatory requirements of Clause 49 of the Listing Agreement.

Disclosure on Non Mandatory requirements:

- **The Board**
  Has a Non Executive Chairman. The expenses incurred by him in the performance of his duties are reimbursed.
  No policy has been laid down on tenure of Independent Directors.

- **Remuneration Committee**
  The Company has constituted a Nomination and Remuneration Committee and the full details of the same is available elsewhere in this report.

- **Shareholders' Rights**
  The Company has filed its application for listing. On listing it shall publish the half yearly financial results in the newspapers and shall also display it on the Company's website www.gtlinfra.com, apart from the display in SEBI EDIFAR website. Accordingly, it does not envisage to send the same separately to the households of the shareholders.

- **Training of Board Members**
  Prior to the appointment of the Directors, an invitation letter giving the background of the Company is sent to the Directors. On receiving their consent another letter containing the information on the terms of appointment; time commitment expected; powers & duties; special duties / arrangement attaching to the position; circumstances in which the office of the Director become vacant; expectation regarding involvement with Committee work; remuneration and expenses; Superannuation arrangements; disclosure of Directors' interest which might affect their independence; and insider trading, code of conduct etc. is given to the Directors. Arrangements are also made for a presentation and facility visit by the Directors, either before or after their joining the Board. The Directors shall also be invited for the Business Conference of the Middle and Senior Management to enable the Company to get their input on the strategy, risk and working of the operations of the Company.

- **Mechanism for evaluating Non-Executive Board Members**
  No policy has been laid down by the Company.

- **Whistle Blower Policy**
  The Company does not have any Whistle Blower Policy. However any employee, if he / she so desires, has free access to meet or communicate with the Senior Management and report any matter of concern.

8. Means of Communication

- ☐ Quarterly results:
  The number of shareholder of the Company has increased from 3 to 74376 only on allotment of shares to shareholders of GTL Limited in lieu of the demerger of the Infrastructure Unit of GTL Limited. Thus, on listing, the Company shall publish the results in 2 news papers and also display in the Company's website.

- ☐ Website where displayed:
  http://www.gtlinfra.com

- ☐ Whether it also displays official news releases: The Company's website displays official news releases, presentations made to institutional investors or to the analysts and other coverage in the website.

In line with the requirements of Clause 49, the Management Discussion and Analysis is also provided under various heads in this Annual Report.

9.General shareholder information

i.	**AGM: Date, time and venue**	September 27, 2006; 12.30 p.m; at Vishnudas Bhave Natyagriha, Sector 16-A, Vashi, Navi Mumbai 400703.	
ii.	**Financial Calendar for F.Y.2006-07**	First Quarter Results	On or before October 31, 2006
		Second Quarter Results	On or before January 31, 2007
		Third Quarter Results & Audited Annual Results	On or before April 30, 2007
iii.	**Dates of book closure**	No book closure	
iv.	**Dividend Payment**	No dividend has been declared.	
v.	**Listing on Stock Exchanges**	Listing is awaited from Bombay Stock Exchange Ltd (BSE) and National Stock Exchange of India Ltd (NSE).	
	Listing Fees for 2006-07	Shall be paid on listing	

vi. **Stock Codes:**

Stock Exchange/ News Agency	**Stock Code**
The Stock Exchange, Mumbai (BSE)	NA*
National Stock Exchange of India Limited (NSE)	NA*
Reuters Code	NA*
Bloomberg ticker	NA*
Equity ISIN	INE221H01019

*Listing awaited

vii Market Price Data: Does not arise as listing of shares are in process.

viii. **Performance in comparison to broad based indices such as BSE Sensex, CRISIL index, etc**

Does not arise as listing of shares is in process.

ix. **Registrar and Share Transfer Agents**

Share Transfer Agent, GTL Limited - Investor Service Centre, Electronic Sadan II, TTC Industrial Area, MIDC, Mahape, Navi Mumbai – 400 710

GTL Limited is registered with the Securities and Exchange Board of India (SEBI) as a Category II share transfer agent.

x. **Share transfer system in physical form**

As the number of shareholders of the Company has gone up from 3 to 74376 only with effect from July 17, 2006 and the listing of shares are in process, the Company in consultation with its Share Transfer Agent shall put in place an appropriate share transfer system in respect of the physical shares.

xi. **Distribution of Shareholding as on July 17, 2006.**

a. **Distribution of Shareholding according to size of holding**

No. of shares. (1)	No. of shareowners (2)	% to total shareholders (3)	Share amount (Rupees) (4)	% to total (5)
Upto 5000	68,981	92.75%	72,586,540	2.26%
5001-10000	2,666	3.58%	20,954,530	0.65%
10001-20000	1,316	1.77%	19,747,890	0.62%
20001-30000	453	0.61%	11,565,550	0.36%
30001-40000	199	0.27%	7,091,950	0.22%
40001-50000	180	0.24%	8,411,050	0.26%
50001-100000	216	0.29%	16,383,110	0.51%
100001 and above	275	0.37%	3,049,852,030	95.08%
NSDL / in transit	90	0.12%	1,083,970	0.03%
Total	**74,376**	**100.00%**	**3,207,676,620**	**100.00%**

b. Distribution of shares by shareholder category

Sr.No.	Shareholder category	No. of shareholders	Shares held	Voting strength
1	Promoter (Body Corporate)	1	133,000,000	41.46%
2	Directors, Their Relatives	9	466,923	0.15%
3	Bodies Corporate	1,946	35,260,659	11.00%
4	Banks	11	192,223	0.06%
5	Mutual Funds	4	14,764	0.00%
6	Financial Institutions	7	17,481,459	5.45%
7	Foreign Institutional Investors (FIIs)	27	28,146,799	8.77%
8	Non-Resident Individuals(NRIs)/Foreign Corporate Bodies, Overseas Corporate Bodies	419	88,787,292	27.68%
9	Resident Individuals	71,862	17,309,146	5.40%
10	In-Transit (NSDL)	90	108,397	0.03%
TOTAL:		**74,376**	**320,767,662**	**100.00%**

c. Top 10 Shareholders as on July 17, 2006

Sl No.	Name(s) of shareholders	Category (as per depository	Shares	%
1	GTL Limited	Domestic Company	133,000,000	41.46%
2	Technology Infrastructure Limited	Corporate Body OCB	86,197,850	26.87%
3	Infrastructure Development Finance Company Limited	Financial Institution	16,000,000	4.99%
4	Citigroup Global Markets Mauritius Private Limited	Foreign Institutional Investor (FII)	6,526,789	2.03%
	Citigroup Global Markets Mauritius Pvt Ltd	Foreign Institutional Investor (FII)	814,626	0.25%
5	Merrill Lynch Capital Markets Espana S.A.S.V.	Foreign Institutional Investor (FII)	6,213,335	1.94%
	Merrill Lynch Capital Markets Espana S.A.S.V.	Foreign Institutional Investor (FII)	262,850	0.08%
6	UBS Securities Asia Limited. A/c. Swiss Finance Corporation (Mauritius) Limited	Foreign Institutional Investor (FII)	3,426,538	1.07%
	Swiss Finance Corporation (Mauritius) Limited-FCCB	Foreign Institutional Investor (FII)	704,272	0.22%
7	Deutsche Securities Mauritius Limited	Foreign Institutional Investor (FII)	2,750,000	0.86%
8	The India Fund, Inc.	Foreign Institutional Investor (FII)	2,397,890	0.75%
9	Morgan Stanley And Co. International Limited A/c Morgan Stanley Dean Witter Mauritius Company Limited	Foreign Institutional Investor (FII)	1,811,743	0.56%
10	BSMA Limited	Foreign Institutional Investor (FII)	1,288,000	0.40%
	BSMA Limited	Foreign Institutional Investor (FII)	181,028	0.06%

xii. Dematerialisation of shares and liquidity

99.84% of the Company's shares are held in electronic form as on July 17, 2006.

xiii. Outstanding warrants or any Convertible instruments, conversion date and likely impact on equity:

a. Foreign Currency Convertible Bonds (FCCBs)

During August 2004, GTL Limited issued 8,000 FCCBs to foreign investors and raised Swiss Francs. (SFr.) 80 million. As per the terms of the issue, the FCCB holders have option to convert FCCBs into Equity Shares any time from 22-Nov-2004 to 20-Aug-2009 at a fixed conversion price of Rs.103/- per share (Face Value Rs.10 and Premium Rs.93).

In terms of the Scheme of Arrangement and Reconstruction between GTL Limited and the Company with effect from the Appointed Date viz. October 1, 2005, the liability in respect of each FCCB of SFr. 10,000 would be split between GTL and the Company as SFr. 9029.13 and SFr. 970.87 respectively. The High Court of Judicature at Bombay has approved the said Scheme on April 28, 2006, and a copy of the Order was filed with ROC on June 12, 2006. Accordingly, appropriate entries in the books of account have been passed for 1037 FCCBs converted during the period October

1, 2005 till June 12, 2006. Thereafter, the liability in respect of the said FCCBs stand split and subsequent workings are arrived at by taking into consideration the face value of each bond split i.e. SFr. 970.87.

No conversion has taken place between June 13, 2006 and June 30, 2006. Accordingly 4,757 FCCBs worth SFr. 4,618,428.59 are outstanding. If all of the outstanding FCCBs are converted into Equity Shares, the total share capital would go up by Rs 172,229,520 (on account of issue of 17,222,952 New Equity Shares).

b. Employees' Stock Option Plans (ESOPs)

On November 26, 2005 the Company has issued 1,550,000 Options to its employees under its Employees' Stock Option Scheme 2005 (ESOS 2005). As per the Scheme, 35% of the Options are convertible at the end of first year, another 35% Options are convertible at the end of second year and the balance of 30% are convertible at the end of third year. Thus the share capital of the Company would go up by Rs 5,425,000; Rs 5,425,000 and Rs 4,650,000 at the end of first year, second year and third year, respectively, on account of conversion of each Option into one share at the rate of Rs 10/-.

xiv. Plant Locations:

The nature of business of the Company is service. The main activities of the Company are conducted from Electronic Sadan I, TTC Industrial Area, MIDC, Mahape, Navi Mumbai 400 710.

