



Most Software Companies end-up taxiing a long time, and/or lose their way. The turbulence and storms of the global business & political environment, make it difficult to chart and achieve a proper flight path. Technology changes every month... Promising market segments and customers appear, and then pale into recession. Sustainable value creation business models-like flight paths-are difficult to implement and improve upon.

Innovation, Agility and Perseverance are required to weather such storms. Despite such adverse conditions, in the Enterprise, Rich Media & Education Training, Solutions Space, VirtualSoft has successfully managed to augment its offerings and successfully launched the vReach Virtual Event Service and Education-Training Packs.

Your Company also laid a firm foundation in the ITES/BOP Education-Training space by completing the content development of its initial courses. Pilot student batches that undertook these courses were successfully placed into the industry.

V I R T U A L S O F T S Y S T E M S L T D
 A N N U A L R E P O R T 2 0 0 2 - 0 3



VirtualSoft Systems Limited

BOARD OF DIRECTORS	Mr. Gokul Tandan	Managing Director
	Mr. Rajendra V. Kulkarni	Wholetime Director
	Mr. Ashok K. Anand	Director
	Ms. Ritu Tandan	Director
	Mr. Suresh Rajpal	Director
COMPANY SECRETARY	Mr. Atul Kumar	
BANKERS	Central Bank of India Jeevan Tara Building Parliament Street New Delhi-110 001.	
	Standard Chartered Grindlays Bank B-68, Greater Kailash-I New Delhi-110 048.	
STATUTORY AUDITORS	I.M. Puri & Co. Chartered Accountants C-30, Chirag Enclave New Delhi-110 048	
REGISTERED OFFICE	S-101, Panchsheel Park, New Delhi-110 017	

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Notice

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Twelfth Annual General Meeting of the Members of the Company will be held on Monday, September 29, 2003 at 9:00 a.m. at AMBER BANQUETS, B-1/636, Main Najafgarh Road, Janakpuri, New Delhi-110 058, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2003 and the Profit & Loss Account for the year ended as on that date and the Reports of Auditors and Directors thereon.
2. To appoint a director in place of Mr. Ashok Kumar Anand, who retires at this AGM and being eligible, has offered himself for re-appointment.
3. To appoint a director in place of Ms. Ritu Tandan, who retires at this AGM and being eligible, has offered herself for re-appointment.
4. To appoint auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors. M/s. I M Puri & Co., Chartered Accountants, New Delhi being the retiring auditors are eligible and offers themselves for re-appointment.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modifications the following resolutions as an ordinary resolution:

"RESOLVED THAT pursuant to the provision of Section 198,269,309,311, read with Schedule XIII and other applicable provision, if any, of the Companies Act, 1956, the Company hereby approves revision in the remuneration of Mr. Gokul Tandan, Managing Director of the Company with effect from April 1, 2002 at Rs. 3,60,000/- per annum."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to alter and vary the aforesaid terms as to remuneration (including perquisites) within the ceiling limits in that behalf laid down in Schedule XIII to the Companies Act, 1956 as in force from time to time.

Registered Office:
S-101, Panchsheel Park,
New Delhi-110 017.
Dated : August 14, 2003

Atul Kumar
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING ARE ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The instrument of proxy should, however, be deposited at the Registered Office of the company, not less than 48 hours before the meeting.

2. An explanatory statement pursuant to section 173 of the Companies Act 1956, in respect of the items under special business is annexed hereto.
3. The Register of members and Share Transfer Books of the Company will remain closed from Friday, September 26, 2003, to Monday, September 29, 2003, (both days inclusive.)

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT 1956,

ITEM no. 5

Mr. Gokul Tandan, Managing Director has given his consent to waive of his remuneration in the board meeting held on February 15, 2001 in the best interest of the Company for a period from August 1, 2000 to March 31, 2002. The Board then decided in its meeting held on 31st January 2003 to revise Remuneration of Mr. Gokul Tandan to Rs. 3,60,000/- per annum.

Your Director, commend the resolution for approval of the members.

None of the other Director except Mr. Gokul Tandan and Ms. Ritu Tandon is concerned or interested in the resolution.

Registered Office:
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Dated : August 14, 2003

Atul Kumar
Company Secretary



Directors' Report

Dear Shareholders,

Your Directors take pleasure in presenting for your consideration and approval the Twelfth Annual Report of your Company for the financial year ended March 31, 2003.

