

**RCOM has completed preliminary review of special audit report**

**Reliance Communications strongly affirms that it anticipates NO additional financial liability towards licence or spectrum fee**

**Special Auditor's report estimating alleged additional liability of Rs. 316 crore is incorrect, hopelessly biased, one-sided and prejudiced**

**An amount of Rs. 160 crore, representing over 50% of the alleged additional liability of Rs. 316 crore is blatantly incorrect as TDSAT and CESTAT have already passed judgements on those issues in RCOM's favour**

**The above issues accounting for alleged additional liability of Rs. 160 crore, are in fact industry issues and impact all telecom operators, some in even larger quantum**

**Findings on the other issues and alleged liability thereon totally incorrect / based on bias and prejudice, contrary to DoT's decisions**

**Special Auditor has arrived at adverse findings without seeking any response on facts and law from RCOM**

**Special Auditor has also finalised report without any discussions with RCOM's Statutory Auditors**

**RCOM's financial accounts and disclosures are in full conformity with Companies Act, 1956, and relevant stock exchange and SEBI guidelines**

**Special Audit has not brought out any new item of revenue / difference compared to figures reported by RCOM itself in its quarterly disclosures to the Stock Exchanges, DoT and TRAI**

**Special Audit Report has no finding on alleged inflation of revenue by RCOM as wrongly reported in a section of the Media**

**Advance and selective leakage of extracts from Special Audit Report to media reflects conspiracy with corporate rivals to malign RCOM's image and reputation**

**Mumbai, October 25, 2009:** The Department of Telecommunications (DoT) had appointed M/s Parakh & Co, as Special Auditors to conduct audit of the accounts of the Company and its subsidiaries viz; Reliance Communications Infrastructure Limited, Reliance Telecom Limited and Reliable Internet Services Limited for FY 2006-07 and 2007-08, as per the provisions of Clause 22.5 and 22.6 of the UASL Agreement.

DoT has also appointed special auditors to conduct audit of all other major telecom operators namely Bharti, Vodafone, TATA and IDEA, and their reports are awaited.

RCOM has received a copy of the Report issued by the Special Auditors appointed by DoT only on October 14, 2009, that too after persistent follow-up, though the said Report was submitted to DoT on October 07, 2009.

**RCOM has now completed its preliminary review of the Special Audit Report, and it is clear that the media reports on the alleged adverse findings, selectively leaked on October 12, 2009, are on the face of it baseless, unsupported and contrary to the facts.**

**RCOM strongly affirms that it anticipates NO additional financial liability towards licence or spectrum fee.**

**The Special Auditor's report estimating alleged additional liability of Rs. 316 crore is incorrect, hopelessly biased, one-sided and prejudiced.**

**The Special Auditor's report is in fact in conflict with industry practice and judgements of TDSAT, CESTAT, etc. on several issues.**

For instance, the Special Auditors have **incorrectly alleged that there is an additional liability of Rs. 90 crore towards licence fee on discounts allowed by the Company.** RCOM's stand that no licence fee is payable on this item is completely in line with industry practice, and this has also been upheld in RCOM's own case by a judgement of the Customs, Excise And Service Tax Appellate Tribunal (CESTAT).

Similarly, the Special Auditors have wrongly alleged **that there is an additional liability of Rs. 70 crore towards licence fees on income such as unrealised foreign exchange gains and interest and dividends earned by the Company before it became a Licensee. This finding is entirely** contrary to the direct decision of the TDSAT applicable to the entire Telecom Industry.

**The Special Auditor's report is also liable to be rejected outright, as, contrary to all norms of audit and professional conduct, they did not discuss their findings and observations with the Company at any stage.**

The Special Auditors also did not discuss their views with the Statutory Auditors of the Company, who have audited the Financial Statements of the Company as also the Returns / Statements filed with DoT / TRAI from time to time.

**A large number of findings and observations are, apart from being factually incorrect, also beyond the Terms of Reference and have deliberately been drafted and leaked to media to tarnish the image and reputation of the Company.**

Importantly, the Special Auditors have themselves stated that "generally, the Company is complying with the requirements for preparation of Annual Financial Statements".

**The Company has made regular disclosures of all financial and other information, Quarterly Financial Statements, Annual Reports, and other data as required by Stock Exchanges, SEBI, the Companies Act, 1956 and other applicable laws, rules and regulations.**

The observations relating to alleged differences between the revenues reported in the Company's Financial Statements and the revenues reported to TRAI **in fact refer to reconciliations prepared and filed by the Company itself with DoT and TRAI.** The Report does not refer to any item of revenue / or differences apart from items reported by the Company and included in its quarterly disclosures to the Stock Exchanges, DoT and TRAI. **The Special Audit has no where recorded a finding that there was any inflation of revenue by RCOM, as incorrectly alleged in a section of the Media.**

RCOM categorically states:

1. The accounts have been prepared in accordance with generally accepted Indian accounting standards and principles, the applicable provisions of the telecom licence, and general industry practice.
2. The Company has made due disclosures and is fully compliant with the Listing Agreement entered with BSE and NSE, and all SEBI disclosure guidelines.
3. The accounts have been duly audited by the two statutory joint auditors M/s BSR & Co (KPMG) and M/s Chaturvedi & Shah (Nexia International).
4. The accounts have been subjected to the peer group review by auditors appointed by SEBI as recently as in May 2009.
5. There is no irregularity or discrepancy whatsoever in the accounts of the Company.

**About Reliance Communications:**

Reliance Communications Limited founded by the late Shri Dhirubhai H Ambani (1932-2002) is the flagship company of the Reliance Anil Dhirubhai Ambani Group. The Reliance Anil Dhirubhai Ambani Group currently has a net worth in excess of Rs. 64,000 crore (US\$ 13.6 billion), cash flows of Rs. 13,000 crore (US\$ 2.8 billion), net profit of Rs. 8,400 crore (US\$ 1.8 billion).

Reliance Communications is India's foremost and truly integrated telecommunications service provider. The Company, with a customer base of over 90 million including over 2.5 million individual overseas retail customers, ranks among the Top 5 Telecom companies in the world by number of customers in a single country. Reliance Communications corporate clientele includes 2,100 Indian and multinational corporations, and over 800 global, regional and domestic carriers.

Reliance Communications has established a pan-India, next generation, integrated (wireless and wireline), convergent (voice, data and video) digital network that is capable of supporting best-of-class services spanning the entire communications value chain, covering over 24,000 towns and 600,000 villages. Reliance Communications owns and operates the world's largest next generation IP enabled connectivity infrastructure, comprising over 190,000 kilometers of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region.