xv. Address for correspondence

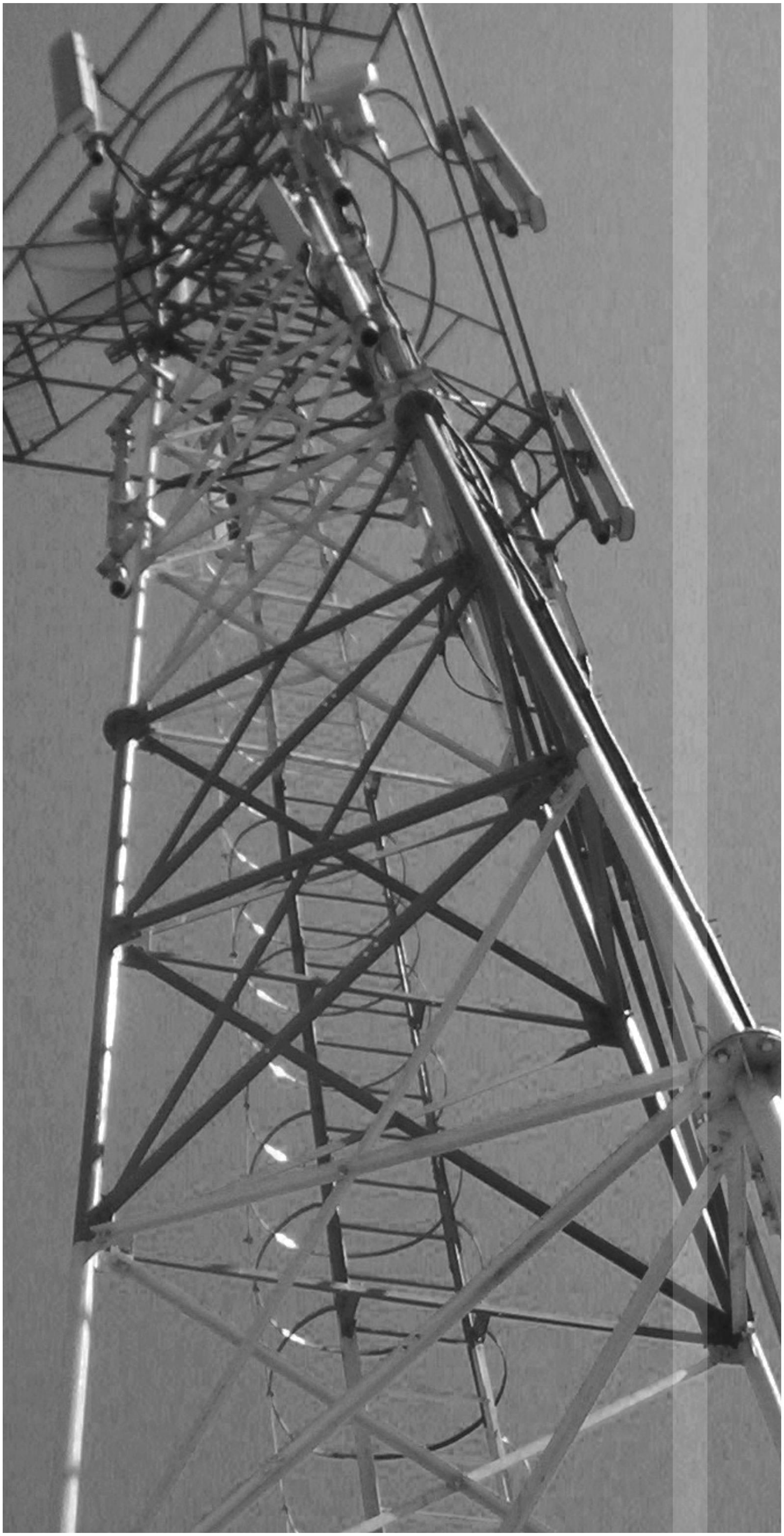
Registered Office: GTL Infrastructure Limited
Electronic Sadan No. I, MIDC,
TTC Industrial Area, Mahape,
Navi Mumbai 400710 INDIA

Investor Correspondence

All shareholders complaints/queries in respect of their shareholdings may be addressed to GTL Limited - Investor Service Centre Electronic Sadan No. II, MIDC, TTC Industrial Area, Mahape, Navi Mumbai 400710 INDIA.

Contact Persons: Mr. Jayendra Pai, Associate Vice President, Shares & Systems or Mr. R. Nagarajan, Sr. Manager, Shares & Systems

Tel.: +91-22-27612929 / 27684111 Extn. Nos. 2041/2367 FAX: +91-22-27680171
Website: www.gtlinfra.com
Email: gilshares@gtlinfra.com



Account Section

Contents

To the members,

We are delighted to present our Third Annual Report along with the Audited Accounts for the 15 months period ended June 30, 2006.

1. Financial Results **Rs. In Lacs**

	As at June 30, 2006 (15 Months)	As at March 31, 2005 (12 Months)
Total Income	**1,700.42**	11.31
PBDIT	**765.95**	(47.26)
Depreciation	**1,930.54**	2.27
PBIT	**(1,164.59)**	(49.53)
Interest	**70.59**	-
Profit / Loss before tax	**(1,235.18)**	(49.53)
Provision for taxation	**-**	-
Net Profit / Loss	**(1,235.18)**	(49.53)

2. Change of Financial Year

With a view to give effect to the Scheme of Arrangement and Reconstruction approved by the Hon'ble High Court on April 28, 2006 with effect from the Appointed Date viz October 1, 2005, the period of the current financial year 2005-06 has been extended by 3 months to end on June 30, 2006

3. Dividend

The period under review is the first year of operation of the infrastructure business of the Company. We are rapidly building and acquiring assets. The company is poised for growth and expansion, with a planned capital outlay of over Rs.2030 Crores in next 2-3 years. This has resulted in operational loss; hence no dividend has been declared.

4. Operations

During this period,the Company achieved financial closure for the first phase of its project cost both in terms of equity and debt financing. This was achieved in line with the business appraisal report submitted by various consultants and financial institutions. Completed the de-merger and asset acquisition process with GTL Limited. We are glad to report that consistent efforts towards popularizing the shared user telecom infrastructure concept with telecom operators resulted in booking contract for 200 sites from one of the niche GSM operators as anchor user at the tail end of financial year.

Under the said review period the Company earned total revenue of Rs 17 Crores and capitalized assets worth Rs. 173 Crores comprising of telecom and network infrastructure. The revenues are mainly from the anchor users for a limited part of review period since the court order enabling such revenues was recieved only in June 2006. The company's business strategy is to further share these assets with multiple users. The full revenue and impact of sharing will be reflected in ensuing financial year(s).

During the period under review the company has a depreciation of Rs 19.30 Crores on the capital assets. The operations have resulted in a loss of Rs. 12.35 Crores after depreciation & before tax. However the operations (less of depreciation) would have resulted in cash profit before tax of Rs. 6.95 Crores.

Strategic objective

As a part of the business strategy, the Company's focus is on "Shared User Infrastructure in Telecom Sector" and providing associated "Network Infrastructure" to operators and other users.

Thus the strategic objective set by the management for coming years is ***"Creating value through shared user infrastructure"***.

In a major expansion drive aimed at consolidating its business of providing cellular operators shared infrastructure, the Company proposes to build, own and operate shared passive telecom infrastructure for approximately 6,700 sites with a proposed investment of Rs 2,030 Crores.

Significant business developments

Shared Telecom Infrastructure

The Company has been working with leading telecom operators in India for their shared telecom infrastructure requirement and has received encouraging response from them.

GSM & CDMA Operators - Based on the interest evinced by the operators on the Company's offer for sites on BOO basis, it expects to conclude approximately 2,000 sites contract with GSM operator/s and 1,500 sites contract with CDMA Operator/s in near future term.

Mobile Operator Shared Tower (MOST) Project – This project is sponsored by COAI & AUSPI under guidance of Department of Telecom. As a part of this effort, the Company has been awarded 5 pilot sites in Delhi and nearby area and it expects to build major share of 3000 sites planned in next 2-3 years.

Shared Network Infrastructure

The Company has received from GTL Limited (parent company) Network Infrastructure assets. These assets have already been provisioned for use of GTL Limited as anchor tenant. The same infrastructure will be used to manage and maintain the shared telecom infrastructure, which is under construction in a phased manner over the next 12-15 months. Our company is making further investments in creating world-class network infrastructure at Pune and Navi Mumbai. These assets will be used/shared by some of the leading domestic and international corporate /telecom service providers/BPO companies.

Future Outlook

Intense competition (5-6 players in most circles) and aggressive network rollout plans have led to Indian telecom subscriber base witnessing higher growth, which is likely to continue and outpace other Asian economies. However, though the industry is growing rapidly, growth is coming at a cost – Indian ARPUs are already among the lowest in the world and are likely to decline further.

Shared user infrastructure, your company's core domain knowledge, will help reduce the cost of operating the telecom network thus meeting the emerging need of the telecom operators. We are sure the shared user infrastructure in telecom sector will have wider acceptance across industry as it is today in USA, Europe and Australia.

5. **De-merger**

As per the Scheme of Arrangement and Reconstruction approved by the Shareholders and the Hon'ble High Court of Judicature at Bombay (Scheme), the Infrastructure Unit of GTL Limited, has been de-merged into our Company with effect from the Appointed Date i.e. October 1, 2005. In terms of the Scheme, the assets and liabilities of Infrastructure Unit have been taken over by the Company and recorded at their book values on the Appointed Date.

In consideration of the de-merger of the Infrastructure Unit, the Company has issued 85,569,812 Equity Shares of Rs.10/- each to the shareholders of GTL Limited in the ratio of 1 fully paid-up Equity Share of Rs.10/- each of the Company for every 1 fully paid-up Equity Share of Rs.10/- each held in GTL Limited.

6. **Purchase of Fixed Assets**

Your Company has acquired "Network Infrastructure" assets of GTL Limited comprising of Network Operating Centre and associated equipment and applications for a cash consideration of Rs 214.59 Crores.

We have already signed contracts for the use of the assets acquired from GTL Limited both through de-merger and acquisition, we anticipate these will earn revenue of Rs. 480 Crores over next 8 years. We are making further investments to enable these assets, to be shared across a wide spectrum of domestic and international corporate/ telecom operators/BPO companies.

7. **Share Capital**

The equity share capital of the Company increased from Rs 25 Crores as on March 31, 2005 to Rs 225 Crores as on June 30, 2006 and further increased to Rs 320.77 Crores as on August 11, 2006 as under:

Particulars		**Share Capital (Rs.)**
Share Capital as on 31.03.05		**250,000,000**
(GTL Limited-Promoter)		
Allotment during the year		
GTL Limited	1,080,000,000	
Infrastructure Development Finance Company Limited (FI)	160,000,000	
Technology Infrastructure Limited (FDI)	760,000,000	2,000,000,000
Share Capital as on 30.06.06		**2,250,000,000**
Allotment in July 06		
Technology Infrastructure Limited (FDI)	101,978,500	
Shareholders of GTL Limited	855,698,120	957,676,620
Share Capital as on 11.08.06		**3,207,676,620**

8. **Foreign Currency Convertible Bonds (FCCBs)**

Pursuant to the Scheme, 5794 - 1% FCCBs outstanding as on the Appointed Date - Due 2009 – Redeemable at a premium of 17% - Convertible into Equity Shares, issued on August 20, 2004 by GTL Limited, have been split between GTL Limited and the Company, and that out of the face value of CHF 10,000 of each bond, the face value of CHF 970.87 has been transferred to the Company with the requisite approval of the Bondholders. Consequently each bond of CHF 970.87 is convertible into 3620.56 equity shares of the Company at INR 10/- per equity share. As on the date of the Balance Sheet viz. June 30,2006, 4757 FCCBs worth CHF 4,618,428.59 are pending for conversion.

