



# Delivering Business Value



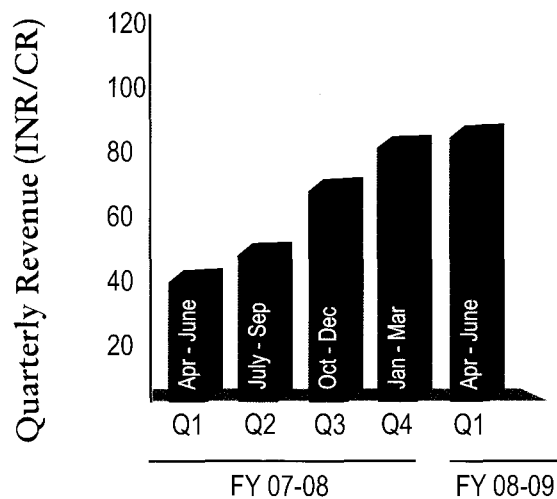
## Financial Highlights :

### Consolidated Financial Performance

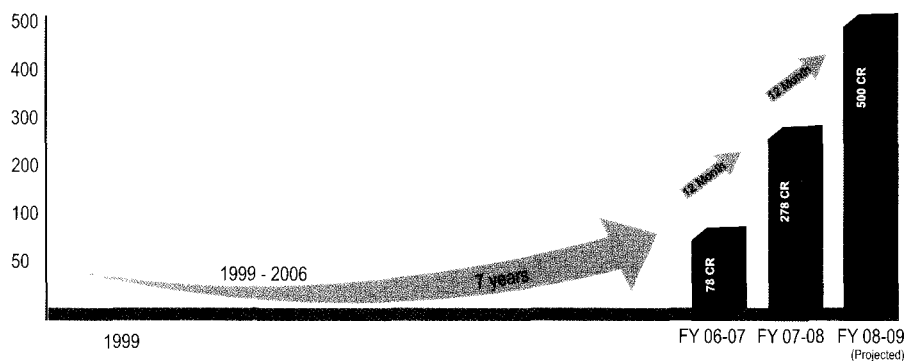
*Rupees in Lakhs*

| Particulars  | 2007-08  | 2006-07 | Growth |
|--|----------|---------|--------|
| Revenue from Operations  | 27728.63 | 7807.61 | 255%   |
| Other Income   | 14.15    | 17.63   | -20%   |
| Total Income   | 27742.78 | 7825.24 | 255%   |
| Operating EBITDA (Earning before Interest, Tax and Depreciation) | 4034.99  | 1169.03 | 245%   |
| Operating EBIT (Earning before Interest and Tax)                 | 3835.81  | 937.99  | 309%   |
| Profit Before Tax  | 3729.10  | 877.45  | 325%   |
| Profit After Deferred Tax  | 3430.73  | 850.63  | 303%   |
| Earning per share (EPS) - Basic & Diluted (Rs.)                  | 13.49    | 3.35    | 303%   |

### Revenue Progression



### Revenue Acceleration



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## Board of Directors

Mr. Kodali Tejesh Kumar  
Mr. Kadiyala Venkateswara Rao  
Mr. Karusala Venkata Subba Rao  
Dr. Prasada Rao VDM Ravella  
Mr. Boddapaty Anand  
Mr. Gorantla Ramesh  
Mr. Vyricherla Pradeep Kumar Dev  
Mr. Asokan Ganapathy  
Mr. Yadagiri Anand Swaroop

### Vice President (F & A)

Mr. Y. Srinivasa Rao

### Statutory Auditors

M/s. P. Murali & Co.,  
Chartered Accountants  
6-3-655/2/3, Somajiguda,  
Hyderabad - 500 082  
Andhra Pradesh, India.

### Bankers

Axis Bank Ltd  
State Bank of India  
Oriental Bank of Commerce  
Andhra Bank  
Karur Vysya Bank Ltd

### Registered Office:

8-2-293/82/A/796/B,  
Road No.36, Jubilee Hills,  
Hyderabad - 500 033, A.P.  
Tel: +91 40 6699 0000  
Fax: +91 40 6699 4444  
Website: [www.lgsglobal.com](http://www.lgsglobal.com)

Chairman  
Co-Chairman  
Vice Chairman & Managing Director  
Director  
Alternate Director  
Director  
Director  
Director  
Director & CEO

### Company Secretary

Mr. M. Jagadeeshwara Rao

### Registrar & Share Transfer Agent

Aarathi Consultants Private Limited  
1-2-285, Domalguda,  
Hyderabad - 500 029, A.P.  
Tel: +91-40-27634445, 27638111, 27642217  
Fax: +91-40-27632184  
Email: [info@aarthiconsultants.com](mailto:info@aarthiconsultants.com)



NOTICE is hereby given that the **Ninth Annual General Meeting** of the Members of **Lanco Global Systems Limited** will be held at 11.00 A.M. on Tuesday, 30<sup>th</sup> September, 2008, at KLN Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI), Federation House, 11-6-841, Red Hills, Hyderabad-500 004, to transact the following business:

#### ORDINARY BUSINESS

1. To receive, consider and adopt the
  - (a) Audited Balance Sheet as at 31<sup>st</sup> March, 2008;
  - (b) Audited Profit and Loss Account for the year ended on that date;
  - (c) Auditor's Report thereon; and
  - (d) Directors' Report thereon;
2. To declare dividend for the year ended 31<sup>st</sup> March, 2008 on equity shares.
3. To appoint a Director in place of Dr. Prasada Rao VDM Ravella, who retires by rotation, and, being eligible, offers himself for re-appointment.
4. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad, the retiring Auditors, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

To consider and if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** M/s. P. Murali & Co., Chartered Accountants, Hyderabad, be and are hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be decided by the Board of Directors".

#### SPECIAL BUSINESS

5. **To appoint Mr. Tejesh Kumar Kodali as Director of the Company**

To consider and if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** Mr. Tejesh Kumar Kodali, who was appointed by the Board of Directors as an Additional Director with effect from 27<sup>th</sup> March, 2008 and who holds the office of Director upto the date of

this Ninth Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.

6. **To appoint Mr. Venkateswara Rao Kadiyala as Director of the Company**

To consider and if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** Mr. Venkateswara Rao Kadiyala, who was appointed by the Board of Directors as an Additional Director with effect from 27<sup>th</sup> March, 2008 and who holds the office of Director upto the date of this Ninth Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.

7. **To appoint Mr. Venkata Subba Rao Karusala as Director of the Company**

To consider and if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** Mr. Venkata Subba Rao Karusala, who was appointed by the Board of Directors as an Additional Director with effect from 27<sup>th</sup> March, 2008 and who holds the office of Director upto the date of this Ninth Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.

8. **To appoint Mr. Pradeep Kumar Dev V as Director of the Company**

To Consider and if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** Mr. Pradeep Kumar Dev V, who was appointed by the Board of Directors as an



Additional Director with effect from 27<sup>th</sup> March, 2008 and who holds the office of Director upto the date of this Ninth Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.

**9. To appoint Mr. Asokan Ganapathy as Director of the Company**

To Consider and if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** Mr. Asokan Ganapathy, who was appointed by the Board of Directors as an Additional Director with effect from 27<sup>th</sup> March, 2008 and who holds the office of Director upto the date of this Ninth Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.

**10. To amend the Articles of Association of the Company**

To consider and if thought fit, to pass with or without modifications, the following resolution as **SPECIAL RESOLUTION**:

**"RESOLVED THAT** pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Article of Association of the Company be amended as follows:

- i) The first sentence appearing in the Article 89, be deleted and in its place the following be substituted.
89. Each director other than a Managing Director or Whole time Director shall be entitled to receive such remuneration as maybe decided by the board out of the funds of the Company for his services in attending meetings of the Board or a Committee thereof, a fee of rupees not exceeding the ceiling limit prescribed under the Companies Act, 1956 or rules framed there under, as amended from time to time, by the Central Government.

- ii) The Article 112A be inserted after Article 112 in the following manner:-

112A. The Board of Directors may appoint one of their members as Co-Chairman of the Board. The Co-Chairman will act as Chairman in the absence of Chairman.

**11. To appoint Mr. Tejesh Kumar Kodali as Executive Chairman of the Company**

To consider and if thought fit, to pass with or without modifications, the following resolution as an **ORDINARY RESOLUTION**:

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, as amended, the consent of the Shareholders be and is hereby accorded for the appointment of Mr. Tejesh Kumar Kodali as Executive Chairman for a period of 3 (Three) years with effective from 28<sup>th</sup> July, 2008 on the following terms and conditions:

**Salary:** Rs. 43,20,000/- (Rupees Forty Three Lakhs Twenty Thousand only) per annum.

**Perquisites and Allowances:** The Executive Chairman shall be entitled to all the perquisites & allowances listed herein below in addition to the salary mentioned above:

**Housing:**

- (a) Where accommodation in the Company owned house is provided, he shall pay to the Company, by way of rent of 10% of the salary;
- (b) Where hired accommodation is provided, the expenditure incurred by the company on hiring furnished accommodation for him will be subject to a ceiling of 50% of the salary;
- (c) In case the company does not provide accommodation, House Rent Allowance (HRA) shall be paid @ 50% of the salary;

**Gas, Electricity, Water and Furnishings:** The expenditure incurred by him for gas, electricity, water and furnishings shall be reimbursed subjected ceiling of 15% of the salary.

**Medical expenses:** All medical expenses incurred by him for self and family shall be reimbursed.

**Leave Travel Concession or Allowance:** Leave travel concession or allowance for him and for his family will be as per company rules.

**Clubs:** Fees of clubs subject to maximum of three clubs. This will not include the admission and life membership fees.

**Insurance:** Medical and Accident insurance premium as per company rules.

**Statutory Contributions:** Contribution to the Provident fund, Superannuation fund, Annuity fund to the extent the same are not taxable under the Income Tax Act.

**Gratuity:** Gratuity payable shall not exceed, half a month's salary, for each completed year of service.

**Car:** Provision of car with driver for use of the Company's business.

**Communication facilities:** All Communication facilities like Telephones/Internet/ Mobiles/ Fax at residence shall be provided for use by the Executive Chairman.

**Servants:** Reimbursement of Servant's salary, subject to maximum of two servants.

**Gardener:** Reimbursement of Gardener's salary, subject to one Gardener only.

**Coupons:** Aggregate of food coupons/meal vouchers shall be subject to a ceilings of Rs. 10,000/- per month.

"Family" for the above purpose means wife, dependent children and dependent parents of the Executive Chairman.

**RESOLVED FURTHER THAT** the aggregate of above salary, perquisites and allowances taken together shall be subject to the overall ceilings laid down under section 198 and 309 read with Schedule XIII of the Companies Act, 1956 .

**RESOLVED FURTHER THAT** notwithstanding anything contained herein above, where, in any financial year during the currency of this appointment, the Company has no profits or its profits are inadequate, the above remuneration shall be payable to the Executive Chairman as salary, perquisites and any other allowances shall be governed by, and subject to the limits prescribed under Section II, Part II of Schedule XIII to the Companies Act, 1956 or such other limits as may be prescribed by the Government from time to time as minimum remuneration".

**RESOLVED FURTHER THAT** no sitting fee shall be payable for attending meetings of the Board of Directors or any Committee(s) thereof."

