

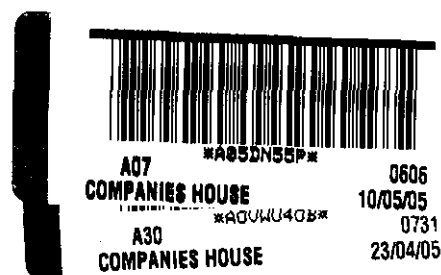
125793 / 30

0
✓



INTELENET GLOBAL SERVICES LIMITED

2ND ANNUAL REPORT
YEAR ENDED MARCH 31, 2003



Deloitte Haskins & Sells

Chartered Accountants

Mafatal House,
Backbay Reclamation,
Mumbai - 400 020,
India.

Tel. : + 91 (22) 2285 4330

Fax : + 91 (22) 2202 4499

+ 91 (22) 2202 4337

**Deloitte
Haskins
& Sells****AUDITORS' REPORT****TO THE SHARE HOLDERS**

We have audited the attached Balance Sheet of Intelenet Global Services Limited as at March 31, 2003, and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
 - c) the Balance sheet and Profit and Loss account dealt with by this report are in agreement with the books of account;
 - d) in our opinion the Balance Sheet and the Profit and Loss Account comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) on the basis of the written representations received from the Directors as on March 31, 2003 and taken on record by the Board of Directors, we report that none of the Directors

DHLS

Deloitte Haskins & Sells

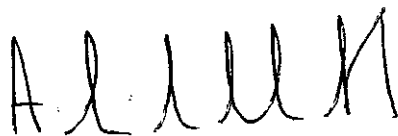
is disqualified as on March 31, 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

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

(i) in the case of the Balance sheet, of the state of affairs of the Company as at March 31, 2003; and

(ii) in the case of the Profit and Loss account, of the loss for the year ended on the date.

For Deloitte Haskins & Sells
Chartered Accountants



A. Siddharth
Partner

Mumbai
Dated: April 25, 2003

ANNEXURE

Re: Intelenet Global Services Limited

Referred to paragraph 1 of our report of even date

1. The nature of the Company's activities during the year has been such that the requirements of items (iii), (iv), (v), (vi), (xii), (xiv) and (xvi) of Clause A of paragraph 4 of the Order are not applicable to the Company.
2. The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. All the fixed assets have been physically verified by the management during the year. We are informed that no material discrepancies were noticed by the management on such verification.
3. None of the fixed assets has been revalued during the year.
4. The rate of interest and other terms and conditions on which unsecured loans have been taken from companies listed in the register maintained under section 301 of the Companies Act, 1956 are not *prima facie* prejudicial to the interest of the Company. The Company has not taken any loans, secured or unsecured from companies under the same management within the meaning of section 370 (1B) of the Companies Act, 1956.
5. The Company has not granted any loans, secured or unsecured to companies/firms/other parties listed in the register maintained under section 301 of the Companies Act, 1956 and/or to companies under the same management within the meaning of section 370 (1B) of the Companies Act, 1956.
6. The employees to whom loans or advances in the nature of loans have been given by the Company are regular in repayment of the principal amounts as stipulated and are also regular in payment of interest, wherever applicable.
7. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of plant and machinery, equipment and other assets. The Company does not purchase stores, raw materials including components or sell goods.

DHLS

Deloitte Haskins & Sells

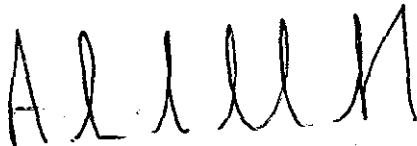
8. According to the information and explanations given to us, there are no transactions of purchase of goods /materials and/or sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party.
9. The Company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956 and the Rules framed there under.
10. *The internal audit system needs to be strengthened as regards its scope and coverage to make it commensurate with the size of the Company and the nature of its business.*
11. We are informed that the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and Employees State Insurance Act, 1948 are not applicable to the Company.
12. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding as at March 31, 2003 for a period of more than six months from the date they become payable.
13. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
14. The provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company.
15. The nature of Company's activities is such that it does not consume any raw materials or stores.
16. In our opinion and according to the information and explanations given to us, the Company has a reasonable system of allocating man-hours utilised to the relative jobs, commensurate with its size and the nature of its business.

DHWS

**Deloitte
Haskins
& Sells**

17. In our opinion and according to the information and explanations given to us, the Company has a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the Company and the nature of its business on allocation of labour to jobs.

For **Deloitte Haskins & Sells**
Chartered Accountants

A handwritten signature in black ink, appearing to read 'A. Siddharth', with a small dot to its right.