9. **Liquidity**

Having identified Shared Infrastructure Services as the potential growth opportunity, the Company got its business case appraised by Bank of Baroda, Earnest & Young jointly with ICICI Bank and Infrastructure Development Finance Company Limited for the first phase for its capex deployments. In line with such appraisal the project cost of Rs.2,030 Crores is to be financed through equity/debt.

Accordingly, as on the date of the Directors' Report, the paid up share capital of the Company stands at Rs. 320.77 Crores. The Company has also so far recieved firm commitments for long term funds both through the domestic and international banks and institutions to the extent of Rs. 1,485 Crores out of which as on June 30, 2006 the Company has drawn down Rs. 432.97 Crores. Thus the Company feels that the present financial arrangements are adequate to cover the capital expenditure needs in the medium term.

The Company has liquid assets of Rs. 129.14 Crores. Pending temporary capex deployment, resultant surplus funds have been deployed in liquid assets so as to earn a return for the purposes of mitigating the interest burden on borrowed funds, if any during such temporary period. As a matter of company policy, the surplus funds have been invested in deposits with banks and liquid mutual funds.

10. **Fixed Deposits**

The Company has not invited or accepted any deposits during the year under review from the public/shareholders.

11. **Listing**

Consequent to the issue of 85,569,812 Equity Shares of Rs.10/- each to the shareholders of GTL Limited, a Listed Company, under the Scheme of Arrangement and Reconstruction, the Company has filed necessary application with the Bombay Stock Exchange Ltd & the National Stock Exchange of India Ltd and the Securities and Exchange Board of India for listing of the equity shares of the Company, without making an initial public offer.

12. **Corporate Governance**

Though the Company is yet to be listed and Clause 49 of the Listing Agreement of Stock Exchanges (Clause 49) is not yet applicable, with a view to adhere to good Corporate Governance Practices, the Company thought it fit to put in place a Corporate Governance System and report on compliance with Clause 49. Accordingly, the compliance report alongwith the Auditors' Certificate is provided in the Corporate Governance section of this Annual Report. In line with the requirements of Clause 49, the Management Discussion and Analysis is also provided under various heads in this Annual Report.

13. **Particulars of Employees**

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 and the rules framed thereunder, the names and other particulars of employees are set out in the Annexure to Directors' Report.

In terms of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any Shareholder interested in obtaining copy of the same may write to the Company Secretary at the Registered Office. None of the employees listed in the said Annexure are related to any Director of the Company.

14. **Employees Stock Option Scheme**

With a view to enable its employees to participate in the future growth and success, the Company introduced Employee Stock Option Scheme 2005 (ESOS 2005) in the FY 2005-06. As on June 30, 2006, a total of 15 employees hold 1,550,000 stock options (Previous Year – Nil) as set out in the Annexure to Directors' Report. The shareholders have authorized issue of shares, not exceeding 5% of issued equity capital of the Company, to its employees in the form of stock options. Consequent to the de-merger of the Infrastructure Unit of GTL Limited into the Company, in terms of Clause 22.2A of SEBI (Employees Stock Option Scheme), Guidelines, 1999, the Company by a saperate resolution is soliciting the approval of the shareholders for adoption / ratification of the said Scheme, with the modification for varying the maximum number of options to be allotted to each employee during any one year to below 1% of the issued equity capital of the Company insted of 1,000,000 options mentioned in the scheme

15. Particulars Regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The Company is engaged in the business of providing infrastructure services and has no manufacturing activity. Hence, furnishing of details relating to conservation of energy is not applicable. During the year under review, the Company has not absorbed, adapted and innovated any new technology. It has also not carried out R&D activity. The particulars regarding foreign exchange earnings and expenditure appear as Item No. 16 & 17 in the Notes to the Accounts.

16. Directors

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, Mr. Charudatta Naik and Mr. Lee Sek Hong (Michael Lee) Directors, retire by rotation at the ensuing Annual General Meeting (AGM) and being eligible, offer themselves for re-appointment.

During the year under review, Mr. S.S. Dawra, Mr. Deepak Vaidya and Mr. Prakash Samant were inducted into the Board as Additional Directors. As such they hold office only up to the date of the ensuing AGM of the Company. In terms of Section 257 of the Companies Act, 1956 they are proposed to be appointed in the ensuing AGM.

Necessary resolutions for the appointment / re-appointment of the aforesaid Directors have been included in the notice convening the ensuing AGM. None of the Directors are disqualified from being appointed as Directors as specified in terms of Section 274 (1) (g) of the Companies Act, 1956.

17. Auditors

M/s. Bansi S. Mehta & Co., Chartered Accountants, were appointed as the Auditors of the Company during the year and are liable to retire at the ensuing Annual General Meeting. The Company has received a Certificate from the Auditors that they are qualified under section 224(1B) of the Companies Act, 1956, to act as the Auditors of the Company, if appointed. Accordingly the approval of the shareholders for the appointment of M/s. Bansi S. Mehta & Co., Chartered Accountants, Mumbai as Auditors of the Company is being sought at the ensuing AGM.

18. Directors' Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956 and based on the information provided by the management, your Directors state that:

a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

b) they have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of June 30, 2006 and of the loss of the Company for the 15 month period ended on that date;

c) 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 frauds and other irregularities;

d) the annual accounts of the Company have been prepared on a going concern basis.

19. Special Business

As regards the items of the Notice of the AGM relating to special business, the resolutions incorporated in the Notice and the Explanatory Statement relating thereto, fully indicate the reasons for seeking the approvals of members to those proposals. Members' attention is drawn to these items and Explanatory Statement annexed to the Notice.

20. General

Notes forming part of the Accounts are self-explanatory.

21. Acknowledgements

We would like to acknowledge with gratitude, the support and co-operation extended by stakeholders, vendors, media, banks and financial institutions and look forward to their continued support. We appreciate the continued co-operation received from various regulatory authorities including RBI, SEBI, Department of Telecommunications, Department of Company Affairs, Registrar of Companies, the Stock Exchanges and the Depositories. We also recognize and appreciate the sincere hard work, loyalty and efforts of the employees and look forward to their continued support.

For and on behalf of the Board of Directors

Manoj G. Tirodkar
Chairman

Mumbai
August 11, 2006

ESOS 2005

At the Extra Ordinary General Meeting held on November 26, 2005, the shareholders of the Company approved issue of shares, not exceeding 5% of the issued equity capital of the Company, to its employees in the form of stock options. The exercise price for conversion of option issued prior to listing of the shares of the Company is the face value of each share at the time of grant. However, the exercise price for conversion of option issued after listing of the shares of the Company will be at a discount up to 25% of the market price (latest available closing price) of each share at the time of grant.

An initial allotment of 1,550,000 options, each carrying the right to be allotted one equity share (Face Value of Rs.10/- each) of the Company at an exercise price of Rs.10/- per share, was made to the employees on November 26, 2005. The Company has adopted the intrinsic value method for ESOS valuation. As the intrinsic value and the exercise price are the same, there is no compensation cost. Accordingly there is no change in the EPS. The disclosures required as per the Employee Stock Option Scheme and Employee Stock Purchase Scheme Rules, 2002 are as under:

Sl No	Particulars	Status
1	Options Granted	1,550,000
2	Pricing formula	Prior to Listing: The exercise price for conversion of each option into one equity share is the face value of each share at the time of grant. After Listing: The exercise price for conversion of each option into one equity share is at a discount up to 25% of the market price (latest available closing price) of each share at the time of grant.
3	Options vested	Nil
4	Options exercised	Nil
5	Total number of shares arising as a result of exercise of Options	Nil
6	Options lapsed	Nil
7	Variation of terms of Options	NA
8	Money realized by exercise of Options	Nil
9	Total number of Options in force	1,550,000
10	Employee wise details of Options granted to: a. Senior Managerial Personnel b. Any other employee who receives the grant in any one year of Option amounting to 5% or more Options granted during that year. c. Identified employees who were granted Option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	 a. Details are furnished below* b. Nil c. Nil

*List of senior managerial personnel to whom Stock options have been granted till June 30, 2006 (Cumulative)

Annexure to Directors' Report

Sr.No.	Name	Total Options Allotted as on June 30, 2006
1	Mr. Charudatta Naik	500,000
2	Mr. Prakash Ranjalkar	480,000
3	Mr. Shishir Parikh	280,000
4	Mr. Sumeet Kumar	50,000
5	Mr. D. S. Gunasingh	50,000
6	Mr. Ashutosh Singh	30,000
7	Mr. Nitin Doddihal	30,000
8	Mr. Tushar Kapadia	30,000
9	Mr. M. R. Bharat	25,000
10	Mr. Rupinder Alhuwalia	25,000
11	Mr. Narayan Masdekar	15,000

For and on behalf of the Board of Directors

Manoj G. Tirodkar
Chairman

Mumbai
August 11, 2006

Auditors' Report

for the fifteen months period ended on June 30, 2006

To the Members of
GTL INFRASTRUCTURE LIMITED

1. We have audited the attached Balance Sheet of **GTL INFRASTRUCTURE LIMITED,** as at June 30, 2006 and also the Profit and Loss Account and the Cash Flow Statement for the Fifteen Months Period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies' (Auditors' 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 the paragraph 4 and 5 of the said Order.
4. Further to our comments in Annexure referred to in paragraph 3 above, we report that:
   a. We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit;
   b. In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
   c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
   e. On the basis of written representations received from directors as on June 30, 2006, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on June 30, 2006 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 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 the case of the Balance Sheet, of the state of affairs of the Company as at 30 June 2006;
      ii. In the case of the Profit and Loss account, of the loss for the year ended on that date; and
      iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **BANSI S. MEHTA & CO.**
Chartered Accountants

PARESH H. CLERK
Partner
Membership No. F-36418

Place: Mumbai
Date: 11 August, 2006

Annexure to the Auditors' Report of GTL Infrastructure Limited

[Referred to in Paragraph (3) of our Report of even date]

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that:

(i) a. The Company is maintaining proper records to show full particulars, including quantitative details and situation of fixed assets.

b. We are informed that Company is in its initial stage of its activities and is in process of framing a programme of physical verification of its fixed assets, more particularly situated at various locations. A physical verification of the fixed assets at Mahape (Navi Mumbai) was carried out by the management during the period and no material discrepancies were noticed in such verification.

c. The Company has not disposed off a substantial part of its fixed assets during the period.

(ii) a. As the Company is not engaged in manufacturing and to a limited extent engaged in trading activities, it does not hold any inventory and therefore, Clause 4 (ii) (a) and Clauses 4 (ii) (b) relating to conduct and procedures of physical verification of inventories and Clause 4 (ii) (c) relating to maintenance of records for inventories, etc. are not applicable.

(iii) a. As per the information furnished, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register, maintained under Section 301 of the Companies Act, 1956.