12. **To appoint Mr. Venkateswara Rao Kadiyala as Executive Co-Chairman of the Company**

To consider and if thought fit, to pass with or without modifications, the following resolution as **ORDINARY RESOLUTION:**

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, as amended, the consent of the Shareholders be and is hereby accorded for the appointment of Mr. Venkateswara Rao Kadiyala as Executive Co-Chairman for a period of 3 (Three) years effective from 28<sup>th</sup> July, 2008 on the following terms and conditions:

**Salary:** Rs. 43,20,000/- (Rupees Forty Three Lakhs Twenty Thousand only) per annum.

**Perquisites and Allowances:** The Executive Co-Chairman shall be entitled to all the perquisites & allowances listed herein below in addition to the salary mentioned above:

**Housing:**

- (a) Where accommodation in the Company owned house is provided, he shall pay to the Company, by way of rent of 10% of the salary;
- (b) Where hired accommodation is provided, the expenditure incurred by the company on hiring furnished accommodation for him will be subject to a ceiling of 50% of the salary;
- (c) In case the company does not provide accommodation, House Rent Allowance (HRA) shall be paid @ 50% of the salary;

**Gas, Electricity, Water and Furnishings:** The expenditure incurred by him for gas, electricity, water and furnishings shall be reimbursed subjected ceiling of 15% of the salary.

**Medical expenses:** All medical expenses incurred by him for self and family shall be reimbursed.

**Leave Travel Concession or Allowance:** Leave travel concession or allowance for him and for his family will be as per company rules.

**Clubs:** Fees of clubs subject to maximum of three clubs. This will not include the admission and life membership fees.

**Insurance:** Medical and Accident insurance premium as per company rules.

**Statutory Contributions:** Contribution to the Provident fund, Superannuation fund, Annuity fund to the extent the same are not taxable under the Income Tax Act.

**Gratuity:** Gratuity payable shall not exceed, half a month's salary, for each completed year of service.

**Car:** Provision of car with driver for use of the Company's business.

**Communication facilities:** All Communication facilities like Telephones / Internet / Mobiles / Fax at residence shall be provided for use by the Executive Co-Chairman.

**Servants:** Reimbursement of Servant's salary, subject to maximum of two servants.

**Gardener:** Reimbursement of Gardener's salary, subject to one Gardener only.

**Coupons:** Aggregate of food coupons/meal vouchers shall be subject to a ceiling of Rs 10,000/- per month.

"Family" for the above purpose means wife, dependent children and dependent parents of the Executive Co-Chairman.

**RESOLVED FURTHER THAT** the aggregate of above salary, perquisites and allowances taken together shall be subject to the overall ceilings laid down under section 198 and 309 read with Schedule XIII of the Companies Act, 1956 .

**RESOLVED FURTHER THAT** notwithstanding anything contained herein above, where, in any financial year during the currency of this appointment, the Company has no profits or its profits are inadequate, the above remuneration shall be payable to the Executive Co-Chairman as salary, perquisites and any other allowances shall be governed by, and subject to the limits prescribed under Section II, Part II of Schedule XIII to the Companies Act, 1956 or such other limits as may be prescribed by the Government from time to time as minimum remuneration".

**RESOLVED FURTHER THAT** no sitting fee shall be payable for attending meetings of the Board of Directors or any Committee(s) thereof."

**13. To appoint Mr. Venkata Subba Rao Karusala as Vice Chairman & Managing Director**

To consider and if thought fit, to pass with or without modifications, the following resolution as **ORDINARY RESOLUTION:**

"**RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 as amended, the consent of the Shareholders be and is hereby accorded for the appointment of

Mr. Venkata Subba Rao Karusala as Vice Chairman & Managing Director for a period of 3 (Three) years effective from 28<sup>th</sup> July, 2008 on the following terms and conditions:

**Salary:** Rs. 43,20,000/- (Rupees Forty Three Lakhs Twenty Thousand only) per annum.

**Perquisites and Allowances:** The Vice Chairman & Managing Director shall be entitled to all the perquisites & allowances listed herein below in addition to the salary mentioned above:

**Housing:**

- (a) Where accommodation in the Company owned house is provided, he shall pay to the Company, by way of rent of 10% of the salary.
- (b) Where hired accommodation is provided, the expenditure incurred by the company on hiring furnished accommodation for him will be subject to a ceiling of 50% of the salary.
- (c) In case the company does not provide accommodation, House Rent Allowance (HRA) shall be paid @ 50% of the salary.

**Gas, Electricity, Water and Furnishings:** The expenditure incurred by him for gas, electricity, water and furnishings shall be reimbursed subjected ceiling of 15% of the salary

**Medical expenses:** All medical expenses incurred by him for self and family shall be reimbursed.

**Leave Travel Concession or Allowance:** Leave travel concession or allowance for him and for his family will be as per company rules.

**Clubs:** Fees of clubs subject to maximum of three clubs. This will not include the admission and life membership fees.

**Insurance:** Medical and Accident insurance premium as per company rules.

**Statutory Contributions:** Contribution to the Provident fund, Superannuation fund, Annuity fund to the extent the same are not taxable under the Income Tax Act.

**Gratuity:** Gratuity payable shall not exceed, half a month's salary, for each completed years of service.

**Car:** Provision of car with driver for use of the Company's business.

**Communication facilities:** All Communication facilities like Telephones/Internet / Mobiles / Fax at

residence shall be provided for use by the Vice Chairman & Managing Director.

**Servants:** Reimbursement of Servant's salary, subject to maximum of two servants.

**Gardener:** Reimbursement of Gardener's salary, subject to one Gardener only.

**Coupons:** Aggregate of food coupons/meal vouchers shall be subject to a ceilings of Rs. 10,000/- per month.

"Family" for the above purpose means wife, dependent children and dependent parents of the Vice Chairman & Managing Director.

**RESOLVED FURTHER THAT** the aggregate of above salary, perquisites and allowances taken together shall be subject to the overall ceilings laid down under section 198 and 309 read with Schedule XIII of the Companies Act, 1956.

**RESOLVED FURTHER THAT** notwithstanding anything contained herein above, where, in any financial year during the currency of this appointment, the Company has no profits or its profits are inadequate, the above remuneration shall be payable to the Vice Chairman & Managing Director as salary, perquisites and any other allowances shall be governed by, and subject to the limits prescribed under Section II, Part II of Schedule XIII to the Companies Act, 1956 or such other limits as may be prescribed by the Government from time to time as minimum remuneration".

**RESOLVED FURTHER THAT** no sitting fee shall be payable for attending meetings of the Board of Directors or any Committee(s) thereof."

**14. To Change the name of the Company to LGS Global Limited**

To Consider and if thought fit, to pass with or without modifications, the following resolution as **SPECIAL RESOLUTION:**

**"RESOLVED THAT** pursuant to Section 21 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, the name of the company be and is hereby changed from Lanco Global Systems Limited to LGS Global Limited".

**"RESOLVED FURTHER THAT** the name Lanco Global Systems Limited' wherever it occurs in the Memorandum and Articles of Association of the Company be substituted by the new name "LGS Global Limited".

**15. To authorize the Board to raise funds through issue of Securities**

To Consider, and if thought fit, to pass with or without modification(s), the following resolution as a **SPECIAL RESOLUTION:**

**"RESOLVED THAT** pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment or re-enactment thereof), Listing agreement entered in to with the Stock Exchanges, the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993, subject to such approvals, consent, permissions, and/or sanctions, as may be necessary, from the Government of India (GOI), Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and/or any competent authorities and enabling provisions of the Memorandum and Articles of Association of the Company and in accordance with the guidelines issued by the GOI, RBI, SEBI and / or any other competent authorities and clarifications thereof, issued from time to time and subject to all such approvals, permissions, consents and sanctions, as may be necessary and subject to such conditions and modifications, as may be prescribed or imposed by any of them, while granting such approvals, permissions, consents and sanctions, the consent of the company be and is hereby accorded to the Board (hereinafter called "the Board" which term shall include any committee constituted / to be constituted by the Board for exercising the powers conferred on the Board) to create, offer, issue and allot Foreign Currency Convertible Bonds (FCCBs)/ American Depository Receipts (ADRs)/ Global Depository Receipts (GDRs)/ Singapore Depository Receipts (SDRs) and /or fully/ partially convertible Bonds/ Debentures/ Loans and/ or Depository Shares/ Receipts and/ or any other instruments/ securities in the nature of Shares/ Debentures / Bonds and or warrants, naked or otherwise, convertible into shares or otherwise, either in registered or bearer forms, and /or any such securities convertible into equity shares of Rs.10/- each for cash at premium, or otherwise (hereinafter referred to as "Financial Instruments") or any combination of the financial instruments in the International/ domestic market through Public Issue, Private Placement or Preferential Allotment, Qualified Institutional Placement or through any other mode, as the case may be, from time to time in one or more tranches, whether in India or outside India, with or without premium, whether rupee denominated or denominated in any foreign currency, as may be deemed appropriate by the

Board, to Indian Public, Members, promoters, strategic investors, employees, financial institutions, banks, mutual funds, foreign investors, non-resident Indians, foreign institutional investors, Qualified Institutional Buyers, multilateral agencies, venture capital funds, companies, other bodies corporate, other entities or any other person or one or more combinations thereof, on such terms and conditions (including pricing, rate of dividend, amount of premium, if any, at the time of conversions / redemption, manner of conversion/redemption, conversion/redemption period and matters incidental thereto) as the Board may in its sole discretion decide so that the total amount collected by the company shall not exceed Rs.200 Crores.

"**RESOLVED FURTHER THAT** the above shares when issued, shall rank pari-passu with the existing equity shares of the company in all respects except that they shall be entitled to pro-rata dividend from the date of allotment".

"**RESOLVED FURTHER THAT** the issue of the shares shall be deemed to have been made in India/ Abroad at the place of issue and shall be governed by the law of the country as applicable and the Board be and is hereby authorized to file such prospectus and other documents as may be required to be filed in India and/or foreign country or countries and to seek the listing of such securities in one or more International and/or Indian Stock Exchanges".

"**RESOLVED FURTHER THAT** the board be and is hereby authorized to engage the services of, or appoint solicitors, advocates, legal advisors, merchant bankers, underwriters, guarantors, depositories, custodians and any such other agency (ies) to act as managers, lead managers or in any other capacity or to advise or to certify any matter relating to the Company's accounts or otherwise, on such terms as to remuneration by way of commission, brokerage, fees or otherwise as the board may in its absolute discretion deem appropriate".

"**RESOLVED FURTHER THAT** the Board be and is hereby authorized to delegate to a committee of directors or any director or the managing director all or any of its powers or authorities or discretion vested in it in terms of this Resolution as permitted by law."

"**RESOLVED FURTHER THAT** for the purposes of giving effect to the above resolution the Board be and is hereby authorized on behalf of the company to do all such acts, deeds matters and things as it may at its discretion deem necessary or desirable for such purposes and to settle any question, difficulties or doubts that

may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit".

## 16. To authorize the Board to borrow money

To Consider, and if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

**RESOLVED THAT** in modification of the earlier Resolutions passed in this regard, the consent of the Company be and is hereby accorded to the Board of Directors under Section 293(1)(d) of the Companies Act, 1956, to borrow such moneys or sums of money, subject to the prevailing laws, rules, regulations and guidelines to the extent they are applicable, in any manner, from time to time, with or without security and upon such terms and conditions as the Board of Directors may think fit, notwithstanding that moneys to be borrowed together with moneys already borrowed, if any, by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that the total amount so borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 500 Cr (Rupees Five Hundred Crores only).

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to take all other steps, to give all such directions, to do all such deeds, matters and things as may be necessary to give effect to the aforesaid Resolution and as the Board may in its absolute discretion deem fit.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to delegate all or any of the powers herein conferred, to any Committee of Directors or any of the Directors of the Company to give effect to the aforesaid Resolution.