A. Siddharth
Partner

Mumbai
Dated: April 25, 2003


INTELENET GLOBAL SERVICES LIMITED
BALANCE SHEET AS AT MARCH 31, 2003

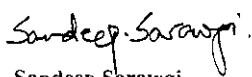
			As at March 31, 2002
	Schedule	Rupees	Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	400,000,000	180,000,000
ADVANCE TOWARDS EQUITY SHARE CAPITAL		-	10,000,000
LOAN FUNDS			
Unsecured Loans	2	325,000,000	75,000,000
TOTAL		725,000,000	265,000,000
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	3	424,952,141	175,620,808
Less : Depreciation		49,259,677	16,327,869
Net Block		375,692,464	159,292,939
Capital Work- In- Progress		206,121,405	34,058,610
		581,813,869	193,351,549
EXPENDITURE DURING CONSTRUCTION PERIOD	4	-	-
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry Debtors	5	46,328,676	12,502,321
Cash and Bank Balances	6	28,029,656	21,516,734
Loans and Advances	7	31,371,256	16,606,652
		105,729,588	50,625,707
LESS : CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	8	45,275,009	17,543,641
		45,275,009	17,543,641
NET CURRENT ASSETS		60,454,579	33,082,066
DEFERRED TAX ASSETS (Net)		24,121,237	-
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	9	15,044,841	2,046,659
PROFIT AND LOSS ACCOUNT	10	43,565,474	36,519,726
TOTAL		725,000,000	265,000,000
Significant Accounting Policies	17		
Notes forming part of the Accounts	18		

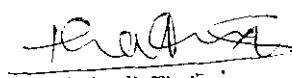
Schedules 1 to 18 annexed hereto form part of the Balance Sheet and the Profit and Loss Account

As per our attached report attached

For Deloitte Haskins & Sells
Chartered Accountants

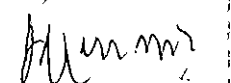

A Siddharth
Partner


Sandeep Sarawgi
Chief Financial Officer


Anirudh Thakur
Company Secretary

For and on behalf of the Board


Susir Kumar M

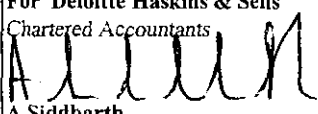
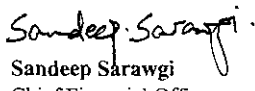
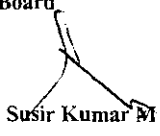
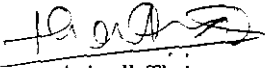
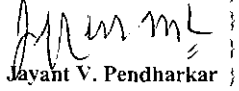

Jayant V. Pendharkar

Directors

Mumbai
Date: April 25th, 2003

Mumbai
Date: April 25th, 2003

INTELENET GLOBAL SERVICES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED MARCH 31, 2003

	Schedule	Rupees	Previous period Rupees
INCOME			
Operating Income	11	209,167,949	14,485,439
Other Income	12	8,374,004	398,791
		<u>217,541,953</u>	<u>14,884,230</u>
EXPENDITURE AND CHARGES			
Staff Expenses	13	105,099,346	10,116,180
Establishment Expenses	14	53,706,177	14,813,171
Other Expenses	15	47,977,821	7,770,344
Interest and Other Charges	16	8,993,786	6,734,521
Depreciation		32,931,808	11,969,740
		<u>248,708,938</u>	<u>51,403,956</u>
LOSS BEFORE TAX FOR THE YEAR / PERIOD		31,166,985	36,519,726
Less: Provision for Tax			
Current		-	-
Deferred		11,126,614	-
		<u>11,126,614</u>	<u>-</u>
LOSS AFTER TAX CARRIED TO BALANCE SHEET		20,040,371	36,519,726
EARNINGS PER SHARE (Face Value Rs. 10) :			
- Basic		(0.72)	(2.89)
- Diluted		(0.70)	(2.71)
(Refer note 7 of schedule No.18)			
Significant Accounting Policies	17		
Notes forming part of the Accounts	18		
Schedules 1 to 18 annexed hereto form part of the Balance Sheet and the Profit and Loss Account			
As per our attached report attached			
For Deloitte Haskins & Sells Chartered Accountants		For and on behalf of the Board	
			
A Siddharth Partner		Sandeep Sarawgi Chief Financial Officer	
			
		Susir Kumar Director	
			
		Anirudh Thakur Company Secretary	
			
		Jayant V. Pendharkar Director	
Mumbai Date: April 25th, 2003		Mumbai Date: April 25th, 2003	