As the Company has not granted any such loans, Clause (iii) (b) of the Order relating to the rate of interest and other terms and conditions, whether prima facie prejudicial to the interest of the Company, Clause (iii) (c) relating to regularity of the receipt of principal amount and interest and Clause (iii) (d) relating to steps for recovery of overdue amount of more than Rupees One Lakh, are not applicable.

b. As 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 Act, Clause (iii) (f) of the Order relating to the rate of interest and other terms and conditions, whether prima facie prejudicial to the interest of the Company and Clause (iii) (g) relating to regularity of payment of the principal amount and interest, are not applicable.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services and in sale of goods. Internal controls are adequate for the purchase of inventory and the sale of goods for trading activities of the Company, which it is engaged to a limited extent only. We have not noted any continuing failure to correct major weakness in the internal controls during the course of the audit.

(v) a. According to the information and explanations given to us and the records of the Company examined by us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered into the Register required to be maintained under that Section; and

b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable, having regard to prevailing market prices at the relevant time, wherever applicable.

vi. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public during the period and hence, the question of complying with the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the rules framed thereunder, does not arise.

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

viii. As the Company is not engaged in manufacturing activities, the question of the Central Government prescribing maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 does not arise, and accordingly, Clause 4 (viii) of the Order requiring to comment thereon is not applicable.

ix. a. According to the information and explanations given to us and the records examined by us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax, Wealth-Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material Statutory dues applicable to it and there were no arrears of such Statutory dues as on June 30, 2006 for a period of more than six months from the date they became payable.

b. According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess, which have not been deposited on account of any dispute.

x. As the Company has been registered for a period less than five years, Clause 4(x) of the Order requiring to comment upon whether accumulated losses of the Company at the end of the financial year are less than fifty per cent of its net worth and whether the Company has incurred cash losses in such financial year and in the financial year immediately preceding such financial year is not applicable.

xi. According to the information and explanations given to us and records of the Company examined by us, the Company has not defaulted in repayment of dues to any financial institution, bank or debenture holders as at the balance sheet date.

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

xiii. As the Company is not a chit fund, Nidhi, mutual benefit fund or a society, Clause 4 (xiii) of the Order is not applicable.

xiv. According to the information and explanations given to us, as the Company is not dealing or trading in shares, securities, debentures and other investments, the requirements of Clause 4(xiv) of the Order are not applicable.

xv. According to the information and explanations given to us, as the Company has not given any guarantee for loans by others from banks or financial institutions, Clause 4(xv) of the Order is not applicable.

xvi. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised other than amounts temporarily invested pending utilisation of the funds for the intended use.

xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the funds, if any, raised on short term basis have not been utilised for long term investments.

xviii. According to the information and explanations given to us, the Company has made preferential allotment of shares to a company covered in the register maintained under Section 301 of the Act during the period. In our opinion and according to the information and explanations given to us, the price at which such shares have been issued is not prejudicial to the interest of the Company.

xix. According to the information and explanations given to us, as the Company has not issued any debentures, the question of creating security or charges in respect thereof does not arise.

xx. As the Company has not raised any money by public issues during the period, Clause 4(xx) of the Order is not applicable.

xxi. Based on the audit procedures performed and information and explanations given to us the management, we report that, no fraud, on or by the Company, has been noticed or reported during the course of our audit.

For **BANSI S. MEHTA & CO.**
Chartered Accountants

PARESH H. CLERK
Partner
Membership No. F-36418

Place: Mumbai
Date: 11 August, 2006

Balance Sheet

as at June 30, 2006

	Schedule	Rupees	As At June 30, 2006 Rupees	As At March 31, 2005 Rupees
SOURCES OF FUNDS:				
Shareholders' Fund				
Share Capital	A	**2,250,000,000**		250,000,000
Share Capital Suspense	A1	**855,698,120**		NIL
Share Application Money		**325,195**		NIL
Reserves and Surplus	B	**199,302,121**		NIL
			3,305,325,436	250,000,000
Loan Funds				
Secured Loans	C	**4,332,455,764**		NIL
Unsecured Loans	D	**172,229,517**	**4,504,685,281**	NIL
Deferred Tax Liability (Net)			**135,397,216**	NIL
Total			**7,945,407,933**	250,000,000
APPLICATION OF FUNDS:				
Fixed Assets	E			
Gross Block		**1,734,953,958**		49,021,930
Less : Accumulated Depreciation / Amortisation		**193,281,821**		226,953
Net Block		**1,541,672,137**		48,794,977
Capital Work in Progress		**4,657,866,661**		651,560,948
[Includes Capital Advances Rs.343,039,200 (Previous year Nil)]			**6,199,538,798**	700,355,925
Investments	F		**859,468,844**	NIL
Current Assets, Loans and Advances:				
Sundry Debtors	G	**54,360,423**		1,131,600
Cash and Bank Balances	H	**864,827,280**		5,689,532
Loans and Advances	I	**92,958,667**		NIL
		1,012,146,370		6,821,132
Less: Current Liabilities and Provisions				
Current Liabilities	J	**237,773,016**		462,327,587
Provisions		**1,707,929**		NIL
		239,480,945		462,327,587
Net Current Assets			**772,665,425**	(455,506,455)
Profit and Loss Account				
As per Account Annexed			**113,734,866**	5,150,530
Total			**7,945,407,933**	250,000,000
Significant Accounting Policies	Q			
Notes to Accounts	R			

As per our report of even date attached

For and on behalf of the Board of Directors

BANSI S. MEHTA & CO.
Chartered Accountants

PARESH H. CLERK
Partner
Membership No. 36148

Mumbai
Date : August 11, 2006

MANOJ TIRODKAR
Chairman

PRAKASH RANJALKAR
Whole Time Director

GAJANAN DESAI
Director

VISHWAS PATHAK
Director

MICHAEL LEE
Director

PRAKASH SAMANT
Director

D.S. GUNASINGH
Company Secretary

Profit And Loss Account

for the fifteen months period ended on June 30, 2006

	Schedule	Rupees	For the Fifteen Months Period ended on June 30, 2006 Rupees	For the year ended March 31, 2005 Rupees
INCOME				
Sales and Services	K		**169,999,963**	1,131,600
Other income	L		**43,348**	NIL
Total Income			**170,043,311**	1,131,600
EXPENDITURE				
Cost of Sales and Services	M		**17,806,387**	NIL
Employees' Cost	N		**21,543,331**	2,997,568
Administration and Other Expenses	O		**54,098,550**	2,860,159
Interest and Finance Charges	P		**7,059,028**	NIL
Depreciation			**193,054,870**	226,953
Total			**293,562,166**	6,084,680
PROFIT / (LOSS) BEFORE TAX			**(123,518,855)**	(4,953,080)
LESS				
Provision for Taxation				
Income Tax				
- Current		**NIL**		
- Deferred (including Rs.1,986,205 for an earlier year)		**(15,972,454)**		
- Fringe Benefit Tax		**1,037,935**	**(14,934,519)**	NIL
PROFIT AFTER TAX			**(108,584,336)**	(4,953,080)
ADD				
Balance brought forward from last year			**(5,150,530)**	(197,450)
PROFIT/ (LOSS) CARRIED TO BALANCE SHEET			**(113,734,866)**	(5,150,530)
EARNING PER SHARE (in Rupees)				
- Basic			**(1.03)**	(26.53)
- Diluted			**(0.86)**	(26.53)
Significant Accounting Policies	Q			
Notes to Accounts	R			

As per our report of even date attached

For **BANSI S. MEHTA & CO.**
Chartered Accountants

PARESH H. CLERK
Partner
Membership No. 36148

Mumbai
Date : August 11, 2006

For and on behalf of the Board of Directors

MANOJ TIRODKAR
Chairman

PRAKASH RANJALKAR
Whole Time Director

GAJANAN DESAI
Director

VISHWAS PATHAK
Director

MICHAEL LEE
Director

PRAKASH SAMANT
Director

D.S. GUNASINGH
Company Secretary

Schedule to the Balance Sheet

as at June 30, 2006

	As At June 30, 2006 Rupees	As At March 31, 2005 Rupees
SCHEDULE A : SHARE CAPITAL		
AUTHORISED:		
350,000,000 (Previous Year 25,000,000)		
Equity Shares of Rs. 10 each	**3,500,000,000**	250,000,000
	3,500,000,000	250,000,000
ISSUED, SUBSCRIBED AND PAID UP:		
225,000,000 (Previous Year 25,000,000)	**2,250,000,000**	250,000,000
Equity Shares of Rs. 10 each fully paid-up		
	2,250,000,000	250,000,000
Notes:		
i. Of the above, 13,333,000 Equity Shares are held by GTL Limited - Holding Company (Refer Note 4(h) to Schedule R) (Previous year 25,000,000).		
ii.The Company has granted 1,550,000 share options in 2005-06 under the Employees' Stock Option Scheme 2005. Thirty Five percent of these Options will vest at the end of Tweleve months from the date of grant of Options, a further Thirty Five percent will vest at the end of Twenty Four months and the balance will vest at the end of Thirty Six months.		
SCHEDULE A1 : SHARE CAPITAL SUSPENSE		
Share Capital Suspense	**855,698,120**	NIL
85,569,812 Equity Shares of Rs.10 each fully paid, to be issued pursuant to the Scheme of Arrangement for consideration other than cash.		
(Refer Note 4 to Schedule R)		
	855,698,120	NIL
SCHEDULE B : RESERVES AND SURPLUS		
Reconstruction Reserve	**199,302,121**	NIL
Created in Terms of the Scheme of Arrangement (Refer Note 4 to Schedule R)		
	199,302,121	NIL
SCHEDULE C : SECURED LOANS		
Rupee Term Loans		
From a Financial Institution	**350,000,000**	NIL
From Banks (includes Rs.2,759,142 towards Interest accrued and due)	**3,982,455,764**	NIL
	4,332,455,764	NIL
Notes :		
i. The Term loans repayable within one year - NIL		
ii.For Security - Refer Note 5 to Schedule R		
SCHEDULE D : UNSECURED LOANS		
Foreign Currency Convertible Bonds (Refer Note 5 to Schedule R)	**172,229,517**	NIL
	172,229,517	NIL