By Order of the Board  
for **LANCO GLOBAL SYSTEMS LIMITED**

**Jagadeeshwara Rao M**  
Company Secretary

Place : Hyderabad  
Date : 25.08.2008

## Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the Special business to be transacted at the meeting is annexed hereto.
3. Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the meeting.
4. Proxies, in order to be effective, must be received at the Company's registered office not less than 48 hours before the meeting. Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolution /authority, as applicable.
5. The Register of Members and Share Transfer Books of the Company will be closed from Thursday, 25<sup>th</sup> September, 2008 to Tuesday, the 30<sup>th</sup> September, 2008 (both days inclusive). If the final dividend as recommended by the Board of Directors is approved and declared at the Annual General Meeting, payment of such dividend will be made after 30<sup>th</sup> September, 2008 as under:
  - (a) To all Beneficial owners in respect of shares held in electronic form as per the data as may be made available by the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as of the close of business hours on Wednesday, 24<sup>th</sup> September, 2008;
  - (b) To all members in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the company on or before the close of business hours on Wednesday, 24<sup>th</sup> September, 2008;
6. Members are requested to inform immediately their bank account particulars in the following manner, if not informed earlier, to the Registrar, in respect of equity shares in physical mode and to their Depository Participants (DPs), in respect of equity shares held in dematerialized form, so that the same could be incorporated in payment warrants after their names to avoid fraudulent encashment:
 

Folio No./DP Id No. & Client Id No.:

Name:

Bank A/c No.:

Name of the Bank:

Signature of Shareholder:
7. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective Demat accounts will be used by the Company for payment of the Dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandate. Such changes are to be advised only to the Depository Participant of the members.
8. Members are requested find the ECS mandate attached in the last pages of this report and if required, use the same.
9. Members are requested to intimate the change of address if any, to the Registrar & Share Transfer Agents, Aarthi Consultants Private Limited, (Unit: Lanco Global Systems Limited), 1-2-285, Domalguda, Hyderabad - 500 029, Andhra Pradesh, India. Members, whose shareholdings are in electronic mode, are requested to send the intimation for change of address to their respective depository participants and not to the Company or the Registrar & Share Transfer Agent.
10. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
11. Members attending the Meeting are requested to complete and bring the attendance slip enclosed with the Annual Report and hand over the same, duly signed, at the entrance of the meeting hall.
12. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance slip for attending the meeting.
13. The Register of Director's Shareholding, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.
14. The information pursuant to Clause 49 of the Listing Agreement with Respect to the details of the directors seeking appointment/re-appointment in the forthcoming Annual General Meeting is annexed.



## Explanatory Statement Pursuant to section 173 (2) of the Companies Act, 1956

### ITEM NO.5

Mr. Tejesh Kumar Kodali was appointed as an Additional Director of the Company on 27<sup>th</sup> March, 2008. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Tejesh Kumar holds the office only up to the date of ensuing Annual General Meeting of the Company and is eligible for appointment as Director. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of Mr. Tejesh Kumar Kodali, proposing his candidature to the office of Director of the Company, along with the requisite deposit of Rs. 500/-. The approval of members is required for his appointment as Director.

**Brief profile:** Details regarding the person proposed to be appointed as Director and his brief resume has been given in the Annexure attached to the Notice.

**Nature of concern & interest:** Except Mr. Tejesh Kumar Kodali, being the proposed appointee, to the extent of his appointment and his shareholding, no other director of the company is interested or concerned in the resolution. He is under promoter category and holding 442642 equity shares in the company.

### ITEM NO.6

Mr. Venkateswara Rao Kadiyala was appointed as an Additional Director of the Company on 27<sup>th</sup> March, 2008. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Venkateswara Rao Kadiyala holds the office only up to the date of ensuing Annual General Meeting of the Company and is eligible for appointment as Director. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of Mr. Venkateswara Rao Kadiyala, proposing his appointment as a Director of the Company, along with the requisite deposit of Rs. 500/-. The approval of members is required for his appointment as Director.

**Brief profile:** Details regarding the person proposed to be appointed as Director and his brief resume has been given in the Annexure attached to the Notice.

**Nature of concern & interest:** Except Mr. Venkateswara Rao Kadiyala, being the proposed appointee, to the extent of his appointment and his shareholding, no other director of the company is interested or concerned in the resolution. He is under promoter category and holding 442642 equity shares in the company.

### ITEM NO.7

Mr. Venkata Subba Rao Karusala was appointed as an Additional Director of the Company on 27<sup>th</sup> March, 2008. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Venkata Subba Rao Karusala holds the office only up to the date of ensuing Annual General Meeting of the Company and is eligible for appointment as Director. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of Mr. Venkata Subba Rao Karusala, proposing his appointment as a Director of the Company, along with the requisite deposit of Rs. 500/-. The approval of members is required for his appointment as Director.

**Brief profile:** Details regarding the person proposed to be appointed as Director and his brief resume has been given in the Annexure attached to the Notice.

**Nature of concern & interest:** Except Mr. Venkata Subba Rao Karusala, being the proposed appointee, to the extent of his appointment and his shareholding, no other director of the company is interested or concerned in the resolution. He is under promoter category and holding 442642 equity shares in the company.

### ITEM NO.8

The Board of Directors in their meeting held on 27<sup>th</sup> March, 2008 appointed Mr. Pradeep Kumar Dev V as an Additional Director of the Company. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Pradeep Kumar Dev holds the office only upto the commencement of ensuing Annual General Meeting. However, the proposed appointee is eligible for appointment as Director. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of Mr. Pradeep Kumar Dev, proposing his candidature to the office of Director of the Company, along with the requisite deposit of Rs. 500/-. The approval of members is required for his appointment as Director.

**Brief Profile:** Details regarding the person proposed to be appointed as Director and his brief resume has been given in the Annexure attached to the Notice.

**Nature of concern & interest:** Except Mr. Pradeep Kumar Dev, being the proposed appointee, to the extent of his appointment, no other director of the company is interested or concerned in the resolution.

### ITEM NO.9

The Board of Directors in their meeting held on 27<sup>th</sup> March, 2008 appointed Mr. Asokan Ganapathy as an Additional Director of the Company. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Asokan Ganapathy holds the office only upto the commencement of



ensuing Annual General Meeting. However, the proposed appointee is eligible for appointment as Director. The Company has received notice under Section 257 of the Companies Act, 1956, in respect of Mr. Asokan Ganapathy, proposing his candidature for the office of Director of the Company, along with the requisite deposit of Rs. 500/-. The approval of members is required for his appointment as Director.

**Brief profile:** Details regarding the person proposed to be appointed as Director and his brief resume has been given in the Annexure attached to the Notice.

**Nature of concern & interest:** Except Mr. Asokan Ganapathy, being the proposed appointee, to the extent of his appointment, no other director of the company is interested or concerned in the resolution.

#### ITEM NO.10

**The first sentence of Article 89 is as follows:**

Each director other than a Managing Director or Whole time Director shall be entitled to receive out of the funds of the Company for his services in attending meetings of the Board or a Committee thereof, a fee of rupees not exceeding Rs. 500/- as may from time to time, be fixed by the Board for each such meeting of the Board or Committee thereof attended by him

This Article contains the ceiling limit of Rs. 500/- to pay sitting fee to the Directors for attending Board and Committee meetings. This amount is too low and not as per industry standards and not in commensurate with the size of the Company. As per amended Rule 10B of the Companies (Central Government's) General Rules & Forms, 1956, the limit for any amount of remuneration by way of sitting fee for each meeting of the Board of Directors or its Committee, shall be as under;

- (a) Companies with a paid up share capital and free reserves of Rs 10 Crores and above or turnover of Rs. 50 Crores and above - Rs. 20,000/- per meeting;
- (b) Other Companies - Rs. 10,000/-

As per amended Rules your Company is eligible to pay upto Rs. 20,000/-per director for each meeting.

These rules are from time to time amendable, hence to avoid amendment to the Articles for each amendment, the Board recommended modifying the Article in the manner mentioned in the resolution and rest of the Article remains as it is.

A new Article 112A is proposed to be inserted to empower the Company to have a Co-Chairman. The existing Articles

did not contain such provision; hence it is necessary to insert a new Article.

According to Section 31 of the Companies Act, 1956, the Members approval is required by way of Special resolution for amendment to the Articles. Hence, your Board recommended inserting such article.

The Board commends passing of the Special Resolution set out in the Notice convening the meeting. None of the Directors of the Company is, in any way, concerned or interested in the said resolution except to the extent of their shareholding.

#### ITEM NO.11

The Board of Directors of the Company in its meeting held on 28<sup>th</sup> July, 2008 subject to the Members, approval appointed Mr. Tejesh Kumar Kodali as Executive Chairman for a period of three years w.e.f. 28<sup>th</sup> July, 2008 on such terms and conditions and remuneration given in the resolution. The Remuneration & Compensation Committee made their recommendations to the Board of directors regarding remuneration.

**Disclosure of Memorandum of Interest u/s 302:** The abstract of terms of appointment and remuneration payable to the Executive Chairman and memorandum of interest pursuant to Section 302 of the Companies Act, 1956 was already circulated to the shareholders to their registered address in the first week of August, 2008.

**Compliance under the Companies Act, 1956:** In compliance with the provisions of Section 269 and 309 read with Schedule XIII of the Companies Act, 1956, the terms of appointment and remuneration as specified in the resolution, are now placed before the members in the Annual General Meeting for their approval.

**Nature of concern & interest:** Except Mr. Tejesh Kumar Kodali, being the proposed appointee, to the extent of his appointment, no other director of the company is interested or concerned in the resolution. Mr. Tejesh Kumar is under promoter category and holding 442642 equity shares in the company.

#### ITEM NO.12

The Board of Directors of the Company in its meeting held on 28<sup>th</sup> July, 2008 subject to the Members, approval appointed Mr. Venkateswara Rao Kadiyala as Executive Co-Chairman for a period of three years w.e.f. 28<sup>th</sup> July, 2008 on such terms and conditions and remuneration given in the resolution. The Remuneration & Compensation Committee made their recommendations to the Board of directors regarding remuneration.



**Disclosure of Memorandum of Interest u/s 302:** The abstract of terms of appointment and remuneration payable to the Executive Co-Chairman and memorandum of interest pursuant to Section 302 of the Companies Act, 1956 was already circulated to the shareholders to their registered address in the first week of August, 2008.

**Compliance under the Companies Act, 1956:** In compliance with the provisions of Section 269 and 309 read with Schedule XIII of the Companies Act, 1956, the terms of appointment and remuneration as specified in the resolution, are now placed before the members in the Annual General Meeting for their approval.

**Nature of concern & interest:** Except Mr. Venkateswara Rao Kadiyala, being the proposed appointee, to the extent of his appointment, no other director of the company is interested or concerned in the resolution. Mr. Venkateswara Rao Kadiyala is under promoter category and holding 442642 equity shares in the company.

#### ITEM NO.13

The Board of Directors of the Company in its meeting held on 28<sup>th</sup> July, 2008 subject to the Members, approval appointed Mr. Venkata Subba Rao Karusala as Vice Chairman & Managing Director for a period of three years w.e.f. 28<sup>th</sup> July, 2008 on such terms and conditions and remuneration given in the resolution. The Remuneration & Compensation Committee made their recommendations to the Board of directors regarding remuneration.

**Disclosure of Memorandum of Interest u/s 302:** The abstract of terms of appointment and remuneration payable to the Vice Chairman & Managing Director and memorandum of interest pursuant to Section 302 of the Companies Act, 1956 was already circulated to the shareholders to their registered address in the first week of August, 2008.