1. FINANCIAL RESULTS

Particulars	(Rs. In Lakhs) Year Ended 31.03.2003	(Rs. In Lakhs) Year Ended 31.03.2002
1 Income		
Net Sales/Income from operations		
Export Income	0.00	0.00
Domestic Income	481.90	510.16
2 Other Income	0.55	1.49
3 Expenditure:		
Purchase	449.69	429.72
Staff Cost	42.75	48.39
Legal & Professional	5.87	12.46
Hire/Rental Charges	13.27	19.88
Communication Costs	2.52	6.58
Bad Debts/Provision for doubtful Balances	0.00	209.63
Other Costs	9.21	33.64
4 Interest	4.66	7.79
5 Depreciation	21.52	21.69
6 Profit/(Loss) before tax	(67.02)	(278.12)
7 Provision for Tax	0.00	7.00
8 Net Profit/(Loss)	(67.02)	(278.12)
9 Paid up Share Capital (Face Value of the share Rs. 10/-)	754.76	754.76
10 Reserves & Surplus	20.00	48.63
Excluding Profit & Loss Accumulated Balance of	(486.88)	(448.49)
11 Basic and diluted EPS for the year end	(0.89)	(3.78)
12 Aggregate of Non-Promoter Shareholding		
- No. of Shares	1,571,110	1,571,110
- % of Shareholding	20.82	20.82

2. BUSINESS AND OPERATIONS OF THE COMPANY

- (1) Global market conditions continue to remain difficult during the year 2002 - 03, for the IT and Software industries in general. However, one sector which continues to show substantial growth is the IT Enabled Service (ITES) sector. In the light of this mixed market environment, your company decided to re-focus its operation towards:
 - a) **Expansion of the vReach product offering to a end-to-end service offering aimed at apex industry organizations such as CII, large corporates such as SAP, PSU's and major global organizations such as the World Bank.**
 - b) Diversification into the exploding field of ITES training through development of technology enabled content and training courses across the entire spectrum of ITES employees.

- (2) During the past year the vReach market offering has been substantially expanded into the following strategic areas:

a) vReach **Virtual Event Service (VES)**

Information Dissemination in the current global market environment is increasingly being done through Seminars, focused Workshops etc. India too has become a major destination for such events. Agencies in India such as CII, NASSCOM, FICCI, ITPO are recognized globally and their events are well attended by a host of global leaders. However, it is a recognized fact that such events have limited seats and therefore there is a vast audience which is interested in these events but is unable to attend. Your company makes it possible for this audience to also be a part of such event through its VES offering. VES captures the entire event in video and audio, synchronizes this with presentations and handouts, and, through the simplicity and convenience of a CD, makes it possible for an individual to attend the entire event 'Virtually' on his desktop

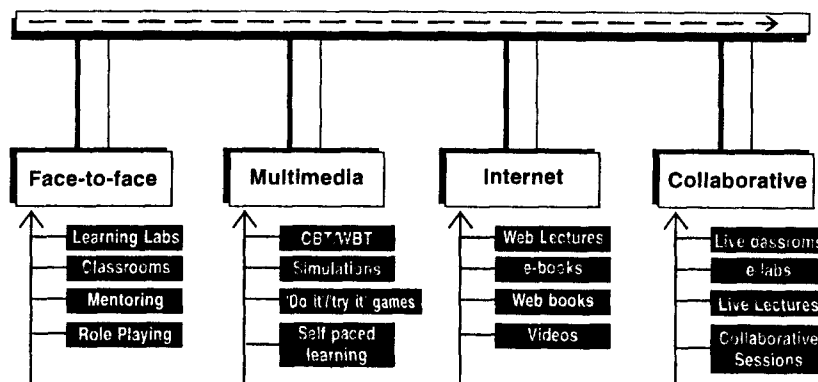
b) vReach **Training Packs (VTP)**

Training is being increasingly viewed as a key activity if corporates are to grow and succeed in the competitive and tough market conditions of today. Your company has therefore expanded its vReach product offering to enable employees to receive 'anywhere - anytime' training. VTP's capture the organizations best trainers and Knowledge Mentors in video and audio, combines it with the existing knowledge base (presentations, FAQ's, White Papers etc) and makes it available over the corporate intranet/extranet via a Knowledge Server

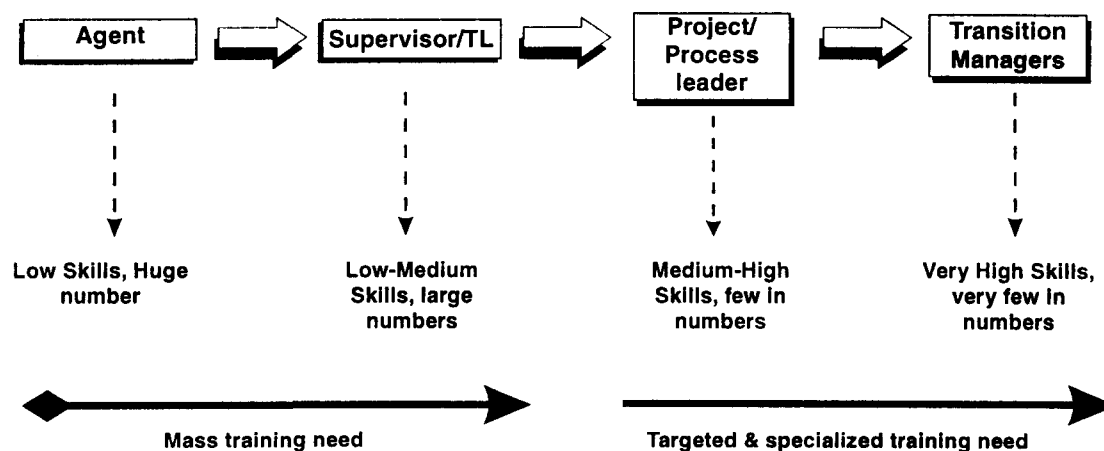
c) vReach Digital Media based content (VDMC)