SCHEDULE E : FIXED ASSETS

DESCRIPTION	Gross Block					Depreciation				Net Block	
		Additions					During the year				
	As at March 31, 2005	During The Period	Under the Scheme of Arrangement (Note 4 to Schedule R)	Sale / Adjustments (Note 3)	As At June 30, 2006	Upto March 31, 2005	For The Period	Sale / Adjust ments	Upto June 30, 2006	As At June 30, 2006	As At March 31, 2005
BUILDINGS	-	70,000,000	96,356,436		166,356,436	-	1,694,749	-	1,694,749	164,661,687	-
(Note 1)			(Note 2)								
PLANT AND EQUIPMENTS											
PLANT AND EQUIPMENTS	49,021,930	518,519,328	650,332,287	13,579,360	1,204,294,185	226,953	149,533,890	-	149,760,843	1,054,533,343	48,794,977
TOWER	-	12,859,399	-	-	12,859,399	-	217,980	-	217,980	12,641,420	-
SHELTER	-	607,985	-	-	607,985	-	32,148	-	32,148	575,836	-
NETWORK OPERATION ASSETS	-	135,159,577	204,815,227	5,215,414	334,759,390	-	36,574,020	-	36,574,020	298,185,369	-
AIR CONDITIONERS, GENERATORS AND ELECTRICAL EQUIPMENTS	-	3,008,226	-	-	3,008,226	-	265,109	-	265,109	2,743,118	-
COMPUTERS	-	4,642,237	-	-	4,642,237	-	853,156	-	853,156	3,789,081	-
OFFICE EQUIPMENTS	-	748,915	2,097,371		2,846,287	-	1,434,316	-	1,434,316	1,411,970	-
FURNITURE AND FIXTURES	-	72,000	4,189,626	6,339	4,255,287	-	2,205,114	-	2,205,114	2,050,172	-
VEHICLES	-	1,210,427	-	-	1,210,427	-	242,085	-	242,085	968,341	-
ELECTRICAL EQUIPMENTS	-	114,100	-	-	114,100	-	2,303	-	2,303	111,797	-
TOTAL (A)	49,021,930	746,942,194	957,790,947	18,801,113	1,734,953,958	226,953	193,054,870	-	193,281,821	1,541,672,137	48,794,977
CAPITAL WORK IN PROGRESS (B)	651,560,948	5,019,877,902	396,852,483	1,410,424,672	4,657,866,661	-	-	-	-	4,657,866,661	651,560,948
GRAND TOTAL (A+B)	700,582,878	5,766,820,096	1,354,643,430	1,429,225,785	6,392,820,619	226,953	193,054,870	-	193,281,821	6,199,538,798	700,355,925
PREVIOUS YEAR		700,582,878			700,582,878		226,953		226,953	700,355,925	

Note :
1. Building includes cost of certain immovable properties for which deeds of conveyance have yet to be executed.
2. Building includes Rs.7,000 towards cost of 70 shares of Rs.100 each in a Co-operative Housing Society (Previous Year Rs.NIL) .
3. The figures in Sale / Adjustments column stated at net book value to the date of sale. The net book value is calculated after deducting depreciation up to the date of sale.

	Rupees	As At June 30, 2006 Rupees	As At March 31, 2005 Rupees
SCHEDULE F : INVESTMENTS			
NON-TRADE			
Own Investments			
Long Term			
Unquoted			
Equity Shares			
Integrated Call Management (India) Private Limited.* 12,86,300 Equity Shares of Rs.10.00 each, fully paid	**12,863,000**		
Preference Shares			
Integrated Call Management (India) Private Limited.* 0.01%, 6 years Cummulative Redeemable Preference Shares of Rs.10.00 each, fully paid	**220,000,000**		
Integrated Call Management (India) Private Limited.* 0.01%, 5 years Cummulative Redeemable Preference Shares of Rs.10.00 each, fully paid	**200,000,000**		
Quoted			
Equity Shares			
Mahanagar Telephone Nigam Limited 5,000 Equity Shares of Rs 10.00 each fully paid.	**1,007,828**		
Reliance Petrolium Limited 2,778 Equity Shares of Rs 10.00 each fully paid.	**166,680**		
Union Bank Of India Limited 46,722 Equity Shares of Rs 10.00 each fully paid.	**5,139,420**	**439,176,928**	NIL

Schedule to the Balance Sheet

as at June 30, 2006

	Rupees	As At June 30, 2006 Rupees	As At March 31, 2005 Rupees
Mutual Funds			
J.M. Hifi Fund 30,00,000 units of Rs.10.00 each.	**30,000,000**		
Reliance Mutual Fund - Reliance Equity Fund 40,00,000 units of Rs.10.00 each.	**40,000,000**	**70,000,000**	NIL
Current			
Quoted			
Mutual Funds			
Can Bank Mutual Fund - Can Liquid Fund units of Rs.10.00 each (During the year - Purchased - 14,938,751 units, Dividend Reinvested - 8,507 units and Sold - 14,947,258 units)	**NIL**		
Can Bank Mutual Fund - Can Floating Fund NFSD units of Rs.10.00 each (During the year - Purchased - 18,746,980 units, Sold - 14,807,064 units and Transferred to Can Floating Fund NFSWD scheme - 3,939,196 units)	**NIL**		
Can Bank Mutual Fund - Can Floating Fund NFSWD units of Rs.10.00 each (During the year - Transferred from Can Floating Fund NFSD scheme- 3,907,657 units, Purchased - 29,20,845 units, Dividend Reinvested- 37,139 units and sold - 68,65,641 units)	**NIL**		
Deutsche Mutual Fund - DWS Insta Cash Plus Fund units of Rs.10.00 each (During the year - Purchased - 2,912,339 units, Dividend Reinvested - 2,373 units and Transferred to DWS Money Plus Fund - 2,914,711 units)	**NIL**		
Deutsche Mutual Fund - DWS Money Plus Fund units of Rs.10.00 each (During the year - Transferred from DWS Insta Cash Plus Fund- 2,994,777 units, Dividend Reinvested- 15,291 units and Sold- 3,010,068 units)	**NIL**		
J.M. Liquid Fund - J.M. High Liquidity Fund units of Rs.10.00 each (During the year - Purchased - 14,975,291 units, Dividend Reinvested - 12,334 units and Sold - 14,980,124 units)	**NIL**		
LIC Mutual Fund - LIC Floating Rate Fund units of Rs.10.00 each (During the year - Purchased -19,789,355 units, Dividend Reinvested -28,820 units and Sold - 19,818,175 units)	**NIL**		
LIC Mutual Fund - LIC Liquid Fund units of Rs.10.00 each (During the year - Purchased -14,844,577 units, Dividend Reinvested -4,917 units and Sold - 14,849,492 units)	**NIL**		
Principal Mutual Fund - Principal Floating Rate Fund units of Rs.10.00 each (During the year - Purchased -4,019,760 units, Dividend Reinvested -16,007 units and Sold - 4,035,767 units)	**NIL**		
Reliance Mutual Fund - Reliance Fixed Maturity Fund units of Rs.10.00 each (During the year - Purchased - 1,000,000 units and Sold - 1,000,000 units)	**NIL**		
Reliance Mutual Fund - Reliance Liquidity Fund units of Rs.10.00 each	**NIL**		
(During the year - Purchased -3,618,127 units, Dividend Reinvested -8,336 units and Sold - 3,626,462 units)	**NIL**		
Unit Trust of India - UTI Liquid Fund units of Rs.1000.00 each (During the year - Purchased -1,47,181 units, Dividend Reinvested -20 units)	**150,019,834**		
Unit Trust of India - UTI Floating Rate Fund units of Rs.1000.00 each (During the year - Purchased -98,699 units) * Pending receipt of physical Share Certificates	**100,000,000**	**250,019,834**	NIL

	Rupees	As At June 30, 2006 Rupees	As At March 31, 2005 Rupees
Investments Under Portfolio Management Schemes (PMS)			
Long Term			
In Equity Shares			
Apar Industries Limited 13,543 Equity Shares of Rs.10.00 each, fully paid.	3,405,399		
Asian PaintsLimited 4,000 Equity Shares of Rs.10.00 each, fully paid.	2,389,391		
BASF India Limited 8,000 Equity Shares of Rs.10.00 each, fully paid.	1,994,948		
Blue Star Limited 500 Equity Shares of Rs.10.00 each, fully paid.	342,279		
Container Corporation of India Limited 6,064 Equity Shares of Rs.10.00 each, fully paid.	9,194,803		
Gail (India) Limited 11,945 Equity Shares of Rs.10.00 each, fully paid.	3,548,635		
Gujarat Gas Company Limited 3,120 Equity Shares of Rs.10.00 each, fully paid.	4,135,254		
Indraprashta Gas Limited 68,000 Equity Shares of Rs.10.00 each, fully paid.	9,283,466		
ISPAT Limited 45,830 Equity Shares of Rs.5.00 each, fully paid.	5,308,959		
Mahanagar Telephone Nigam Limited 31,735 Equity Shares of Rs.10.00 each, fully paid.	6,077,224		
Precision Wires India Limited 13,969 Equity Shares of Rs.10.00 each, fully paid.	2,477,217		
Reliance Communication Ventures Limited 15,000 Equity Shares of Rs.5.00 each, fully paid.	4,862,895		
Subex Systems Limited 27,102 Equity Shares of Rs.10.00 each, fully paid.	12,877,105		
Sudarshan Chemical Industries Limited 50 Equity Shares of Rs.10.00 each, fully paid.	9,584		
Videsh Sanchar Nigam Limited. 53,550 Equity Shares of Rs.10.00 each, fully paid.	21,793,386	87,700,545	NIL
In Mutual Funds			
Benchmark MF Liquid BEES units of Rs.1000.00 each (During the year - Purchased -75,000 units, Dividend Reinvested -601 units and Sold - 67,100 units)	8,501,252	8,501,252	NIL
Cash And Cash Equivalents			
Cash and Other Current Assets / (Liabilities) (Net)	4,070,285	4,070,285	NIL
		859,468,844	NIL

INVESTMENTS AGGREGATE VALUE OF	As at June 30,2006 Book Value	 Market Value	As at March 31,2005
Quoted Investments			NIL
Own	326,333,762	319,239,964	
Under Portfolio Management Scheme	96,201,797	77,732,481	
Unquoted Investments	432,863,000	NIL	NIL

Schedule to the Balance Sheet

as at June 30, 2006

	Rupees	As At June 30, 2006 Rupees	As At March 31, 2005 Rupees
SCHEDULE G : SUNDRY DEBTORS			
Unsecured			
For a period exceeding six months			
- Considered Goodx		**1,119,497**	NIL
- Considered doubtful	**435,606**		
Less : Provision For Doubtful Debts	**(435,606)**	**NIL**	NIL
Others - Considered Good*		**53,240,926**	1,131,600
		54,360,423	1,131,600
*The above includes due from GTL Limited - Holding Company (Refer Note 4 (h) to Schedule R) Rs.NIL (Previous year Rs.1,131,600)			
SCHEDULE H : CASH AND BANK BALANCES			
Cash on hand		**197,757**	NIL
Balances with Scheduled Banks			
- On Current Accounts		**74,632,797**	5,689,532
- On Fixed Deposit Accounts (includes accrued interest Rs.1,137,632) (Previous Year Rs. NIL)		**782,132,170**	NIL
- On Margin Accounts (includes accrued interest Rs.18,197) (Previous Year Rs.NIL)		**7,864,556**	NIL
		864,827,280	5,689,532
SCHEDULE I : LOANS AND ADVANCES			
Unsecured - Considered Good			
Advances recoverable in cash or in Kind or for the value to be received #		**56,692,602**	NIL
Loans to Staff		**943,805**	NIL
Deposits		**6,150,166**	NIL
Deposit with a Financial Institution		**7,580,137**	NIL
Cenvat / Service Tax input credit entitelments/ receivable		**20,317,778**	NIL
Tax Deducted at Source		**1,274,180**	NIL
		92,958,667	**NIL**
# The above includes due from GTL Limited - Holding Company (Refer Note 4 (h) to Schedule R) Rs.5,19,61,968 (Previous year Rs. NIL).			
SCHEDULE J : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities			
Acceptances	**129,398,486**		
Sundry Creditors			
- For Capital Expenses **	**60,952,307**		462,327,587
- For Expenses	**16,089,395**		
Advances Received from Customers	**8,401,228**		
Security Deposit Received from Customer	**1,220,000**		
Advance Billing and Deferred Revenue	**927,917**		
Other Liabilities	**19,104,183**		
Interest Accrued but not due	**1,679,500**	**237,773,016**	
Provisions			
For Fringe Benefit Tax	**451,988**		
For Gratuity	**515,296**		
For Leave Encashment	**740,645**	**1,707,929**	NIL
		239,480,945	462,327,587
** The above includes payable to GTL Limited - Holding Company (Refer Note 4(h) to Schedule R) Rs.4,26,02,752 (Previous year Rs. 34,15,581).			