**Compliance under the Companies Act, 1956:** In compliance with the provisions of Section 269 and 309 read with Schedule XIII of the Companies Act, 1956, the terms of appointment and remuneration as specified in the resolution, are now placed before the members in the Annual General Meeting for their approval.

**Nature of concern & interest:** Except Mr. Venkata Subba Rao Karusala, being the proposed appointee, to the extent of his appointment, no other director of the company is interested or concerned in the resolution. Mr. Venkata Subba Rao Karusala is under promoter category and holding 442642 equity shares in the company.

#### ITEM NO.14

##### Change of Name

Your Company was incorporated with the present name i.e Lanco Global Systems Limited by the promoters of "Lanco Group". Now, consequent to "Takeover", the shares of the earlier promoters were sold to the Acquirers (i.e present promoters) and the Board has been reconstituted with new promoters. The name of the Company also has been popularized with its first letters in abbreviated form as "LGS" in the business world. Your company also has been recognized by its trade mark "LGS" for a long time. Hence, your Board proposed to change the name of the Company as LGS Global Limited in lines with its market name and trade mark.

The Registrar of Companies has confirmed that the new name is available for registration under Section 20 of the Companies Act, 1956, and subject to the resolution being passed; an application will be made to the Central Government for approval to the change of name under Section 21 of the Companies Act, 1956.

None of the Directors is concerned or interested in this resolution. The Board commends passing of the Special Resolution set out in the Notice convening the meeting.

The Directors of the Company may be deemed to be concerned or interested in this special business as set out in the Notice pursuant to the extent of shares held by them in the company only.

#### ITEM NO.15

##### Raising of Funds through Issue of Further Securities

The members approved to raise the funds through further issue of securities by passing of special resolution in the 8<sup>th</sup> Annual General Meeting held on 29<sup>th</sup> December, 2007. However, due to unfavorable market conditions, your company could not come out with such proposal. However, the earlier resolution was passed nine months back, which will be time barred within the next three months. Therefore, your Board recommended passing similar resolution in the forthcoming Annual General Meeting. The explanation to this resolution provided herein below.

In order to meet the funds requirements in respect of expansion and potential acquisitions, if any, the Company proposes to issue, offer and allot equity shares of Rs.10/- each, preference shares / convertible warrants, debentures, bonds, as the case may be, for cash at a price to be determined by the Board of directors or the Committee, as the case may be, in consultation with the merchant bankers appointed by the Company, to such persons including the existing members, employees, promoter group and their associates, non-resident

Indians, foreign institutional investors, mutual funds, financial institutions, Qualified Institutional Buyers, companies, banks, other entities, authorities or any other person or one or more combinations thereof and list its equity shares in one or more of the recognized stock exchanges in India and / or abroad, as may be decided in consultation with the merchant bankers appointed for this purpose upto an amount of Rs.200 Crores. The new equity shares, if any, so issued and allotted are to rank pari passu in all respects with the existing equity shares of the Company.

It is proposed to pass Resolution(s) to enable the Board to issue further shares, debenture, bonds and warrants, as more fully described in the resolution up to the amount as stated above. The detailed terms and conditions of the issue, the categories of offers and the quantum will be determined in consultation with the Advisors and the Lead Managers.

Hence, the enabling resolution is being proposed to give adequate flexibility and discretion to the Board to finalize the terms in consultation with the Lead Managers or such authorities, as may be required to be consulted in accordance with the established practices. The shares when issued will be listed on Stock Exchanges, as may be decided by the Board.

Consent of the members is being sought by a Special Resolution pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956

The Special Resolution as set out in the Notice, if passed will have the effect of allowing the Board to issue and allot shares/bonds or other financial instruments to the entities/persons on the terms and conditions, as may be decided by the Board. The Board will be authorized to take all steps necessary for implementing this resolution.

No Director is interested in the said Resolution except to the extent of their subscription, directly or indirectly, to equity shares, if and when issued.

The Board recommends passing of the special resolution, for this purpose.

The proposed business is in the best interest of the Company and its shareholders.

#### ITEM NO.16

##### Authorize the Board to borrow money

The members of the Company, at the Annual General Meeting held on 29<sup>th</sup> December, 2007, had approved under Section 293(1)(d) of the Companies Act, 1956, borrowings by the Board of Directors in excess of paid-up share capital and its free reserves, subject to maximum outstanding amount at any time not exceeding Rs. 200 Crores only. During the year, the company availed financial assistance in the form of

Factoring facility and term loans from financial institutions, Banks and the total outstanding borrowings as on 31<sup>st</sup> March, 2008 were Rs. 14.84 Crores by way of secured loans and Rs 13.62 Crores by way of unsecured loans. Subsequently, the company approached for term loan and working capital facility and availed the working capital to the extent of Rs. 21 Crores and Term loan to the extent of Rs. 5 Crores during the period of June & July 2008. As on date total outstanding borrowings are Rs.54.46 Crores. Total Turnover of the Company for the year ended 31<sup>st</sup> March, 2008 is Rs. 277.42 Crores. During the year the company planned to enter into capital marker to raise funds up to Rs. 200 Crores. however, due to unfavorable market conditions, the company could not execute such plans and meanwhile availed above said loans. Further borrowings, if made, would narrow the gap between sanctioned limit and actual utilization of the company. Your Company has plans to raise further funds to the extent of Rs. 200 Crores by issue of FCCBs/Bond and/ or any other such instruments in the forthcoming year. Member's approval is also seeking for raising funds through issue of such instruments to that limit by resolution in this notice. In accordance with law, by strict interpretation, though the company has obtained specific approvals from the members for issue of securities by way of FCCBs/Bonds/ other instruments etc., till the outstanding of such instruments, those could be considered as borrowings for the purpose of Section 293(1) (d) of the Companies Act, 1956.

Since the company has expansion and potential acquisition plans, in order to meet the funds requirements in respect of execution of such plans, the board should be empowered with adequate borrowing powers, as may be required, in accordance with law to raise funds in best interests of the company. The present borrowing limits would not be sufficient, if further borrowings are made. Hence, members approval is sought to increase borrowing limit up to Rs. 500 Crores.

Your Directors recommend the Resolution as set out in the Notice for your approval.

None of the directors is interested or concerned in this resolution.

By Order of the Board  
For LANCO GLOBAL SYSTEMS LIMITED

Jagadeeshwara Rao M  
Company Secretary

Place : Hyderabad

Date : 25.08.2008



## Additional Information on Directors seeking appointment / re-appointment at the ensuing Annual General Meeting as per Clause 49 of the Listing Agreement

| Name of Director                                  | Mr. Tejesh Kumar Kodali   | Mr. Kadiyala Venkateswara Rao   | Mr. Karusala Venkata Subba Rao  | Mr. Pradeep Kumar Dev Vyricherla  | Mr. Asokan Ganapathy  | Dr. Prasada Rao VDM Ravella   |
|---|---|---|---|---|---|---|
| <b>Date of Birth</b>                              | 22.04.1971  | 14.04.1971  | 06.03.1968  | 25.09.1961  | 05.07.1961  | 22.08.1949  |
| <b>Date of Appointment</b>                        | 27.03.2008  | 27.03.2008  | 27.03.2008  | 27.03.2008  | 27.03.2008  | 29.12.2006  |
| <b>Relationship with other Directors</b>          | None  | None  | None  | None  | None  | None  |
| <b>Expertise in specific function area</b>        | Finance & Accounts and Entrepreneur in Software Industry  | Entrepreneur in Software Industry   | Entrepreneur in Software Industry & Infrastructure Management   | Management & Administration   | Information Systems   | Medical Industry  |
| <b>Qualification</b>                              | Bachelor of Commerce, Master of Business Administration, USA and Fellow of Academy of General Education                       | Bachelor of Science, Master's Degree in Computer Applications   | Bachelor of Technology and Master of Technology from REC, Warangal Fellow of Institute of Engineers                       | Bachelor of Commerce, Master of Business Administration and Former Member of Parliament (M. P.) | Bachelor of Science and Master in Computer Applications, CPIM | Bachelor of Medicine & Bachelor of Surgeon (MBBS) and Certified Foreign Medical Graduate and General Practice Residency (GPR) from Ravenswood Medical Association |
| <b>Board membership of other Indian companies</b> | Southern Online Bio Technologies Limited<br>Rithwik Projects Limited<br>3K Technologies Limited<br>3K Infrastructures Limited | Southern Online Bio Technologies Limited<br>Rithwik Projects Limited<br>3K Technologies Limited<br>3K Infrastructures Limited | 3K Technologies Limited<br>3K Infrastructures Limited<br>3K Entertainment Private Limited<br>3K Agro Tech Private Limited | 3K Infrastructures Limited  | Nil   | Millennium Finance Limited  |

| Name of Director | Mr. Tejesh Kumar Kodali   | Mr. Kadiyala Venkateswara Rao  | Mr. Karusala Venkata Subba Rao  | Mr. Pradeep Kumar Dev Vyricherla | Mr. Asokan Ganapathy | Dr. Prasada Rao VDM Ravella |
|------------------|---|--|---|----------------------------------|----------------------|-----------------------------|
|                  | 3K Entertainment Private Limited<br>3K Agro Tech Private Limited<br>3K Agro Farms Private Limited<br>3K Agro Sciences Private Limited | 3K Entertainment Private Limited<br>3K Agro Tech Private Limited<br>3K Agro Farms Private Limited<br>3K Agro Sciences Private Limited<br>S2 Agro Bio Tech Private Limited<br>S2 Agro Bio Sciences Private Limited<br>S2 Agro Tech Private Limited<br>S2 Agro Sciences Private Limited<br>S2 Agro Farms Private Limited | 3K Agro Farms Private Limited<br>3K Agro Sciences Private Limited<br>S2 Agro Bio Tech Private Limited<br>S2 Agro Bio Sciences Private Limited<br>S2 Agro Tech Private Limited<br>S2 Agro Sciences Private Limited<br>S2 Agro Farms Private Limited<br>Keystone Infratech India Private Limited<br>Hi Rise Housing Projects Private Limited<br>Techorbit Software Technologies Private Limited |                                  |                      |                             |



| Name of Director   | Mr. Tejesh Kumar Kodali  | Mr. Kadiyala Venkateswara Rao  | Mr. Karusala Venkata Subba Rao | Mr. Pradeep Kumar Dev Vyricherla  | Mr. Asokan Ganapathy | Dr. Prasada Rao VDM Ravella   |
|--|--|--|--------------------------------|---|----------------------|---|
| Chairman / member of the committee of the Board of Directors of the Company      | Member of Audit Committee  | NIL  | NIL                            | Chairman of Audit Committee and Shareholder's/ Investor's Grievance Committee and Member of Remuneration & Compensation Committee | NIL                  | Member of Audit Committee and Remuneration & Compensation Committee and Share Allotment Committee |
| Chairman / Member of the committees in other companies in which he is a Director | Chairman of Audit Committee and Remuneration Committee & Member of Shareholder's/ Investor's Grievance Committee in Rithwik Projects Limited | Chairman of Shareholder's/ Investor's Grievance Committee and Member of Audit Committee and Remuneration Committee in Rithwik Projects Limited | NIL                            | NIL   | NIL                  | NIL   |
| Number of shares held in the Company   | 442642   | 442642   | 442642                         | NIL   | NIL                  | NIL   |

To

The Members

Your Directors have great pleasure in presenting the Ninth Annual Report on the business and operations of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2008.