INTELENET GLOBAL SERVICES LIMITED
SCHEDULES

Annexed to and forming part of the Accounts

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
Schedule 1		
SHARE CAPITAL		
AUTHORISED		
40,000,000 (previous period 22,000,000) Equity Shares of Rs. 10/- each	<u>400,000,000</u>	<u>220,000,000</u>
ISSUED AND SUBSCRIBED		
40,000,000 (previous period 18,000,000) Equity Shares of Rs. 10 /- each.	<u>400,000,000</u>	<u>180,000,000</u>
PAID-UP		
40,000,000 (previous period 18,000,000) Equity Shares of Rs. 10 /- each fully paid-up	<u>400,000,000</u>	<u>180,000,000</u>
Schedule 2		
UNSECURED LOANS		
Other Loans and Advances		
From Others	325,000,000	-
Inter-corporate Deposits	<u>-</u>	<u>75,000,000</u>
	<u>325,000,000</u>	<u>75,000,000</u>

& DHLS

INTELENET GLOBAL SERVICES LIMITED

Annexed to and forming part of the Accounts

Schedule 3 FIXED ASSETS											Rupees
Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		As at March 31, 2002
	As at March 31, 2002	Additions	Deductions	As at March 31, 2003	As at March 31, 2002	For the year	Deductions	As at March 31, 2003	As at March 31, 2003		
Building	-	57,331,018	-	57,331,018	-	346,284	-	346,284	56,984,734	-	
Leasehold Improvements	32,006,480	556,439	-	32,562,919	6,405,487	2,082,783	-	8,488,270	24,074,649	25,600,993	
Data/Voice processing equipment	122,232,375	154,223,260	-	276,455,635	8,167,145	27,987,248	-	36,154,393	240,301,242	114,065,230	
Office Equipment	12,681,500	19,660,374	-	32,341,874	977,290	1,355,067	-	2,332,357	30,009,517	11,704,210	
Furniture and Fixtures	4,457,909	16,385,147	-	20,843,056	555,405	827,510	-	1,382,915	19,460,141	3,902,504	
Machinery	3,800,000	-	-	3,800,000	180,500	180,500	-	361,000	3,439,000	3,619,500	
Motor Cars	442,544	-	-	442,544	42,042	42,042	-	84,084	358,460	400,502	
Assets acquired on Hire Purchase											
Motor Cars	-	1,175,095	-	1,175,095	-	110,374	-	110,374	1,064,721	-	
Total	175,620,808	249,331,333	-	424,952,141	16,327,869	32,931,808	-	49,259,677	375,692,464	159,292,939	
Previous period	-	175,620,808	-	175,620,808	-	16,327,869	-	16,327,869	159,292,939	-	
Capital Work- In Progress (including advances on Capital account)											
									206,121,405	34,058,610	

Notes:

- 1] Title deed in respect of Building is in the name of MIDC.
- 2] Gross block as at March 31, 2003 includes Rs. 1,175,095/- [Previous period Rs. Nil] being cost of assets acquired on hire purchase basis over which vendors have a lien.
- 3] Gross block as at March 31, 2003 includes Rs. 48,236,901/- [Previous period Rs. Nil] being cost of assets over which a customer has a lien.
- 4] Capital work in progress as at March 31, 2003 includes interest aggregating to Rs. 4,521,370/- (Previous period Rs. Nil)

5/11/03

INTELENET GLOBAL SERVICES LIMITED

Annexed to and forming part of the Accounts

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
Schedule 4		
EXPENDITURE DURING CONSTRUCTION PERIOD		
STAFF EXPENSES		
Salaries, allowances, bonus, etc.	-	7,295,276
Contribution To Provident And Other Funds	-	349,246
Staff Welfare Expenses	-	1,958,536
Provision For Gratuity	-	169,692
	-	9,772,750
ESTABLISHMENT EXPENSES		
Connectivity Expenses	-	6,561,586
Rent, Rates and taxes	-	5,090,547
Insurance	-	80,787
Repairs And Maintenance - Buildings	-	58,200
Office Maintenance	-	1,347,252
Electricity Charges	-	2,806,920
		15,945,292
OTHER EXPENSES		
Travelling and Conveyance	-	3,929,184
Printing and Stationery	-	99,413
Postage, Telephone and Fax	-	547,666
Entertainment Expenses	-	249,612
Repairs and Maintenance other than Building	-	447,673
Legal and Professional Charges	-	1,419,806
Recruitment Expenses	-	1,447,476
Miscellaneous Expenses	-	778,842
Depreciation	-	4,358,129
Interest and Finance Charges	-	253,151
	-	13,530,952
Less: Interest On Bank Deposits		
(tax deducted at source Rs. 183,165)	-	918,904
Miscellaneous Receipts	-	116,026
	-	1,034,930
		38,214,064
Less: Capitalised	-	38,214,064
	-	-
Note:		
Miscellaneous Expenses Include Certification Fees, Office Expenses, Motor Car Expenses, Filing Fee, etc.		