		For the Fifteen Months Period ended on June 30, 2006 Rupees	For the year ended March 31, 2005 Rupees
SCHEDULE K : SALES AND SERVICES			
Service Charges		164,027,879	1,131,600
Equipment Provisioning		1,625,285	NIL
Product Sales		4,346,799	NIL
		169,999,963	1,131,600
SCHEDULE L : OTHER INCOME			
Miscellaneous Income		31,929	NIL
Excess Provision Written Back		7,331	NIL
Interest Received on FD With Bank		4,088	NIL
		43,348	NIL
SCHEDULE M : COST OF SALES AND SERVICES			
Connectivity Cost		9,835,891	NIL
Annual Maintenance Charges		1,249,512	NIL
Operations and Maintenance		1,972,299	NIL
Fuel Charges		4,046,690	NIL
Product Cost		701,994	NIL
		17,806,387	NIL
SCHEDULE N : EMPLOYEES' COST			
Salaries and Allowances		19,043,013	2,997,568
Contribution to Providend Fund and Other Funds		1,996,056	NIL
Staff Welfare Expenses		504,262	NIL
		21,543,331	2,997,568
SCHEDULE O : ADMINISTRATION AND OTHER EXPENSES			
Rent		2,380,538	NIL
Rates and Taxes		224,208	NIL
Electricity Expenses		2,906,717	NIL
Repairs and Maintenance			
- Building	NIL		
- Plant and Equipment	33,726		
- Others	123,438	157,164	NIL
Insurance Premium		84,707	NIL
Communication Cost		1,235,983	NIL
Travel and Conveyance expenses		6,339,388	281,147
Legal and Professional charges		5,122,693	667,608
Auditor's Remunaration			
- Audit Fees	300,000		
- Tax Audit Fees	125,000		
- Certification	264,082	689,082	76,038
Advertisment and Business Promotion Expenses		430,748	44,877
Administration Expenses		5,301,837	NIL
Membership and Subcription		860,844	NIL
Directors' Sitting Fees		82,000	NIL
Commission on Foreign Currency Convertible Bonds		138,846	NIL
Stamp Duty - Increase in Share Capital		21,185,200	1,680,200
Miscellaneous expenses		3,647,757	110,289
Foreign Exchange Loss (Net)		712,668	NIL
Provision for Doubtful Debts		435,606	NIL
Amounts Written off		291,132	NIL
Loss on Sale of Investments (Net)		25,218	NIL
Loss on Sale of Fixed Assets		1,846,213	NIL
		54,098,550	2,860,159

Schedules to the Profit And Loss Account
for the fifteen months period ended on June 30, 2006

	For the Fifteen Months Period ended on June 30, 2006 Rupees	For the year ended March 31, 2005 Rupees
SCHEDULE P : INTEREST AND FINANCE CHARGES		
On Term Loans from Banks	**4,738,233**	NIL
On Foreign Currency Covertible Bonds	**1,442,302**	NIL
Others	**878,493**	NIL
	7,059,028	NIL

schedules to balance sheet as at june 30, 2006 and to the profit and loss account for the fifteen months period ended on june 30, 2006

SCHDULE Q : SIGNIFICANT ACCOUNTING POLICIES

1. Overall Valuation Policy :

The Accounts have been prepared on a going concern basis under historical cost convention.

2. Basis of Accounting :

The accounts have been prepared on accrual basis, in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

The preparation of the financial statements in conformity with the generally accepted accounting principles requires Management to make estimates and assumptions to be made that affect the reported amounts of revenues and expenses during the reporting period, the reported amounts of assets and liabilities and the disclosures relating to contingent liabilities on the date of the financial statements. Examples of such estimates include useful lives of fixed assets, provision for doubtful debts/advances, deferred tax, etc. Actual results could differ from those estimates.

3. Revenue Recognition :

a. Fees from services provided for Provisioning of infrastructure facilities, Operations and Maintenance and for such other items is recognised as and when such services are provided.
b. Dividend income is recognised when the right to receive dividend is established.
c. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

4. Fixed Assets :

a. Fixed Assets except freehold land have been valued at cost less depreciation / amortisation.
b. Cost is inclusive of duties, taxes, erection/commissioning expenses and incidental expenses.
c. Borrowing costs, for assets that necessarily take a substantial period of time to get ready for its intended use are capitalized to the cost of assets.
d. Intangible assets are recognised only if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and cost of the assets can be measured reliably. The intangible assets are recorded at cost and carried at cost less accumulated amortization.
e. Revenue expenditure and outlays of money on uncompleted expansion/modernisation are shown as capital work-in-progress until such time the same are completed. Capital work-in-progress is stated at cost.

5. Method of Depreciation :

a. Depreciation on fixed assets is provided using the Straight Line Method based on the useful life as estimated by the management. The Management's estimate of economic useful life of the various fixed assets is given below:

		Economic Useful life(Years)
Buildings	:	58
Plant and Machinery:		
Towers (including foundation and related civil work)	:	20
Shelter	:	10
Network Operation Assets	:	9
Air Conditioners, Generators and Electrical Equipments	:	6
Computers	:	3
Office Equipments	:	3
Furniture and Fittings	:	5
Vehicles	:	5

b. In respect of low value assets not exceeding Rs. 5,000 per unit, depreciation is provided at 100% in the year of addition.

c. The aggregate depreciation so provided in the accounts is not less than the depreciation, which is required to be provided at the rates specified in Schedule XIV of the Companies Act, 1956.

d. In respect of the Fixed Assets acquired pursuant to the Scheme of Arrangement (Refer Note 4 to Schedule R), the depreciation has been provided for the balance period of economic useful life of those assets referred to in (a) above.

6. Valuation of Investments :

a. Investments, which are long term, are stated at cost. A provision for diminution, if any, is made to recognise a decline, other than temporary, in the value of investments.

b. Investments, which are current, are stated at lower of cost and fair value / repurchase value.

c. Profit or loss on sale of current investments is calculated by considering the weighted average amount of the total holding of the investment.

7. Transactions in Foreign Currencies :

a. Transactions in Foreign Currencies are recorded at the conversion rates of exchange prevailing at the time of occurrence of transactions.

b. Any gains or losses on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss Account except where they relate to fixed assets where they are adjusted to the cost of fixed assets.

c. Current Assets and Current Liabilities, i.e. items to be received or paid in foreign currencies are translated at the exchange rates prevailing at the Balance Sheet date and profit/loss on translation thereon, is credited/charged to the Profit and Loss account.

8. Retirement Benefits :

a. Provident Fund and Family Pension

Contribution to Provident Fund and Family Pension Fund are provided for and payments in respect thereof are made to the relevant authorities on actual basis.

b. Gratuity

Provision for gratuity is provided on the basis of actuarial valuation made at the end of each financial year.

c. Leave encashment

Provision for leave encashment is provided on the basis of actuarial valuation made at the end of each financial year.

9. Borrowing Costs :

a. Borrowing costs, less any income on the temporary investment of those borrowings, that are directly attributable to acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of that asset.

b. Other borrowing costs are recognised as an expense in the period in which they are incurred.

10. Leases :

Assets taken on lease under which, all the risk and rewards of ownership are effectively retained by the lessor are classified as operating lease. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

11. Taxation :

a. **Current Tax:** Provision for current tax is made on the estimated taxable income at the rate applicable to the relevant assessment year.

b. **Deferred Tax:** In accordance with the Accounting Standard 22 – Accounting for taxes on Income, issued by the Institute of Chartered Accountants of India, the deferred tax for timing differences is accounted for, using the tax rates and laws that have been enacted or substantially enacted by the Balance Sheet date.

Deferred tax assets arising from timing differences are recognised only on the consideration of prudence.

c. **Fringe Benefit Tax:** Provision for Fringe Benefit Tax is made in accordance with the provisions of the Income-tax Act, 1961.

12. Impairment of Assets :

If internal / external indications suggest that an asset of the Company may be impaired, the recoverable amount of asset/cash generating unit is determined on the Balance Sheet date and if it is less than its carrying amount, the carrying amount of asset/cash generating unit is reduced to the said recoverable amount. Subsequently, if there is a change in the indication, since the last impairment was recognised, so that recoverable amount of an asset exceeds its carrying amount, an impairment recognised for an asset in prior accounting period is reversed. The recoverable amount is measured as the higher of the net selling price and value in use of such assets / cash generating unit, which is determined by the present value of the estimated future cash flows.

13. Provisions, Contingent Liabilities and Contingent Assets :

a. The Company recognises as Provisions, the liabilities being present obligations arising out of past events, the settlement of which is expected to result in an outflow of resources and which can be measured only by using a substantial degree of estimation.

b. Contingent Liabilities are disclosed by way of a note to the financial statements after careful evaluation by the management of the facts and legal aspects of the matters involved.

c. Contingent Assets are neither recognised nor disclosed.

14. Employee Stock Option Scheme :

As per the 'Employee Stock Option Scheme and Employee Stock Purchase Scheme Rules, 2002' (Rules) issued by the Central Government, accounting value of the stock options as per the Intrinsic Value Method is NIL. Hence, no Provision has been considered in the Financial Statements for the said period.

15. Financial Derivatives Hedging Transactions

The use of Financial Derivatives Hedging contracts is governed by the Company's policies approved by the board of directors which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Financial Derivatives hedging contracts are accounted on the date of their settlement and realised gain / loss in respect of settled contracts are recognized in the profits and loss account, along with the underlying transactions.

SCHEDULE R : NOTES TO ACCOUNTS

			As At June 30, 2006 Rupees	As At March 31, 2005 Rupees
1.	a.	Estimated amount of contract remaining to be executed on capital account and not provided for	**1,476,708,437**	Nil
		Less: Advances	**35,000**	Nil
		Net Estimated Amount	**1,476,673,437**	Nil
	b.	Contingent Liabilities not provided for:		
		i. Bank Guarantees	**23,521,400**	Nil
		ii. Claims against the Company not acknowledged as debt	**1,681,568**	Nil
		iii. Premium payable on non-conversion of FCCBs issued	**29,279,107**	Nil

2. In the absence of confirmations from Sundry Debtors and Sundry Creditors, the balances have been taken as per records of the Company.