## 1. FINANCIAL RESULTS

(Rupees in Lakhs)

| Financial Results                                | For the year ended March 31st |         |            |         |
|--|-------------------------------|---------|------------|---------|
|  | Consolidated                  |         | Standalone |         |
|  | 2008                          | 2007    | 2008       | 2007    |
| Income from Operations                           | 27728.63                      | 7807.61 | 13652.22   | 4538.94 |
| Other Income                                     | 14.15                         | 17.63   | 14.15      | 17.62   |
| Total Income                                     | 27742.78                      | 7825.24 | 13666.37   | 4556.56 |
| Operating expenditure                            | 23707.79                      | 6656.21 | 10593.13   | 3723.90 |
| Gross Profit before Interest, Depreciation & Tax | 4034.99                       | 1169.03 | 3073.24    | 832.66  |
| Less: Interest                                   | 106.71                        | 60.54   | 68.51      | 53.99   |
| Depreciation                                     | 199.18                        | 231.04  | 186.92     | 195.38  |
| Provision for Tax                                | 286.44                        | 21.24   | 286.44     | 21.24   |
| Profit after Tax                                 | 3442.66                       | 856.21  | 2531.37    | 562.05  |
| Less: Provision for Deferred Tax Liability       | 11.93                         | 5.58    | 11.93      | 5.58    |
| Profit after Deferred Tax                        | 3430.73                       | 850.63  | 2519.44    | 556.47  |
| Net Profit for the year                          | 3430.73                       | 850.63  | 2519.44    | 556.47  |
| Balance Brought forward from the previous year   | 1185.35                       | 334.72  | 891.19     | 334.72  |
| Profit available for appropriations              | 4616.08                       | 1185.35 | 3410.63    | 891.19  |
| Provision for proposed Dividend                  | 254.22                        | -       | 254.22     | -       |
| Tax on Dividends                                 | 43.20                         | -       | 43.20      | -       |
| Transferred to General Reserve                   | 63.56                         | -       | 63.56      | -       |
| Profit Carried to Balance Sheet                  | 4255.10                       | 1185.35 | 3049.65    | 891.19  |



## 2. Dividend

In view of the Company's profitable performance, the Directors are pleased to recommend for approval of the Members a Final Dividend of 10% on paid up share capital of the Company (i.e., Re.1/- per equity share of Rs.10/- each) for the financial year 2007-08. The final dividend, if declared as above, would involve an outflow of Rs. 2,54,21,967/- towards dividend and Rs. 43,20,463/- towards dividend tax, resulting in a total outflow of Rs. 2,97,42,430/-.

## 3. Transfer to reserves

The Company proposes to transfer Rs. 63,55,492/- to the General Reserve out of the amount available for appropriations and an amount of Rs. 42,55,09,601/- is proposed to be retained in the Consolidated Profit & Loss Account.

The Company proposes to transfer Rs. 63,55,492/- to the General Reserve out of the amount available for appropriations and an amount of Rs. 30,49,65,377/- is proposed to be retained in the Standalone Profit & Loss Account.

## 4. Operational results & business

Your Company achieved profitable growth compared to earlier years. For the year ended 31<sup>st</sup> March, 2008, the company earned a total income of Rs. 13666.37 lakhs an increase of 199.93% over previous year Rs. 4556.56 lakhs. As per consolidated accounts the total income was Rs. 27742.78 lakhs, an increase of 254.53% over the previous year Rs. 7825.24 Lakhs

The net profit of the Company for the year is Rs. 2519.44 Lakhs (18.44% of total income) as compared to Rs. 556.47 Lakhs (12.21% of total income). As per the Consolidated accounts the net profit for the year was Rs. 3430.73 Lakhs (12.37% total income) as compared to Rs. 850.63 Lakhs (10.87% total income) in 2006-07.

The Company caters to its clients through Global presence by its established offices at its US offices situated in the States of New Jersey, Virginia, Georgia and Texas, UK office situated at London and Head Office at Hyderabad, Andhra Pradesh, India.

## 5. Subsidiaries

The Company has two subsidiaries namely **Techorbit Inc** and **Global IT Inc** situated in the state of Texas, USA.

There has been no material change in the nature of the business of the subsidiaries.

As required under the Listing Agreement with the Stock Exchanges the Consolidated Financial Statements have been prepared and included in this Annual Report.

## 6. Statement under Section 212 of the Companies Act, 1956

As per Section 212 of the Companies Act, 1956, we are required to attach the directors' report, balance sheet, and profit and loss account of the subsidiaries. We believe that the Consolidated Financial Statements present a more comprehensive picture rather than the standalone financial statements of Lanco Global Systems Limited and each of its subsidiaries. We, therefore, applied to the Government of India for an exemption from such attachment as we present the audited consolidated financial statements in the annual report. The Ministry of Corporate Affairs (MCA), Government of India has granted exemption from complying with Section 212 vide its approval letter No.47/311/2008-CL-III, Dt. 21.05.2008. In compliance with the terms of the exemption we have presented summary of financial information through statements for each subsidiary. Summary financial information includes Share Capital, Reserves & Surplus, Total Assets, Total Liabilities, our holding in the subsidiary, details of Investment, turnover, Profit before taxation, provision for taxation, Profit after taxation etc.. Accordingly, the annual report does not contain the financial statements of these subsidiaries. The Annual Accounts of the Subsidiary Companies and the related detailed information will be made available to the Holding and Subsidiary Companies' investors seeking such information at any point of time. The Annual Accounts of the Subsidiary Companies will also be kept for inspection by any investor at the Registered Office of the Company and that of Subsidiary Companies concerned.

**A statement pursuant to Section 212 of the Companies Act, 1956 related to Subsidiary Companies has been given elsewhere in this Annual Report.**

## 7. Changes & Developments during the year and thereafter

Members are aware that during the year, the Public Announcement was given by Acquirers namely Mr. Tejesh Kumar K, Mr. Venkateswara Rao K, Mr. Venkata Subba Rao K, along with Persons Acting in Concert (PAC). Thereafter, consequent to completion of takeover formalities the shares of the erstwhile promoters were transferred to Acquirers and the Board was reconstituted with the appointment of



Acquirers & others as Directors and resignation of erstwhile promoter directors.

The Equity shares issued to the Shareholders of erstwhile Lanco Global Systems Inc (LGS) pursuant to the scheme of Amalgamation of the Company were listed on BSE and these shares are tradable with effect from 27<sup>th</sup> June, 2008. However, these shares are under lock in for one year and three years as per the conditions stipulated in the in-principle approval letter for listing by Bombay Stock Exchange Limited (BSE). These shares have been admitted for dematerialization by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

#### 8. Fixed deposits

The Company has not accepted any public deposits and, as such, no amount on account of principal or interest on public deposits was outstanding on the date of the Balance sheet.

#### 9. Particulars of Employees

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 as amended, is enclosed as Annexure-I.

#### 10. Auditors

M/s. P. Murali & Co., Chartered Accountants, Auditors of the Company will retire at the conclusion of the Annual General Meeting and are eligible for re-appointment. They have conveyed their willingness to accept re-appointment and confirmed their eligibility under Section 224(1-B) of the Companies Act, 1956.

#### 11. Change of name proposal

Your Company got popularized with its abbreviated letters "LGS" in the business world. It was also proposed by the new Board to change the name of the company as LGS Global Limited to keep the track of identity in the business world. The name availability has been confirmed by Registrar of Companies. However, in accordance with the provisions of Section 21 of the Companies Act, 1956, members approval is required by way of Special Resolution to change the name of the company. Therefore, the Board recommended the Resolution for member's approval in the ensuing Annual General Meeting.

#### 12. Directors

Dr. Prasada Rao VDM Ravella, Director, retires by rotation and being eligible has offered himself for re-appointment.

#### Appointments:-

During the year, Mr. Tejesh Kumar Kodali, Mr. Venkateswara Rao Kadiyala, Mr. Venkata Subba Rao Karusala, Mr. Pradeep Kumar Dev V and Mr. Asokan Ganapathy have been inducted as Additional Directors of your company w.e.f. 27<sup>th</sup> March, 2008. Both Mr. Pradeep Kumar Dev V and Mr. Asokan Ganapathy are Independent Non Executive Directors. As per the provisions of Section 260 of the Companies Act, 1956, these five Directors hold office up to the date of the ensuing Annual General Meeting of the Company only. The Company has received notices under Section 257 of the Companies Act, 1956 along with the requisite deposit, in respect of the above persons, proposing their candidature for the office of Director of the Company. Resolutions seeking approval of the Members for the appointment of Mr. Tejesh Kumar Kodali, Mr. Venkateswara Rao Kadiyala, Mr. Venkata Subba Rao Karusala, Mr. Pradeep Kumar Dev V and Mr. Asokan Ganapathy as Directors of the Company have been incorporated in the Notice of the ensuing Annual General Meeting along with the brief details about them.

#### Resignations:-

During the year Mr. Madhusudhan Rao L, Mr. Bhaskara Rao G and Mr. M N Nambiar have submitted their resignations w.e.f 27<sup>th</sup> March, 2008. Mr. P G K Murthy has also resigned as Director w.e.f. 28<sup>th</sup> April, 2008. Mr. Y Harish Chandra Prasad and Mr. Nagarjuna Valluripalli have resigned to their Directorships as on 23<sup>rd</sup> October, 2007 and 20<sup>th</sup> June, 2007 respectively. Your board expresses its sincere appreciation and gratitude to all the outgoing Directors for their valuable assistance and advice tendered by them during the tenure of their association with the Board and the Company.

#### 13. Corporate Governance and Management Discussion & Analysis

In line with the recommendation of the Securities and Exchange Board of India (SEBI) on Corporate Governance, your company had constituted the Board with optimum combination of Executive, Non Executive, independent and Non independent Directors. Your Company also constituted various committees and all steps have been taken to comply with the provisions of the Corporate Governance under the Listing Agreement of the Stock Exchanges.

Separate reports on Corporate Governance and Management Discussion & Analysis are being provided as part of Annual Report.



## 14. Declaration on Code of Conduct

Pursuant to provisions of Clause 49 (I) (D) (ii) of the Listing Agreement, a Declaration declaring that all the members of the Board and the Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company, is forming part of the Corporate Governance Report attached herewith.

## 15. Disclosure on Company's Employees Stock Option Scheme 2005

Your Company has ESOS 2005 and it is in force as on 31<sup>st</sup> March, 2008. First tranche of options vested and exercised by the eligible employees in the April, 2006 and the Second tranche of options vested and exercised by the eligible employees in the April, 2007. The required information relating to the Employees Stock Option Scheme pursuant to Clause 12 of the SEBI (ESOS / ESPS) Guidelines, 1999 is enclosed as Annexure-II.

## 16. Listing of Shares

The Securities of the Company are listed at Bombay Stock Exchange Limited (BSE) and The Hyderabad Stock Exchange Limited (HSE). The Listing fees for these Stock Exchanges have been paid and there were no outstanding dues. The recognition granted to The Hyderabad Stock Exchange Limited (HSE) had been withdrawn by Securities and Exchange Board of India (SEBI). Your company is in proposal to list its shares at National Stock Exchange of India Limited (NSE).