8
DHLS

INTELENET GLOBAL SERVICES LIMITED

Annexed to and forming part of the Accounts

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
Schedule 5		
SUNDRY DEBTORS		
(Unsecured and considered Good)		
Debts outstanding for a period exceeding six months	-	-
Other debts	46,328,676	12,502,321
Total	<u>46,328,676</u>	<u>12,502,321</u>
Schedule 6		
CASH AND BANK BALANCES		
Cash on hand	336,614	16,695
Balances with Scheduled Banks		
in Current accounts	23,680,516	20,839,639
in Fixed Deposit accounts	3,992,765	660,400
(including interest accrued Rs 242,765/- , Previous period Rs Nil)		
Balance with others - Citi Bank, New York		
in Current account	19,761	-
[Maximum balance outstanding during the year Rs 24,250/- (Previous period Rs Nil)]		
	<u>28,029,656</u>	<u>21,516,734</u>
Schedule 7		
LOANS AND ADVANCES		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	20,523,988	10,376,566
Deposits	10,417,584	5,820,000
Advance payment of taxes etc.	429,684	410,086
	<u>31,371,256</u>	<u>16,606,652</u>

S
DHHS

INTELENET GLOBAL SERVICES LIMITED

Annexed to and forming part of the Accounts

	Rupees	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
Schedule 8			
CURRENT LIABILITIES			
Sundry Creditors			
Total outstanding due to Small Scale Industrial Undertakings	-		-
Total outstanding dues to creditors other than Small Scale Industrial Undertakings	39,560,789		6,603,157
		39,560,789	6,603,157
Other Liabilities		5,714,220	10,940,484
		<u>45,275,009</u>	<u>17,543,641</u>
Schedule 9			
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Preliminary Expenditure		1,600,113	2,046,659
Deferred Revenue Expenses			
Recruitment Expenses	4,595,058		-
Training Expenses	7,509,797		-
Share Issue Expenses	1,339,873		-
		13,444,728	-
		<u>15,044,841</u>	<u>2,046,659</u>
Schedule 10			
PROFIT AND LOSS ACCOUNT			
Balance as per last Balance Sheet		36,519,726	-
Less: Accumulated Deferred Tax Asset (Refer Note 8 of Schedule 18)		<u>12,994,623</u>	-
		23,525,103	-
Add: Transferred from Profit and Loss Account		<u>20,040,371</u>	36,519,726
		<u>43,565,474</u>	<u>36,519,726</u>

S DHCS

INTELENET GLOBAL SERVICES LIMITED

Annexed to and forming part of the Accounts

	For the year ended March 31, 2003	Previous period
Rupees	Rupees	Rupees
Schedule 11		
OPERATING INCOME		
Call centre charges	159,065,771	7,301,963
Data processing fees	50,102,178	7,183,476
	<u>209,167,949</u>	<u>14,485,439</u>
Schedule 12		
OTHER INCOME		
Interest (Gross) on		
Fixed Deposits with Banks	282,830	53,274
[tax deducted at source Rs 19,598/-, (Previous period Rs. 23,081/-)]		
Loans to staff	10,825	-
Set-up charges recovered	<u>1,705,965</u>	-
	1,999,620	53,274
Exchange Gain (net)	447,431	24,995
Sale of Traded Goods	-	295,651
Profit on sale of current investments	-	24,858
Miscellaneous income	5,926,953	13
	<u>8,374,004</u>	<u>398,791</u>