3. Employee Stock Option Scheme :

The Employee Stock Option Scheme, 2005 (ESOS) was first time introduced and implemented during the period. The Company obtained approval at the board meeting held on November 26, 2005 to allot 1,550,000 Options under the Scheme to the Employees of the Company. The Options allotted under the scheme vest over a period ranging from one to three years. Upon vesting, Employees have 36 months to exercise these Options. The exercise price of the Options is fixed at Rs. 10 each for conversion into one Equity Share of the Company.

Accordingly, options for a total number of 1,550,000 Equity Shares of Rs. 10 each were outstanding as at June 30, 2006.

4. Scheme of Arrangement between GTL Infrastructure Limited ("the Company") and GTL Limited ("GTL") :

Pursuant to the Scheme of Arrangement ("the Scheme") under sections 391 to 394 of the Companies At, 1956, the Infrastructure Unit of GTL ("Infrastructure Unit"), has been demerged into the Company with effect from October 1, 2005 ("the Appointed date"). Infrastructure Unit is in the business of providing internet based network services and forming part of the Information Technology Enabled Services Division of GTL.

The Effective date of the Scheme for demerger of Infrastructure Unit as approved by Hon'ble High Court of Mumbai on April 28, 2006, is June 12, 2006.

The Scheme is operative from the Appointed date, i.e. October 1, 2005.

a. In terms of the Scheme, all assets and liabilities (including Unsecured Loans of Rs. 209,774,608 referred to in Note 5 (II) of this Schedule) of Infrastructure Unit have been transferred and stand vested with the Company with effect from the Appointed date at their respective book values on the date. GTL carried on business and activities of Infrastructure Unit for the benefit of and in trust for the Company from the Appointed date. Thus, the profit or income accruing or arising to Infrastructure Unit, or expenditure or losses arising or incurred by Infrastructure Unit from the Appointed date are treated as the profit or income or expenditure or loss, as the case may be, of the Company. The Scheme has accordingly been given effect to in these accounts.

b. In terms of the Arrangement, the assets and liabilities of Infrastructure Unit have been taken over by the Company and recorded at their book values on the Appointed Date.

c. In terms of Scheme, the Company has acquired net assets having book value of Rs. 1,017,455,151, as detailed hereunder:

	Rupees
Assets	
Fixed Assets (Net including CWIP)	1,354,643,430
Current Assets	153,918,787
Total Assets	**1,508,562,217**
Less :	
Liabilities	
Loans	300,274,608
Deferred Tax Liability	151,369,670
Current Liabilities and Provisions	39,462,788
Total Liabilities	**491,107,066**
Book Value of Net Assets	**1,017,455,151**

d. The Excess of the aggregate Book Value of the Total Assets over the aggregate Book Value of the Total liabilities of Infrastructure Unit of Rs. 1,017,455,151 as shown in (c) above under this Scheme, after adjusting the face value of the Consideration Shares of Rs. 818,152,910 issued by the Company, a sum of Rs. 199,302,241 is credited to the Reconstruction Reserve Account.

e. 85,569,812 Equity Shares (including 3,754,513 Equity Shares on account of conversion of FCCBs) of Rs. 10 each of the Company are to be issued to the shareholders of GTL in the ratio of 1 (one) fully paid up Equity Share of Rs. 10 each of the Company for every 1 (one) fully paid up Equity Share of Rs. 10 each held in GTL. Pending allotment, an amount of Rs. 855,698,120 has been shown under Share Capital Suspense Account as at June 30, 2006 (Schedule A1). These shares were subsequently issued on July 17, 2006 to the shareholders of GTL.

f. In terms of the Scheme, the Equity shares as and when issued and allotted by the Company shall rank *pari-passu* in all respects with the existing Equity Shares of the Company.

g. In view of the aforesaid arrangement coming into operation from October 1, 2005 and the fact that the accounts for the current year are prepared for the period of Fifteen Months ended on June 30, 2006, the figures for the current period are not comparable with those of the previous year.

h. On June 30, 2006, the Company had allotted 76,000,000 Equity Shares of Rs.10 each and thereby increasing its paid up capital to Rs. 2,250,000,000. Further, upon the allotment as referred to in note (e) above of Equity Shares on July 17, 2006 to the shareholders of GTL Limited, the shareholding has come down to 41.5% and accordingly, since the date of the Balance Sheet, the Company has ceased to be the subsidiary of GTL Limited.

5. Loan Funds :

I. Secured Loans :

a. Term loans from a Financial Institution of Rs. 350,000,000 :

Secured by way of –

i. Hypothecation by a first *pari-passu* charge on all movable fixed assets, both, present and future, including first floating charge on all the current assets.

ii. Mortgage to be created of a first *pari-passu* charge on all immovable assets, both, present and future, of the Company.

iii. Corporate Guarantee of GTL Limited.

b. Term loans from Banks of Rs.3,982,455,764 (includes Rs.2,759,142 towards interest accrued and due) :

Secured by way of –

i. Hypothecation by a first *pari-passu* charge on all movable fixed assets, both, present and future, including first floating charge on all the current assets.

ii. Mortgage to be created of a first *pari-passu* charge on all immovable assets, both, present and future, of the Company.

iii. Corporate Guarantee of GTL Limited.

II. UNSECURED LOANS :

Pursuant to the Scheme of Arrangement (referred to in Note 5 above), 1% Foreign Currency Convertible Bonds (FCCBs) issued by GTL Limited, has been split between GTL and the Company, such that out of the liability of the face value of CHF 10,000 of each bond, the liability of the face vale of CHF 970.87 is transferred to the Company, in compliance with the provisions of the bond agreement and requisite approvals of the Bondholders.

As of date, FCCBs worth CHF 1,006,791.72 were converted into 3,754,513 Equity Shares of Rs. 10 each as per the terms of agreement with the FCCB holders and the balance of FCCB of Rs. 172,229,517 have continued to be shown as "Unsecured Loans".

As the Company reasonably expects that these bonds would be converted into Equity Shares, the FCCBs can be termed as non-monetary liability of the Company. Hence, the Company has decided not to account for exchange fluctuation gain/loss arising out of revaluation of FCCBs at the year-end and to carry the same at cost.

6. Segment Reporting :

Business Segment : The Company is in the business of providing shareable Infrastructure facilities on "Build, Own and Operate" basis for a diverse range of customers operating in various industries. The Company has considered "Shared User Infrastructure" as one business segment for disclosure in the context of Accounting Standard 17 issued by the Institute of Chartered Accountants of India.

Geographic Segment : During the period under report, the Company has its business only in India and not in any other country. The conditions prevailing in India being uniform, no separate geographical disclosure is considered necessary.

7. Earnings per Share :

		As At June 30, 2006 Rupees	As At March 31, 2005 Rupees
BASIC EARNINGS PER SHARE			
Numerator for basic earnings per share			
Net Profit / (Loss) after tax for the year	(a)	(108,584,337)	(4,953,080)
Denominator for basic earnings per share			
Weighted average number of shares	(b)	105,567,070	186,712
Basic earnings per share	[(a) / (b)]	(1.03)	(26.53)
DILUTED EARNINGS PER SHARE			
Numerator for diluted earnings per share -			
Net Profit / (Loss) after tax for the year		(108,584,337)	(4,953,080)
Add: Interest on FCCB		1,442,302	Nil
Commission on FCCB		138,846	Nil
	(c)	(107,003,189)	(4,953,080)
Denominator for diluted earnings per share			
Effect of dilutive securities -			
Weighted average number of shares		105,567,070	186,712
Possible Dilution:			
Conversion of Foreign Currency Convertible Bonds (number of shares)		17,223,004	Nil
Conversion of Stock Options (number of shares)		1,550,000	Nil
Adjusted weighted average number of shares	(d)	124,340,074	186,712
Diluted earnings per share	[(c) / (d)]	(0.86)	(26.53)
Nominal value of share		Rs. 10	Rs. 10

8. Related Party Disclosures :

A. Following transactions were carried out in the ordinary course of business with the parties referred to in (B) below.

Particulars	Holding Company	Fellow Subsidiaries (with II (ii) below)	**Key Management Personnel** (with III (ii) below)
Purchase of Materials	13,809,788	93,835,152	Nil
	(Nil)	(Nil)	(Nil)
Purchase of Capital Goods	2,146,044,303	Nil	Nil
	(Nil)	(Nil)	(Nil)
Payment for Services Rendered	133,658,146	Nil	Nil
	(Nil)	(Nil)	(Nil)
Reimbursement of expenses paid/provided	13,701,632	Nil	Nil
	(34,15,581)	(Nil)	(Nil)
Remuneration paid / provided	Nil	Nil	3,813,154
	(Nil)	(Nil)	(Nil)
Reimbursement of expenses received	12,846,607	Nil	Nil
	(Nil)	(Nil)	(Nil)
Receipt of Services	166,572,505	Nil	Nil
	(250,000)	(Nil)	(Nil)
Investment in Share Capital of the Company	1,080,000,000	Nil	Nil
	(Nil)	(Nil)	(Nil)
Outstanding as on June 30, 2006:			
Sundry Debtors	Nil	Nil	Nil
	(250,000)	(Nil)	(Nil)
Sundry Creditors	42,602,752	252,013	Nil
	(3,415,581)	(Nil)	(Nil)
Advances receivable	51,961,968	Nil	Nil
	(Nil)	(Nil)	(Nil)

Note : Brackets denote figures for the previous year.

B. Relationships :

I. Holding Company [Refer Note 4 (h) to Schedule R] -
GTL Limited

II. Fellow Subsidiaries -
- i. International Global Tele Systems Limited
- ii. IGTL Solutions (S) Pte. Limited
- iii. IGTL Solutions (USA), Inc
- iv. IGTL Solutions (UK) Limited
- v. IGTL Solutions (Australia) Pty Limited
- Vi. IGTL Solutions (Germany) GmbH
- Vii. IGTL Solutions (Saudi Arabia) Limited
- viii. IGTL Solutions Middle East FZ LLC
- ix. Global E-Secure Limited
- x. GTL Technology Investments Limited
- xi. IGTL Solutions Lanka (Private) Limited

III. Key Management Personnel -
- i. Mr. Manoj Tirodkar, Chairman
- ii. Mr. Prakash Ranjalkar, Whole-time Director

9. Disclosure on leases as per Accounting Standard 19 on "Accounting for Leases" :

The Company has entered into operating lease agreements for office premises, guesthouse, furniture and fixtures and land for Telecom sites, renewable on a periodic basis and cancelable at its option. Rental expenses for operating leases recognised in the Profit and Loss Account for the year is Rs. 2,316,877 (Previous year Rs. 10,500)

Minimum Lease Rents payable	Rupees
Within 1 year	10,485,632
After 1 year but before 5 years	30,703,778
After 5 years	31,217,550
Total	**72,406,960**

10. Unpaid overdue amounts due on June 30, 2006 to small scale and/or ancillary industrial suppliers on account of principal together with interest aggregate to Rs. Nil (Previous year Rs. Nil). This disclosure is on the basis of the information available with the Company regarding the status of the suppliers as defined under the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertaking Act, 1993.