## 17. Conservation of Energy, Research & Development, Technology Absorption and Foreign Exchange Earnings & Outgo.

The particulars, as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, are as follows:

### (i) Details of Conservation of Energy

The operations of your company do not consume high levels of energy. The Company uses electric energy for its equipment such as computer terminals, air conditioners, lighting and utilities in the work premises. Adequate measures have been taken to conserve energy by using energy-efficient computers and equipment with the latest technologies. As an ongoing process, the following measures are undertaken to conserve energy:

- (a) Implementation of viable energy audit proposals.
- (b) Installation of automatic power factor controllers to save maximum demand charges and energy.
- (c) Training front-end operational persons on the opportunities and importance of energy conservation.
- (d) Automation of air conditioners is taken up in all locations.
- (e) Precision temperature controllers are installed in all locations.
- (f) Awareness and training sessions for maintenance personnel were conducted by experts.
- (g) Optimum usage of air-conditioning equipment is made within the office space.
- (h) Efforts will be made to provide for intelligent lighting, automatic lighting system based on sensors for optimum use of power.

### (ii) Research & Development and Technology Absorption

The Company's Research & Development investment would primarily focus on Solutions Research and Vertical Focus Research.

Solutions Research would identify new ideas which would enable business process improvement for customers and would be aligned with the business strategy and growth opportunities of the organization.

Vertical Focus would primarily deal with building Centers of Excellence (CoE) around verticals such as financial services, Life sciences, pharmacy, energy, retail and process / discrete manufacturing. The Company would also setup Research & Development facilities around tools supporting some of the COTS solutions and in the BI space. Specialized process oriented tools to enhance business process performance are ready for deployment. The Company would be developing products for B2B and SaaS.

The Company plans to be a player in niche technologies and lays emphasis in staying current in the new technologies. A significant budget

would be set aside for building competencies in the new technologies and also building solutions in the migration space, particularly in the open source solutions.

**(iii) Foreign Exchange Earnings and outgo.**

Export Plans and Activities relating to exports - Application Management services, Application development, Tool set development, Product development and support activities have been the primary source of revenues to the offshore delivery center and would be the focus for the future with the aid of Value added tools.

Initiatives taken to increase exports - Demonstrating the benefits to the existing client base on the offshore model in terms of Cost savings, 24/7 support, Maturity in delivery processes through CMMI and ISO, State of the art infrastructure, Competency and knowledge base.

Development of new export markets for products and services - Europe and Middle East have been the markets that are being developed through our partners.

|                                     | <u>In Rs.</u> |
|-------------------------------------|---------------|
| Foreign Exchange Earnings(Received) | 19,12,17,319  |
| Foreign Exchange outgo              |               |
| for Capital Goods                   | 1,04,15,518   |
| for Traveling                       | 33,20,118     |
| For Others                          | 8,52,57,908   |

- (b) the accounting policies are consistently followed and your Directors have applied them to give a true and fair view of the state of affairs of the Company and the profit/loss for that period.
- (c) the Directors have 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) annual accounts have been prepared on a going concern basis.

**ACKNOWLEDGEMENTS**

Your Directors would like to express their grateful appreciation for the assistance and cooperation received from the Banks, the Government Authorities and Shareholders during the year under review. Your Directors wish to place on record their sense of appreciation for the sincere services of all employees of the Company.

for and on behalf of the Board of Directors  
**LANCO GLOBAL SYSTEMS LIMITED**

**Tejesh Kumar Kodali**  
Chairman

Place : Hyderabad  
Date : 25.08.2008

**18. Directors' Responsibility Statement**

Your Directors hereby confirm:

- (a) in preparation of annual accounts containing financial statements for the year ended 31<sup>st</sup> March, 2008 the applicable accounting standards have been followed.



## Annexure-I

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the directors report for the year ended 31<sup>st</sup> March, 2008

| Employee Name                 | Designation   | Qualification     | Age | Joining Date | Experience (years) | Gross Remuneration (Rs.) | Previous Employment -Designation                                |
|-------------------------------|---|-------------------|-----|--------------|--------------------|--------------------------|---|
| <b>Anand Swaroop Yadagiri</b> | Director & CEO  | B.Tech<br>PGDBM   | 42  | 09.05.2007   | 21                 | 34,90,849                | Indu Group-<br>Executive Vice<br>President &<br>COO             |
| <b>Srinivasa Rao Yepuri</b>   | Vice<br>President<br>(F&A)                                  | M.Com.,<br>F.C.A. | 46  | 14.06.2001   | 22                 | 32,97,800                | Lanco<br>Kalahasti<br>Castings-<br>Deputy<br>General<br>Manager |
| <b>Rakesh Kumar Potluri</b>   | Vice<br>President<br>(Technology<br>Services &<br>Delivery) | M.Tech            | 51  | 21.04.2005   | 24                 | 25,87,504                | Virtusa-<br>Senior<br>Project<br>Manager                        |
| <b>Sateesh Kumar Balusu</b>   | Head - ERP  | B E               | 38  | 18.06.2007   | 16                 | 23,51,833                | IGATE-<br>Group Project<br>Manager                              |

The Department of Company Affairs has amended the Companies (Particulars of Employees) Rules, 1975 to the effect that particulars of employees of companies engaged in the information technology sector posted and working outside India, not being directors or their relatives, drawing more than Rs. 24 Lakh per financial year or Rs. 2 Lakh per month, as the case may be, need not be included in the statement. Accordingly, the statement included in this report does not contain the particulars of employees who are posted and working outside India.

## Annexure - II

### Details of Stock options Pursuant to SEBI Guidelines on Stock Options

| Description |   |   |
|-------------|---|---|
| A           | Options granted during the year   | Nil   |
| B           | The pricing formula   | The options issued by the Employee Stock Option Trust were at Par Value                         |
| C           | Options vested during F.Y 2007-08   | 48,480  |
| D           | Options exercised during F.Y. 2007-08   | 44,355  |
| E           | The total number of shares arising as a result of exercise of options   | 44,355  |
| F           | Options lapsed during the F.Y. 2007-08  | 12900   |
| G           | Variation of terms of options   | NIL   |
| H           | Money realized by exercise of options   | Rs. 4,43,550  |
| I           | Total number of options in force as on 31-03-2008   | 53,760  |
| J           | Employee wise details of options granted to   |   |
|             | (i) Senior managerial personnel   | NIL   |
|             | (ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year   | NIL   |
|             | (iii) 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   | NIL   |
| K           | Diluted earnings per share(EPS) pursuant to issue of shares on exercise of option calculated in accordance with (Accounting Standard (AS) 20 Earning per share)   | Rs. 9.91<br>The ESOP scheme is administered through ESOP Trust, so there is no impact on EPS    |
| L           | Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed | The ESOP scheme is administered through ESOP Trust so there is no impact on the profits and EPS |
| M           | Weighted average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock  | N.A   |
| N           | A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted average information   | N.A   |



This Management Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements regarding future events and our future results.

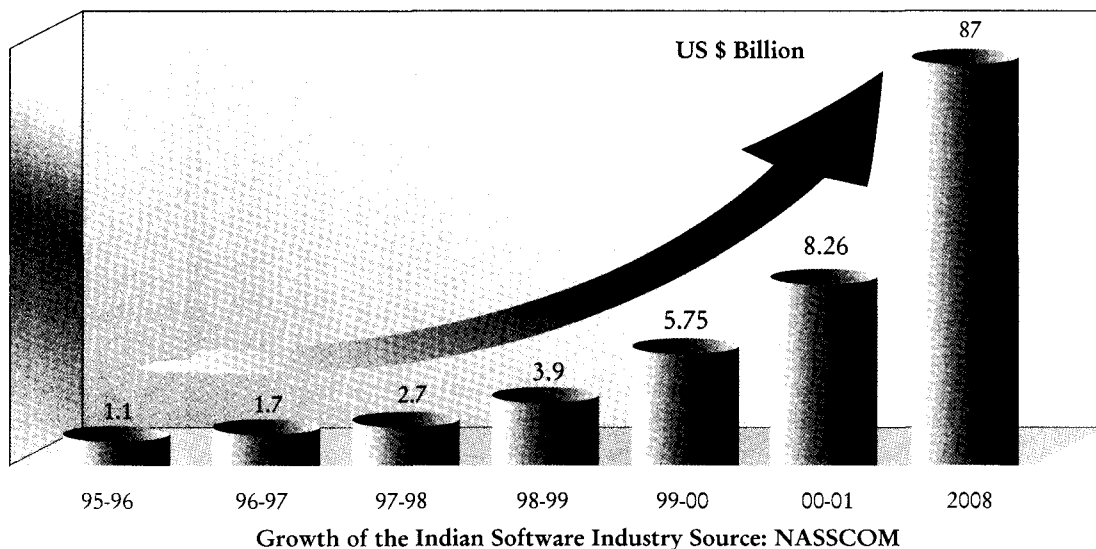
## I. INDUSTRY STRUCTURE AND DEVELOPMENT

Overview of Indian Information Technology (IT) industry:

The role that IT is playing in the world today in enabling countries to strengthen their technological leadership, and the considerable contributions that Indian professionals are making in this arena both in India and abroad, set up a high-powered IT task force, to break India's shackles and make India "a Global IT Superpower and a front-runner in the age of Information Revolution".

According to the NASSCOM report of 2008, India continues to be a primary destination for outsourcing and is also emerging as a hotbed for products and innovation. Within the outsourcing arena, the Money Verticals - Banking, Financial and Insurance form the lions share and are the most highly evolved outsourcing sectors both for IT outsourcing and BPO. Continued growth predicted in these verticals provides the opportunity to increase the share of the business in these verticals, with various advantages.

The findings indicate that the Indian IT industry has grown its revenues ten fold in the past decade. The country's software industry is growing at a rate of 35% per year. A study conducted by India's National Association of Software and Services Companies (NASSCOM) with consultancy firm McKinsey & Co. projects the Indian software industry to gross US\$50 billion in exports by the end of 2008.



The industry's employee base was over 2 million with about 4,75,000 jobs added during 2007-08. The total direct employment in the Indian IT-ITES sectors estimated to have grown by over a million during last 6 years, from 284,000 in FY 1999-2000 to 1,925,000 in FY 2007-2008.

Price is an important consideration for the small and medium business (SMB) segment, which is becoming an increasingly significant market for applications. SMB buying decisions tend to be solutions driven. However, open source software is also taking an expanded role in the sector, competing directly with commercial software in many segments. Looking at the wider domestic software market, telecoms, government, manufacturing and retail are key verticals driving demand, with enterprises looking to improve customer service experience and improve efficiency and decision support.

## II. OUTLOOK AND OPPORTUNITIES

As an innovative technology service provider LGS has identified several key business opportunity areas which will drive the Company's organic and inorganic growth for the foreseeable future. New international market strategies and monetization of the Intellect assets poses an immense opportunity for growth for the company in the coming years.

In continuance to its strategy of identifying high value segments of the business, the Company is further enhancing and strengthening its service portfolio through investment and marketing of Intellect Product range and SOA based services.

The Company continues its sales thrust in areas of industry verticals and key accounts in which it has built significant competitive strength, which are also the mainstay business of the Company.

LGS's clients and partners including global fortune 500 companies offer significant scope for expanding its share of their IT budgets and this is indicative of the continued potential for growth. Most importantly, the Company is leveraging its capability as an integrated solutions provider, with appropriate technology expertise and domain knowledge, to deepen its relationships with its clients.

Your company found better opportunities in Banking & Financial Service Sector. Redundant functionality and existing rigid systems are also inhibiting banks to respond to time-to-market needs and with the advent of Service Oriented Architecture (SOA) based solutions and software services, Banks are able to respond faster to their customer needs. Trends showing increased adoption of SOA and the predicted opening up of the legacy modernization market as well as core banking renewal are also favorable to the company's growth strategy and direction and its focus on next generation solutions that leverage latest concepts such as SOA.