S
DHLS

INTELENET GLOBAL SERVICES LIMITED

Annexed to and forming part of the Accounts

	For the year ended March 31, 2003	Previous Period
Rupees	Rupees	Rupees
Schedule 13		
STAFF EXPENSES		
Salaries, allowances, bonus, etc.	80,892,326	6,492,160
Contribution to Provident and Other Funds	4,192,891	398,978
Staff Welfare Expenses	19,909,817	3,139,429
Provision for Gratuity	104,312	85,613
	<u>105,099,346</u>	<u>10,116,180</u>
Schedule 14		
ESTABLISHMENT EXPENSES		
Connectivity Expenses	26,690,155	10,029,924
[net of recoveries Rs. 14,035,981/- (previous period Rs. Nil)]		
Rent , Rates and Taxes	8,392,398	2,716,110
Repairs and Maintenance - Buildings	381,644	26,922
Insurance	4,915,049	63,510
Office Maintenance	6,403,278	566,485
Electricity Charges	6,923,653	1,410,220
	<u>53,706,177</u>	<u>14,813,171</u>
Schedule 15		
OTHER EXPENSES		
Travelling and Conveyance	22,858,138	1,884,411
[net of recoveries Rs. 6,074,998/- (previous period Rs. Nil)]		
Printing and Stationery	2,451,077	194,361
Postage, Telephone and Fax	2,087,887	687,346
[net of recoveries Rs. 487,757/- (previous period Rs. Nil)]		
Repairs and Maintenance other than Buildings	2,996,628	549,795
Legal and Professional Charges	6,922,253	1,982,135
Entertainment Expenses	1,930,887	321,029
[net of recoveries Rs. 161,510/- (previous period Rs. Nil)]		
Purchase of Traded Goods	-	149,500
Miscellaneous Expenses	5,117,464	1,815,598
[net of recoveries Rs. 446,236/- (previous period Rs. Nil)]		
Preliminary expenses written off	446,546	186,169
Deferred Revenue Expenditure written off		
Recruitment Expenses	1,148,765	-
Training Expenses	1,877,449	-
Share Issue Expenses	140,727	-
	<u>3,166,941</u>	<u>-</u>
	<u>47,977,821</u>	<u>7,770,344</u>
Schedule 16		
INTEREST AND OTHER CHARGES		
Interest on Advance against Equity	2,944,439	5,627,729
Interest on Inter - corporate deposits	5,597,395	1,086,575
Interest on Hire Purchase	97,400	-
Bank charges and guarantee commission	354,552	20,217
	<u>8,993,786</u>	<u>6,734,521</u>

Note:

Miscellaneous expenses includes Facility management fees, Office expenses, License expenses, etc.

8 DML

SCHEDULE 17

SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of Financial Statements

The financial statements have been drawn up using the historical cost convention and as per accounting principles generally accepted in India.

2. Revenue Recognition

Revenue (income) is recognised when no significant uncertainty as to determination or realisation exists.

3. Fixed Assets

Fixed Assets are stated at cost of acquisition or construction net of reimbursements less accumulated depreciation.

4. Depreciation

Depreciation is provided on the straight-line method at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956.

Cost of leasehold improvements is amortised over the period of lease.

Fixed assets costing Rs. 5000/- or less are depreciated at 100% in the year of purchase.

5. Inventories

Traded goods are valued at lower of cost and net realisable value.

6. Expenditure during construction period

Expenditure during construction period including pre-operative expenses, all direct and indirect expenses and trial run expenses (net of miscellaneous receipts, if any) is capitalised.

7. Retirement Benefits

i. Provident fund

Liability is determined on the basis of contribution required under the statute / rules.

ii. Gratuity and Leave encashment

Liability is determined on the basis of actuarial valuation.

8. Foreign Currency Transactions

Transactions in foreign currency are recorded at the original rates of exchange in force at the time the transactions are effected. At the year-end, monetary items denominated in foreign currency are reported using the closing rate of exchange. *Exchange differences arising on realisation / payments of foreign exchange are accounted in the year of actual realisation / payments.*

9. Preliminary Expenditure

Expenditure incurred in connection with the incorporation of the Company is written off equally over a period of five years from the date of commencement of commercial operations.

\$ DHIS

10. Deferred Revenue Expenditure

Expenses incurred in connection with the recruitment, training of employees and issue of shares is treated as deferred revenue expenditure to be amortised over a period of 5 years

11. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

12. Taxes on Income

Tax expense comprise both current tax and deferred tax at the applicable enacted rates. Current tax represents the amount of income tax payable/ recoverable in respect of taxable income/ loss for the reporting period. Deferred tax represents the effect of timing difference between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

13. Contingent Liabilities

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

\$ DHLS

SCHEDULE 18

NOTES FORMING PART OF THE ACCOUNTS

1. Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for Rs 75,854,635/- (Previous period Rs 36,648,214/-).
2. The Company has procured certain fixed assets aggregating to Rs. 48,236,901/- (written down value as on March 31, 2003 is Rs. 43,547,828/-) to be used exclusively for a customer. As per the terms of the contract with the customer, in the event of termination of the contract or upon its expiry, the customer has a right to acquire these assets at no cost except duties, taxes and charges incurred for the transfer. In such an event, the written down value of the fixed assets will be charged off to the Profit and Loss Account in the relevant year.