11. As required by Accounting Standard 22 on "Accounting for Taxes on Income", Deferred Taxes have been recognised in respect of the following items :

Item of timing difference	Accumulated Deferred Tax Assets/ (Liabilities) as at April 1, 2005	(Charge)/ Credit during the year	Accumulated Deferred Tax Assets/(Liabilities) as at June 30, 2006
i. Expenses allowable for tax purpose when paid	Nil	425,533	425,533
ii. Provision for Doubtful Debts/Advances	Nil	Nil	Nil
iii. Depreciation	(151,369,670)	15,546,921	(135,822,749)
iv. Business Loss	Nil	Nil	Nil
Net Deferred Tax Assets /(Liabilities)	**(151,369,670)**	**15,972,454**	**(135,397,216)**

12. Disclosure in accordance with Accounting Standard (AS 29) Provisions, Contingent Liabilities and Contingent Assets:

Amount in Rupees

	Balance as at April 1, 2005	Additions during the year	Amounts used /paid/reversed during the year	Balance as at June 30, 2006
Leave encashment	Nil	740,645	Nil	740,645
Gratuity	Nil	515,296	Nil	515,296

13. Managerial Remuneration :

a. Details of Payments and Provisions on Account of Remuneration to Managerial personnel included in Profit and Loss Account are as under:

Particulars	For the Fifteen Months period ended on June 30, 2006 Rupees	For the year ended March 31, 2005 Rupees
Salary	3,582,754	Nil
Contribution to Provident and Other Funds	230,400	Nil
Other Perquisites	Nil	Nil
TOTAL	**3,813,154**	**Nil**

b. Calculation of effective capital pursuant to Schedule XIII of the Companies Act, 1956:

	As at March 31, 2005 Rupees
Paid up share capital	250,000,000
Less: Accumulated losses	5,150,530
Effective capital	2,448,49,470

14. Capital work-in-progress includes :

i. Assets Rs. 4,07,86,75,168 [including Rs. 396,852,483 acquired pursuant to the Scheme of Arrangement (Refer Note 4 (c) to this Schedule)] (Previous year Rs. 651,560,948)

ii. Advances Rs. 343,093,200 (Previous year Rs. Nil)

iii. The following Expenses of Rs. 236,098,293 (Previous year Rs. Nil) incurred till the date of the assets have been put to use in relation to the assets referred to in (i) above are capitalised :

	For the Fifteen Months period ended on June 30, 2006 Rupees	For the year ended March 31, 2005 Rupees
Salaries, incentives and other allowances	**8,100,281**	Nil
Travelling	**725,920**	Nil
Communication	**80,628**	Nil
Professional and Consultancy charges	**4,718,774**	Nil
Stamp duty charges	**3,533,869**	Nil
Bank Loan processing fees	**84,109,894**	Nil
Interest paid on borrowings (net of income on the temporary investment from those borrowings)	**134,657,012**	Nil
Discounting charges	**171,915**	Nil

15. Value of imports calculated on C.I.F. basis :

	For the Fifteen Months period ended on June 30, 2006 Rupees	For the year ended March 31, 2005 Rupees
Capital Goods (CWIP)	**102,738,677**	Nil

16. Expenditure in Foreign Currency :

	For the Fifteen Months period ended on June 30, 2006 Rupees	For the year ended March 31, 2005 Rupees
Travelling Expenses	76,856	Nil
Conference Expenses	156,906	Nil
Professional Fees	13,743,515	Nil
Connectivity Expenses	322,220	Nil
Interest on FCCB	1,442,302	Nil
Commission on FCCB	138,846	Nil
Total	**15,880,645**	Nil
The above expenditure is disclosed on payment basis at gross before tax deduction at source.		

17. Earnings in Foreign Exchange :

	For the Fifteen Months period ended on June 30, 2006 Rupees	For the year ended March 31, 2005 Rupees
Service Income	**42,076,039**	Nil

18. FINANCIAL AND OTHER DERIVATIVE INSTRUMENTS :

a. Derivative contracts entered into by the Company and outstanding as at June 30, 2006

- For Hedging Currency and Interest rate related risks :

  Nominal amount of derivative contract entered into by the Company and outstanding as on June 30, 2006 :

Particulars	Balance as at June 30, 2006 (Rupees)
Interest Rate and Currency Swaps	400,000,000

b. All derivative and financial instruments acquired by the Company are for hedging purposes only.

c. Foreign Currency exposure that are not hedged by derivative instruments as on June 30, 2006 :

Particulars	Currency	Balances as at June 30, 2006	
Foreign Currency Letter of Credits	USD	2,354,673.85	Rs. 109,347,286.21
Export Debtors	USD	11,101	Rs. 509,757.92
	GBP	39,982	Rs. 3,350,491.60
Import Creditors	USD	189,000	Rs. 8,758,260

Note: Previous Year figures are not included as the above disclosure has become mandatory in respect of accounting periods ending on or after March 31, 2006.

19. The nature of activities of the Company are mainly of providing of services and hence, it is not possible to give the quantitative details as required under Para 3 and 4C of part II of Schedule VI of the Companies Act, 1956.

20. The previous year's figures, wherever necessary, have been regrouped, reclassified and recast to conform with this period's classification.

As per our report of even date attached

For **BANSI S. MEHTA & CO.**
Chartered Accountants

PARESH H. CLERK
Partner
Membership No. 36148

Mumbai
Date : August 11, 2006

For and on behalf of the Board of Directors

MANOJ TIRODKAR
Chairman

PRAKASH RANJALKAR
Whole Time Director

GAJANAN DESAI
Director

VISHWAS PATHAK
Director

MICHAEL LEE
Director

PRAKASH SAMANT
Director

D.S. GUNASINGH
Company Secretary

Cash Flow Statement

for the fifteen months period ended on June 30, 2006

		For the Fifteen Months Period ended on June 30, 2006 Rupees	For the year ended March 31, 2005 Rupees
A.	**CASH FLOW FROM OPERATING ACTIVITIES :**		
	Loss before tax and exceptional items	**(123,518,853)**	(4,953,080)
	Adjustments for :		
	Depreciation	**193,054,870**	226,953
	Loss on sale of Fixed Assets	**1,846,213**	NIL
	Loss on sale of Investments	**25218**	NIL
	Interest and Finance Charges	**7,059,028**	NIL
	Provision for Doubtful Debts	**435,606**	NIL
	Foreign Exchange Loss (net)	**712,668**	NIL
	Excess provision written back	**(7,331)**	NIL
	Interest received on FD with bank	**(4,088)**	NIL
	Amounts Written off	**291,132**	NIL
	Operative Profit before working capital changes	**79,894,463**	(4,726,127)
	Adjustments for :		
	Sundry Debtors	**(54,660,898)**	(1,131,600)
	Loans and Advances	**(92,958,668)**	NIL
	Provisions	**1,255,941**	NIL
	Current Liabilities	**(224,554,572)**	462,130,137
	Cash generated from operations	**(291,023,734)**	456,272,410
	Income Tax paid (Fringe Benefit Tax)	**(585,948)**	NIL
	Net cash from operating activities	**(291,609,682)**	456,272,411
B.	**CASH FLOW FROM INVESTING ACTIVITIES :**		
	Addition to Fixed Assets (including Capital WIP, net of income capitalised)	**(4,356,395,424)**	(700,582,878)
	Sale of Fixed Asset	**16,954,900**	NIL
	Purchase of Investments	**(2,004,039,372)**	NIL
	Sale of Investments (Net of income capitalised)	**1,144,545,310**	NIL
	Interest received on FD with bank	**4,088**	NIL
	Net cash used in investing activities	**(5,198,930,498)**	(700,582,878)
C.	**CASH FLOW FROM FINANCING ACTIVITIES :**		
	Proceeds from issue of shares	**2,000,325,195.00**	249,500,000
	Proceeds from long term borrowings	**4,332,455,764**	NIL
	Interest and Finance Charges paid	**(7,059,028)**	NIL
	Net cash used in financing activities	**6,325,721,931**	249,500,000
	Increase in cash and cash equivalents (A + B + C)	**835,181,750**	5,189,532
	Add: Net adjustment consequent to the Scheme of Arrangement	**23,955,998**	NIL
	Net Increase in cash and cash equivalents	**859,137,748**	5,189,532
	Cash and cash equivalents as at the begining of the period	**5,689,532**	500,000
	Cash and cash equivalents as at the end of the period	**864,827,280**	5,689,532

Notes :

1 The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard -3 issued by the Institute of Chartered Accountants of India.
2 Cash and cash equivalents includes cash and bank balances, fixed deposits with banks and interest accrued thereon.
3 Purchase of fixed assets includes movements of capital work in progress between the beginning and the end of the period.
4 For Scheme of Arrangement refer Note 4 to Schedule R (Notes to Accounts)

As per our report of even date attached

For **BANSI S. MEHTA & CO.**
Chartered Accountants

PARESH H. CLERK
Partner
Membership No. 36148

Mumbai
Date : August 11, 2006

For and on behalf of the Board of Directors

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Director

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Director

MICHAEL LEE
Director

PRAKASH SAMANT
Director

D.S. GUNASINGH
Company Secretary

Balance Sheet Abstract and Company's General Business Profile

I. REGISTRATION DETAILS

Registraion No.	U74210MH2004PLC144367	State Code	11
Balance Sheet Date	June 30,2006		

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS.THOUSANDS)

Public Issue	NIL	Rights Issue	20000
Bonus Issue	NIL	Private Placement	1980000

III. POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS (AMOUNT IN RS.THOUSANDS)

Total Liabilities	8,184,889	Total Assets	8,184,889
SOURCES OF FUNDS			
Paid-up Capital	2,250,000	Reserves & Surplus	199,302
Secured Loans	4,332,456	Unsecured Loans	172,230
APPLICATION OF FUNDS			
Net Fixed Assets	6,199,539	Investments	859,469
Net Current Assets	772,665	Misc. Expenditure	-
Accumulated Losses	113,735		

IV. PERFORMANCE OF THE COMPANY (AMOUNT IN RS.THOUSANDS)

Turnover (Gorss Revenue)	170,043	Total Expenditure	293,562
Profit / (Loss) Before Tax	(123,519)	Profit / (Loss) after adjustment	(108,584)
Earnings per Share in Rs.	(1.03)	Dividend Rate %	NIL

V. GENERIC NAMES OF THREE PRINCIPLE PRODUCTS/SERVICES OF COMPANY (AS PER MONETARY TERMS)

Item Code.No.

Product/ Service Description TEL. INFRA.

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