We rely on internal innovation along with strategic alliances and acquisitions to provide innovative products to enhance our competitive position. Our ability to innovate internally requires us to attract and retain top talent in a very competitive industry. We have made plans to hire up to 1,000 new employees in 2009. In addition, we believe our acquisitions have the potential to bring both talent and technology to LGS, and we expect to continue to make strategic acquisitions.

**Commitment to superior quality and process execution:** We have developed a sophisticated project management methodology to ensure timely, consistent and accurate delivery of superior quality solutions to maintain a high level of client satisfaction. We constantly benchmark our services and processes against globally recognized quality standards. We are ISO 9001-2000 certified and appraised at SEI-CMMI Level 3. Our Strategic Global Sourcing Group consists of senior professionals and has been established to identify, secure and manage new, large, and long-term client engagements.

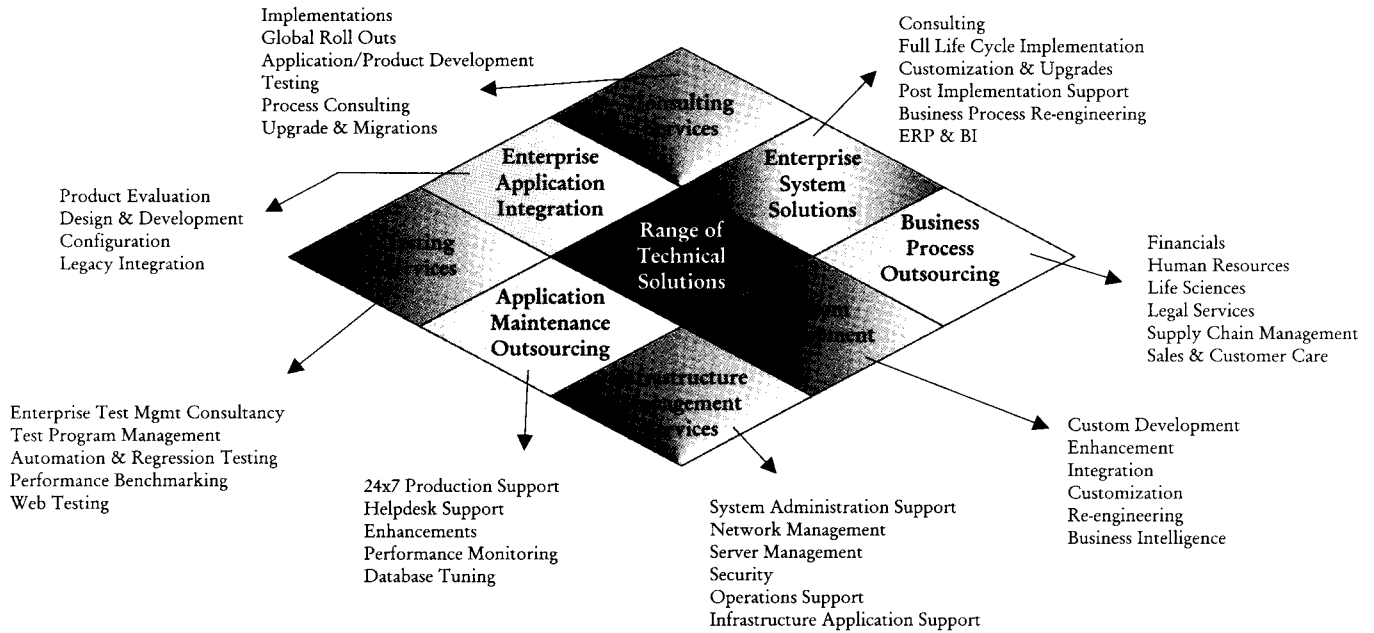
**Expand geographically:** We seek to selectively expand our global presence to enhance our ability to service clients. We plan to accomplish this by establishing new sales and marketing offices, representative offices in Europe & Middle East Asia.

We seek to further strengthen our position as a leading global technology services company by successfully differentiating our service offerings and increasing the scale of our operations.

LGS offers IT Services and Solutions to diverse enterprise companies through its onsite consulting expertise and offshore development experience.



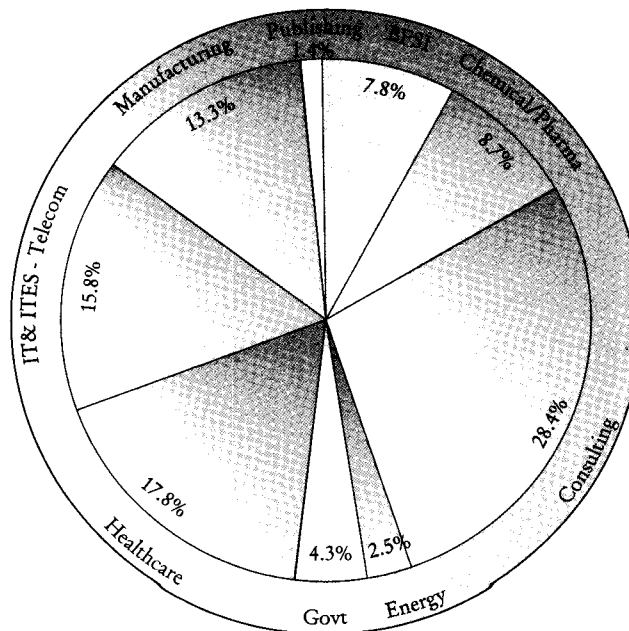
## LGS Service and Solution offerings:



### III. SEGMENT WISE OR PRODUCT WISE PERFORMANCE AND DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

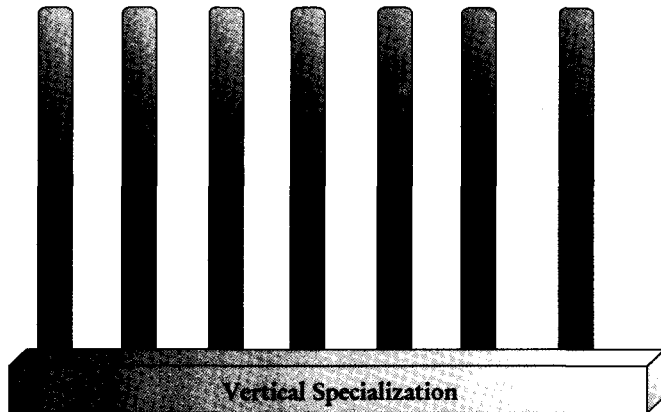
The Company operates in one segment only. During the year 2007 - 2008 the company improved its performance. Revenues during 2007-2008 have increased to Rs.13666.37 Lakhs as compared to Rs.4556.56 Lakhs in the previous year, representing an increase of Rs.9109.81 Lakhs on Standalone. ERP Implementations and roll-outs in verticals such as discreet manufacturing have seen a significant growth.

Sector Wise: 2007 - 08





Vertical Expertise: Experts with domain knowledge of the vertical industry and sound technical knowledge have been the key to success at various customer engagements. Our experts have been providing strategy and solutions to customers involved in the following verticals:



**Financial Performance/Overview**

The financial statements are prepared under the historical cost convention, on accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) in India, and materially comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956.

The financial statements presented in the Accounts and notes on accounts thereon are self explanatory, however, material changes, if any, discussed under the relevant head.

**Reserves & Surplus:** Reserves & Surplus stood at Rs. 3,128 lakhs as at 31<sup>st</sup> March, 2008 an increase of Rs. 2,222 lakhs compared to Rs. 906 lakhs as on 31<sup>st</sup> March, 2007 on standalone. Transfer to the General Reserve from Profit & Loss Account for the year was Rs. 64 lakhs. Internal accruals made during the year Rs. 2,159 lakhs after appropriation of Dividend on standalone.

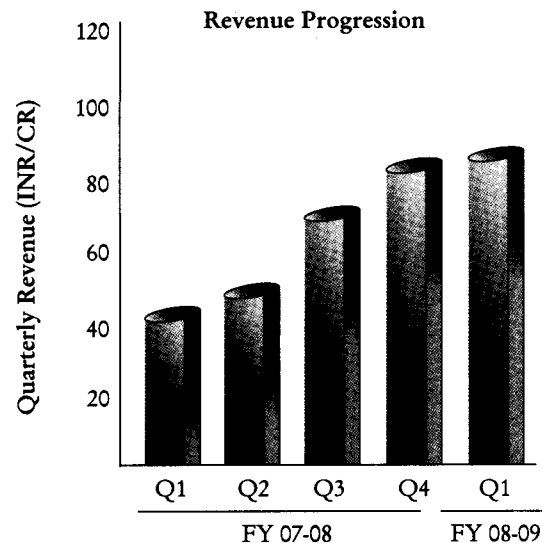
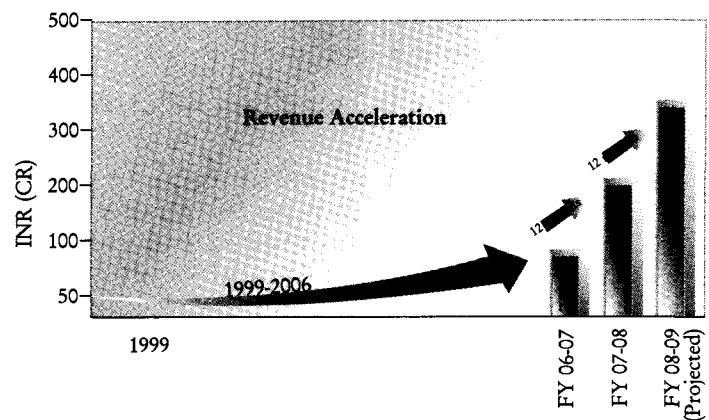
**Secured Loans:** Secured Loans represents Factoring facility amounting to Rs. 1,500 lakhs from Non Banking Finance Company are secured by way of hypothecation of Book Debts present and future on all the approved debtors as mentioned in the sanction letter and Personal guarantee of Directors and corporate guarantee from their company.

Your Company approached M/s. Axis Bank Limited for financial assistance by way of working capital for an amount of Rs. 3,500 lakhs and term loan for amount of Rs.500 lakhs, the aggregate of Rs. 4,000 lakhs and availed the working capital

to the extent of Rs. 2,100 lakhs and Term loan to the extent of Rs. 500 lakhs during the period of June & July, 2008.

In terms of their sanction letter, the Board created as a primary security by way of first charge on the entire current assets of the company except the debtors hypothecated for the existing factoring facility and as collateral security by way of second charge on unencumbered fixed assets present & future (excluding assets located at U.S Branch) of the company.

A Charge created in favour of above those institutions on the moveable and immovable assets and book debts of the company to the extent of such loan.



## SUBSIDIARIES

The subsidiary companies of the Company are given below:-

**GLOBAL IT INC.,**

**TECHORBIT INC.,**

Located at Irving, Texas, USA.

The overseas subsidiaries, in addition to providing service to various international clients have greatly enhanced the capability of LGS in generating more business opportunities in international markets through their clients.

Your Company's Board of Directors approved for an investment of \$1.4 Million USD in its Subsidiary namely M/s. Global IT Inc.,

## IV. RISKS AND CONCERNS

Your company has following risks and concerns generally:

- Rising elements of cost, and countering the wage inflation averaging 10-15 per cent annually is a concern in the IT sector, however, companies are able to leverage declines in telecom and other overhead costs, and increase in productivity gains and economies of scale to sustain the cost arbitrage.
- Skilled manpower, considered as a key to offshore success, has remained one of the key concerns and challenges for the country's IT sector and to add attrition of skilled employees both onsite and off-shore is one of the growing concern.
- Having apt IT and management skills, in fact, is assuming an ever-greater importance, in the current day environment. The company has laid out a strategy to build world class competencies through internal trainings, lateral recruitments, employee retention practices and competency development plans in the new dimension technologies.
- A growing concern on data protection and intellectual property rights amongst the customer base is being addressed through the security policies and business continuity procedures.