3. Payments to Auditors:

	Rupees	Previous period Rupees
(a) As auditors	175,000	100,000
(b) As advisor or in any other capacity in respect of:		
Taxation matters	125,000	10,000
(c) In any other manner (tax audit)	50,000	15,000
(d) For service tax	8,750	5,750
Total	358,750	130,750

4. Additional information pursuant to the provisions of para 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956, to the extent applicable:

A. Quantitative details in respect of traded goods:

	Unit	Quantity	Rupees
<i>Purchase:</i>			
Calendars	Nos.	-	-
	Nos.	(2,500)	(149,500)
<i>Sale:</i>			
Calendars	Nos.	-	-
	Nos.	(2,500)	(295,651)

Note: Figures in bracket are in respect of previous period.

B. Value of imports on CIF basis:

	Rupees	Previous period Rupees
Capital Goods	53,381,570	427,183

C. Expenditure in foreign currency on account of:

	Rupees	Previous period Rupees
Connectivity expenses	16,942,869	9,985,344
Travelling	6,183,045	5,144,248
Professional fees	2,117,156	57,040
Facility management fees	514,089	1,732,987
Others	9,387,277	-

§ DHI

D. Earnings in Foreign exchange:

	Rupees	Previous period Rupees
FOB value of exports	-	168,188
Data processing fees	50,102,178	7,183,476
Call centre charges	159,065,771	7,301,963
Interest on set up charges recovered and other income	7,563,378	-

5. (a) It was the policy of the Company to provide for gratuity and leave encashment considering the Balance Sheet date as the notional date of retirement based on arithmetical calculation. During the year, the Company has changed its practice and provided for the same on the basis of actuarial valuation carried out as at the year-end. This change in the method of accounting has the effect of reducing the gratuity charge and leave encashment charge for the year by Rs. 1,614,072/- and Rs. 1,431,857/- respectively and consequently reducing the loss for the year by Rs. 3,045,929/-.
- (b) As per the policy of the Company, expenses incurred in relation to recruitment and training of employees were charged to the profit and loss account. Effective current year, the said expenses have been deferred to be amortised over a period of five years, being the period over which the benefit is expected to accrue to the Company. This change in policy has the effect of reducing the recruitment expenses for the year by Rs 4,595,058/- and training expenses charge by Rs 7,514,997/- and consequently reducing the loss for the year by Rs 12,110,055/-
6. During the year, the Company acquired cars on hire purchase basis. The same has been treated as assets acquired on lease as per Accounting Standard 19 (AS 19) on Leases. Minimum lease rentals outstanding as at March 31, 2003 in respect of these assets are as under:

Due	Total minimum lease payments outstanding as at March 31, 2003	Interest not due	Rupees Present value of the minimum lease payments
Not later than one year	398,810	56,810	342,000
Later than 1 year but not later than 5 years	234,678	16,988	217,690
Later than 5 years	-	-	-

The tenure of the hire purchase agreements is of thirty-six months with an option of prepayment and foreclosure.

7. Earnings per share

Earnings per share (Basic) is calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of computation of Earnings per share (Diluted) the weighted average number of equity shares outstanding during the year have been adjusted for the effect of dilutive potential equity shares. The computation of Basic and Diluted Earnings per share is as under:

		Previous period
Loss for the year attributable to equity shareholders (Rupees)		
Basic	20,040,371	36,519,726
Diluted	20,040,371	36,519,726
Weighted average number of equity shares outstanding during the year / period (Denominator)		
Basic	28,000,000	12,630,560

Handwritten signature/initials

Diluted	28,500,000	13,463,893
Earnings per share (Rupees)		
Basic	(0.72)	(2.89)
Diluted	(0.70)	(2.71)
Nominal value per share (Rupees)	10	10
Reconciliation between denominators used in calculating basic and diluted earnings per share (in numbers)		
Denominator used in calculating basic earnings per share	28,000,000	12,630,560
Add: Weighted average number of dilutive potential equity shares	500,000	833,333
Denominator used in calculating diluted earnings per share	28,500,000	13,463,893

8. In compliance with the Accounting Standard relating to 'Accounting for Taxes on Income' (AS 22), issued by the Institute of Chartered Accountants of India, the Company has adjusted the deferred tax asset (net) arising on account of timing differences as on April 01, 2002, of Rs 12,994,623/- in accumulated balance in Profit and Loss Account and has taken a credit of Rs 11,126,614/- to the Profit and Loss Account for the year ended March 31, 2003 towards deferred tax asset (net) for the year.

The Company is in advanced stage of negotiations with some local parties for providing outsourcing services within India. The resultant income is currently not eligible for exemption under section 10A of the Income Tax Act, 1961. Consequently, the unabsorbed losses and depreciation as at March 31, 2003 can be set off against such taxable income in future. Hence the same have been considered to be deductible timing difference for the purpose of computation of deferred tax.