Information Overload is today an accepted fact of working life at all levels. The facility to sift and sieve large information pools is an essential requirement of good information systems design. The quality of content now plays a dominant role in the usefulness of information systems. VDMC makes available to users coordinated diverse media content packages through the convenience of CDs.

- (3) The company's strong domain competence in content creation (rich media) and delivery technologies are an asset in the diversification to the field of ITES Training. This competence has allowed to your company to develop radical and innovative Instructional Methodologies, sound technology enabled training curriculums and courseware
- (4) With the vary large intake of manpower that will take place in the ITES/BPO industry, the level of competence which employees are able to achieve will be the determining factor in the success of organizations. The need for comprehensive, pervasive training will need to be considered by companies as a strategic imperative. The ILX Project (BPO Univ) has the objective of becoming the major strategic partner in the Competence Enhancement space for the Indian ITES industry
- (5) The need for such training partners is felt since the ITES industry is still a very new industry, where almost all the employees at all levels tend to have very little or often zero ITES background or specific ITES experience. A large proportion of employees tend to be chosen for their aptitudes rather than their skill sets. As the industry matures, this situation will necessarily have to change if the industry is to mature and survive competition from other countries such as China, the Philippines, or any of the emerging nations.
- (6) The BPO Univ education delivery experience matrix has been depicted in Figure 1 below.



(7) Figure 2 below depicts the training need matrix



(8) You would be happy to note that the BPO Univ initiative has already achieved the following milestones:

- Content development for 3 Foundation Level courses has been completed
- Bagged their maiden order in the month of June '2003
- In active consultation with top three international BPO centers for their partnering and collaborating requirement
- Successfully trained client's employees at their location
- Completed two pilot batches for the Foundation program

3. DIVIDEND

Your Directors do not recommend any Dividend.

4. AUDITORS

M/s. I. M. Puri & Co., Chartered Accountants, Auditors of the Company retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

5. DIRECTORS

Mr. Ashok Kumar Anand and Ms. Ritu Tandan, retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment.

6. DEPOSITS

The Company has not accepted deposits from the public for the year under consideration.

7. UNPAID DIVIDEND WITH THE BANK SINCE AUGUST 1996

The Board has approved to credit of Rs. 7021.49 lying in Federal Bank Ltd. in Nehru Place as unclaimed Dividend for a Period of seven year expired in July 2003, transfer to the Central Government A/c Investor Education and Protection Fund.

8. DEPOSIT OF OUTSTANDING STATUTORY DUES AS ON 31ST MARCH 2003

There were outstanding dues related to Provident Fund of Rs. 201685/- and Tax Deducted at source of Rs. 7178/- fallen due for deposit with appropriate authorities as at 31st March 2003.

The Management has taken a serious note on above matter and in process to deposit the statutory dues with appropriate authorities prior to the AGM.

VirtualSoft Systems Limited

**9. PARTICULARS OF EMPLOYEES**

There is no employee of the Company who has received remuneration in excess of such sum as prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

10. CAPITAL MARKET DEVELOPMENTS

As on date, 76.85% of shares are in Demat form and are listed on various stock exchanges. The company has, from time to time, reminded the shareholders/investors, holding the shares in physical form to convert their shareholdings to dematerialized form.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO**(a) Details of Conservation of Energy**

The Company uses electric energy for its equipment such as air-conditioners, computer terminals, lighting and utilities in the work premises.

All possible measures have been taken to conserve energy:

- By identifying potential areas for saving;
- By incorporating energy efficient equipment;
- By automation.

(b) Technology Absorption

Research & Development

Specific areas in which Research & Development work has been done in the Company- Intranet Content Delivery Network (ICDN) solution. This solution helps Companies slash costs and raise intellectual capital.

(c) Foreign Exchange Earnings

There had been no foreign exchange earnings, during the year.

12. DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors wish to state that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) that they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- (c) that they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that they had prepared the annual accounts on a going concern basis.

13. ACKNOWLEDGEMENTS

Your Directors acknowledge with a deep sense of gratitude the continued support extended by investors, customers, business associates, bankers and vendors. Your Directors take this opportunity to thank the regulatory and governmental authorities.

For and on behalf of the Board of Directors

Place: New Delhi
Date : August 14, 2003

Gokul Tandan
Managing Director

R. V. Kulkarni
Wholetime Director