The major components of deferred tax assets and liabilities arising on account of timing differences are:

	Assets Rupees	Liabilities Rupees
a) Depreciation	-	22,665,708
b) Deferred Revenue Expenditure	-	4,321,432
c) Preliminary Expenses	-	92,962
d) Provision for Gratuity and Leave encashment	294,270	-
e) Unabsorbed Business Loss	10,655,657	-
f) Unabsorbed Depreciation	40,251,412	-
Total	51,201,339	27,080,102
Net Deferred Tax Asset	24,121,237	

9. The Company has taken premises on lease and made various improvements thereto. During the year, the Company has renewed the contract and the tenure of said lease hold premises has been revised/ increased from 5 years to 15 years. Consequently, the unamortised depreciable amount of leasehold improvements is charged over the revised remaining lease term. This change in policy has the effect of reducing the amortisation charge for the year by Rs 4,562,973/- and loss for the year by the like amount.
10. Exchange differences included in the Profit and Loss Account for the year under review are:

	Rupees	Previous period Rupees
Exchange Gain	1,470,388	26,577
Exchange Loss	1,022,957	1,582

11. The Company has not appointed a Managing Director pursuant to provisions of section 269 of the Companies Act, 1956.

\$
DHLS

INTELENET GLOBAL SERVICES LIMITED

12. Balance sheet abstract and Company's general business profile

I. Registration details

Registration no.

0	0	1	2	9	1	1	2
---	---	---	---	---	---	---	---

 State code

1	1
---	---

Balance sheet date

3	1
---	---

0	3
---	---

2	0	0	3
---	---	---	---

d d m m y y y y

II. Capital raised during the year (amount in Rupees thousands)

Public issue								Rights issue							
x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	
Bonus issue								Private placement							
x	x	x	x	x	x	x	x			2	2	0	0	0	

III. Position of mobilisation and deployment of funds (amount in Rupees thousands)

Total liabilities								Total assets							
		7	7	0	2	7	5			7	7	0	2	7	5
<u>Sources of funds</u>															
Paid-up capital								Reserves and surplus							
		4	0	0	0	0	0	x	x	x	x	x	x	x	x
Secured loans								Unsecured loans							
x	x	x	x	x	x	x	x			3	2	5	0	0	0
<u>Application of funds</u>															
Net fixed assets								Investments							
		5	8	1	8	1	4	x	x	x	x	x	x	x	x
Net current assets								Miscellaneous expenditure							
			6	0	4	5	5				1	5	0	4	5
Accumulated losses															
			4	3	5	6	5								

IV. Performance of the Company (amount in Rupees thousands)

Turnover								Total expenditure																	
				2	1	7	5	4	2					2	4	8	7	0	9						
+ (-)				Loss before tax						+ (-)				Loss after tax											
<input type="checkbox"/>		<input checked="" type="checkbox"/>						3	1	1	6	7	<input type="checkbox"/>		<input checked="" type="checkbox"/>						2	0	0	4	0
Earnings per share (Rupees) (Refer Note 7 of Schedule 18)																									
Basic						(0	.	7	2)													
Diluted						(0	.	7	0)													

V. Generic names of three principal products/ services of the Company (as per monetary terms)

Item code no. (ITC code)																									
			N	A																					
Product description																									
I	T		E	N	A	B	L	E	D		S	E	R	V	I	C	E	S		A	N	D			
B	U	S	I	N	E	S	S		P	R	O	C	E	S	S		O	U	T	S	O	U	R	C	E

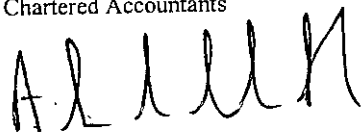
\$ DMS

13. Figures for the previous period are for 17 months 11 days and hence are not comparable with those for the current year. Further, figures for the previous period have been regrouped wherever necessary to correspond with the figures of the current year.

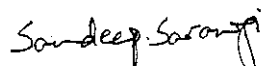
Signatures to Schedules 1 to 18

As per our attached report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants



A. Siddharth
Partner



Sandeep Sarawgi
Chief Financial Officer

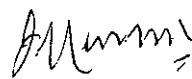
For and behalf of the Board



Susir Kumar M



Anirudh Thakur
Company Secretary



Jayant Pendharkar

} Directors

Mumbai
Date: April 25th, 2003

Mumbai
Date: April 25th, 2003

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their Second Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2003.

1. FINANCIAL RESULTS

	Current Year Apr. 01, 2002 to Mar. 31, 2003 (Rs. in million)	Previous Period Oct. 11, 2000 to Mar. 31, 2002 (Rs. in million)
Total Revenue	217.54	14.88
Total Expenses	206.78	32.69
Interest	8.99	6.74
(Loss)/Profit before depreciation and tax	1.76	(24.55)
Less: Depreciation	32.93	11.97
(Loss)/Profit before Tax	(31.17)	(36.52)
Less: Provision for tax	Nil	Nil
Deferred Tax	(11.13)	Nil
(Loss) / Profit after taxes	(20.04)	(36.52)

The directors have noted the Auditors' comment on the need to strengthen the internal audit system of the Company. The directors would ensure that the system is further streamlined to keep pace with the growing size of the Company.



2. DIVIDEND

Due to unavailability of profits for distribution, the directors do not recommend any dividend for the year ended March 31, 2003.

3. OPERATIONS

Your Company provides Business Process Outsourcing (BPO) services mainly to international clients. The current financial year of 2002-03 was the first full year of commercial operations of the Company. The Company reported a total Income of Rs 21.75 crores for the year ended March 31, 2003. The number of employees as of March 31, 2003 were 755.

Your Company's clients include some of the reputed international companies like Household International, CNA Insurance, Standard Life Healthcare, Britannia Music Co., NEXT Plc., General Mills, United Utilities and JP Morgan Chase. The Company has three centers of operations - two in Mumbai and one in Chennai. The Company has been providing call center, back office and accounting services.

4. PUBLIC DEPOSITS

Your Company has not accepted any deposits and no amount of principal or interest was outstanding on the date of the Balance Sheet.

5. PARTICULARS OF EMPLOYEES

Intelenet has 755 employees as of March 31, 2003. One of the employees who was employed for part of the year was in receipt of remuneration of Rs 2 lac or more per month.

In accordance with the provisions of Section 217 of the Companies Act, 1956 and the rules framed hereunder, the names and other particulars of the employee are set out in the annex to the Directors' Report.



6. PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

The particulars regarding foreign exchange earnings and expenditure appears as item No. 4 C and 4 D in the Notes to the Accounts. Since Intelenet does not own any manufacturing facility, the other particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

7. DIRECTORS

In accordance with the Companies Act, 1956 and the Articles of Association of the Company, Mr. Jayant Pendharkar retires by rotation at the ensuing annual general meeting. He is eligible for re-appointment.

8. AUDITORS

Messrs Deloitte Haskins & Sells, Chartered Accountants and statutory auditors of the Company, retire at the forthcoming annual general meeting and are eligible for re-appointment.

9. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, your directors state that:

- (i) In the preparation of accounts, the applicable accounting standards have been followed.
- (ii) Accounting policies selected were applied consistently. Reasonable and prudent judgements and estimates were made, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2003 and of the loss of the Company for the year ended on that date.
- (iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the



Company and for preventing and detecting fraud and other irregularities.

- (iv) The annual accounts of the Company have been prepared on a going concern basis.

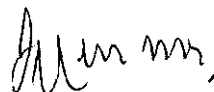
10. ACKNOWLEDGEMENTS

The Board takes this opportunity to thank all the employees for rendering high quality service to every constituent of the Company's clients. Your directors wish to place on record their appreciation to all employees for their hard work, team-spirited efforts, dedication and loyalty to the Company. Your directors also wish to thank clients, bankers, vendors and others for their continued support. Finally, the directors would like to convey their gratitude to the Promoters of the Company and look forward to their continued support.

**For and on behalf of the Board of
Directors**



**Susir Kumar M
Director**



**Jayant Pendharkar
Director**

Place: Mumbai

Dated: April 25th, 2003

ANNEXURE TO THE DIRECTORS' REPORT:

Statement of particulars of employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules, 1975 forming part of the Directors' Report for the year ended March 31, 2003.

Name of the Employee	Age (Yrs)	Designation	Qualification	Experience (No. Of yrs)	Remuneration (Rs.)	Date of commencement	<u>Last Employment</u>	
Mr. Kunal Seth	27	Business Leader-UK	B. Tech., MBA	4	20,40,237/-	1 st July 2002	AXA Limited	BPO Consultant

1. Remuneration as above includes salary, allowances, reimbursement of medical expenses, Leave Travel assistance, value of perquisites as per Income-tax Rules, 1962.
2. The employee mentioned above is not a relative of any Director of the Company.

For and on behalf of the Board of Directors


Susir Kumar
Director


Jayant Pendharkar
Director

Place: Mumbai

Dated: April 25th, 2003