The strong economic recovery is generating inflationary pressures in the economy. As a consequence, the real market yields on government securities are just marginally positive. The rising crude prices -ruling at 15 year high - are also adding to the inflationary pressures in the economy. At the same time, interest rates in many developed economies have bottomed-out. The rising interest rate in these developed economies makes it difficult for domestic rates to be out of sync with global trends.

## V. MATERIAL DEVELOPMENTS IN HUMAN RELATIONS / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

Starting the year 2007 on a positive note, industry went on to further raise the bar by posting above- forecast results, continuing to reach greater heights in terms of revenue growth, employment numbers as well as maturity of service offerings. Being in the services business, the company places foremost thrust on the continuous up gradation of human resource. Best HR practices and continuous work environment ensures high motivational levels of the employees. Besides, the company has a training committee to nominate employees according to the individual training needs. In-house lectures and workshops are also conducted to stimulate healthy exchange of ideas.

Having gained the trust of many European clients, the Company started its operations from Europe, opened a new office at Europe. The company also proposes to come up with Offices at Middle East shortly.

### Future IT Manpower Requirements

Current HR trends within the IT industry point to the following scenario in the future:

- the Indian industry will require 850,000 IT professionals by 2010.
- the Indian IT industry has taken adequate steps to develop talent, particularly among college students.
- assuming that current trends in graduate turnout and employment are maintained, the demand for IT software and services professionals will be met.

The company continues to focus on competency development activities such as training programs, induction and orientation, skill enhancement programs and on the job work shops to build the necessary skill sets for on-time and defect free delivery. Career development plans laid out for every employee help in identifying the path that employees aspire to pursue.

**Employee Get Together Events as part of motivation and morale**

### Celebrating Birthdays of Employees

Lots of fun, with plenty of goodwill, we are talking about the fun at LGS, we have on last working day of every month at the birthday celebrations.

Birthday is a very special occasion for a person, and we do celebrate that special occasion together.

The names of all birthday boys and girls are formally announced, which is followed by a cake cutting session, the entire LGS family comes together interacts and enjoys a pleasant evening as they munch on some goodies.



**Annual Day**

Annual day called "Just Chill Out", where all the employees had a get-together organized at a renowned resort and also took part in some stage performances.



**Global Presence**

Headquartered in Hyderabad, India, we have our worldwide offices at the following locations.

**India**

# 796/B  
Road No. 36,  
Jubilee Hills,  
Hyderabad-500033.

**USA**

Irving, Texas  
1303 W Walnut Hill Lane  
Suite # 360  
Irving  
TX 75038

Sterling, Virginia  
21351 Gentry Drive  
Suite # 265-A  
Sterling  
VA 20166

**UK**

Suite# 508  
1 Alie Street  
London E1 8DE

Princeton, New Jersey  
1 Independence Way  
Suite # 210  
Princeton  
NJ 08540

Atlanta, Georgia  
1725 Windward Concourse  
Suite # 150  
Alpharetta  
GA 30005

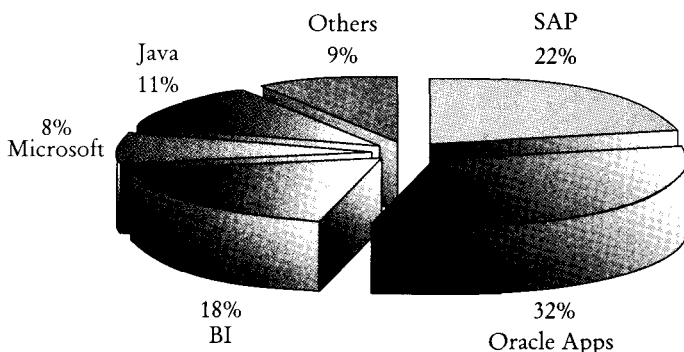


# Management Discussion and Analysis

## Human resources

The employees of the company are the prime assets of your company. As a continuous process LGS added senior talent and capabilities to cater to the growth phase of the company.

The company has immensely raised its total employee strength India & abroad with that of subsidiaries to 1250 employees across various competencies at the end of the June quarter in 2008.



## Senior Talent Recruitment

### Mr. Sunil Reddy, President - US Operations

Sunil has a strong entrepreneurial background with a proven track record in establishing, nurturing start ups and converting them into successful revenue generating entities. He started his career as President of Mega IT in 1996 and developed it into a multimillion dollar Company. As a Promoter, he also started another venture - Emacs Technologies, Inc in 1999 focusing mainly in the areas of IT Consulting, Government Solutions and Customer Relationship Management. Since then, as a CEO of Emacs Technologies, he has provided vision and direction and played a leadership role in improving Emacs's portfolio of impressive clients and helped in accelerating its growth, making Emacs as a leading IT solutions provider in the Northeast region. An excellent combination of his educational background, entrepreneurial skills and with an extensive knowledge in the areas of corporate planning, technology integration, marketing and brand management he has successfully achieved revenue and product growth in the ventures he had been associated with. Sunil holds an Engineering Degree from the S V University, India with Masters in Computer Sciences from City University of New York.

### Mr. Sailendra Yerrapragada, Chief Technology Officer

Sailendra Yerrapragada is a professional with an overall experience of 11 years in delivering professional services for top tier accounts. He has successfully delivered consulting solutions focusing on strategic account management, business

development, industry specific solutions and large-scale project delivery. During his tenure at Bearing Point and Oracle Corporation, he has built relationships in the executive management of various lines of business, client community and partners. He has expertise in the functional, technical, business process and methodology aspects of enterprise solutions in Public and Private sectors. Sailendra holds a PhD in Management Information Systems (KWU) and Global Executive MBA from Duke University. He also received Strategic Leadership Management training from Yale School of Management. He is also a certified Project Management Professional (PMP) and holds Six Sigma Black belt certification. Prior to joining LGS he held the position of Director of Technology Services at Bearing Point which is a leading Management & Technology Consulting firm and was Technical Manager at Oracle Corporation prior to joining BearingPoint.

### Mr. Sateesh Balusu, Head of ERP - SBU

Sateesh is an engineering graduate with a rich experience of more than 15 years in the IT industry with expertise and a proven track record in ERP management, Delivery and Business Development. He has been involved in some of the prestigious defense projects; and has experience in Competencies building, Tools, operations, people management and, design and development of real time systems. Prior to joining LGS, he was associated with iGATE and Wipro systems, and also has over 8 years of industry experience in the overseas as he worked for various US organizations, during his stay at US.

### Dr. S. Vincent Grasso, Executive Vice President- Global Healthcare Solutions

Dr. Vincent Grasso is a surgeon, software architect / informaticist, and healthcare business analyst. In addition to his medical degree, he completed an Internal Medicine Internship within the Robert Wood Johnson School of Medicine network from 1991 to 1992. He also completed a general surgical residency at the Mount Sinai School of Medicine Manhattan Program in 1997. Additional training in Advanced Minimally Invasive Surgery as a Postdoctoral Fellow along with research within the domain of Medical Informatics at Yale University was obtained as a Postdoctoral Fellow and Associate. While at Yale, he launched the concept of Extreme Telemedicine and joined the Yale-NASA Commercial Space Center for Medical Informatics and Technology Applications (CSCMITA) as a NASA Project Manager resulting in a series of expeditions to Mount Everest starting in 1998 where he participated as the Medical Director.

He founded Technology Integrations for Medical Applications, Inc. (TIMA), a software development company

dedicated to creating solutions for alternative-site healthcare delivery. His academic relationships with Stevens Institute of Technology include his position as an Adjunct Professor with the Department of Chemistry and Chemical Biology and also as Advisory Board Member for the Healthcare IT Management initiative at Stevens. In 2006, In addition, he is a scientific advisor to Legend Merchant Group, a Wall Street based investment and asset management firm.

**Mr. Randall L Richardson, Associate Vice President - Global Business Development**

Randall L. Richardson is a recognized leader in healthcare with over 22 years of progressive experience encompassing: Healthcare Information Technology. He has a successful record in implementing strategic objectives that focused on driving revenues, increasing market share, improving services to clients, and managing quality assurance and quality improvement in mature and new markets. Richardson is a native of Asheville, North Carolina. He is a graduate from Montreat College where he earned a Bachelor's degree in Business Administration and a graduate from Duke University - Fuqua School of Business, where he earned a Master's degree in Business Administration.

**Mr. Prem Kumar Mandava, Associate Vice President - Sales**

Prem has extensive experience in partnering with and implementing large scale projects for state and local government clients. His responsibilities have included proposal management, managing client relationships, negotiating scope and change control. He is a subject matter expert in integrated tax systems, content management, enterprise claims, collections and loan servicing applications. He has worked for American Management Systems (AMS). He also worked at the Wisconsin Department of Revenue (DOR) to identify requirements for implementing the individual income tax component of an integrated tax system. While at AMS, he was also responsible for managing proposals to implement Property Tax at the Wisconsin DOR and Eau Claire County, Wisconsin. He has a BE from Osmania University and an MS from the University of Illinois, Urbana - Champaign. Additionally, he has taken leadership and management courses as part of the emerging leader program at AMS.

## VI. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company, with regard to internal control systems and their adequacy, has put in place effective systems and their strict implementation to ensure that assets and interests of the company are safeguarded. Checks and balances are in place to determine the accuracy and reliability of accounting data.

The company has internal audit, an independent appraisal function to examine and evaluate the adequacy and effectiveness of the company's internal control system. It appraises, periodically, its activities and audit findings to the audit committee, statutory auditors and the management.

Internal audit ensures that systems are designed and implemented with adequate internal controls, commensurate with the size and operations; transactions are executed in accordance with the company's policies and authorizations; assets are safeguarded and deployed in accordance with company's policies and authorizations; adequacy of internal controls in all existing policies and procedures of the company.

## VII. CAUTIONARY STATEMENT

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may constitute forward looking statement with in the meaning of applicable laws and regulations. Actual results might differ marginally or materially from those either expressed or implied.

for and on behalf of the Board of Directors  
**LANCO GLOBAL SYSTEMS LIMITED**

Place : Hyderabad  
Date : 25.08.2008

**Tejesh Kumar Kodali**  
Chairman



## MANDATORY REQUIREMENTS :

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The basic philosophy of corporate governance of the company is to achieve business excellence and enhance shareholder value keeping in view the interest of all stake-holders. The company stands by transparency in all its dealings and strict regulatory compliance.

### 2. BOARD OF DIRECTORS

- (a) Your Company has optimum combination of executive, non executive, independent and non independent directors in terms of Clause 49 of the Listing Agreement entered into with the Stock Exchanges. Your Company has total strength of 9 (including one Alternate Director) directors consisting of 4 Executive Directors and 5 Non Executive Independent directors (including one Alternate Director).

Out of 4 Executive directors 3 are under Promoters category and 1 Director & CEO. The Board composed in lines with Corporate Governance Code. All Independent Directors comply with the requirements of the Listing Agreement for being "Independent Director". The Board composition is as follows:

| Name of the Director        | Category                           | Designation        |
|-----------------------------|------------------------------------|--------------------|
| Mr. K. Tejesh Kumar*        | Promoter & Executive Director      | Chairman           |
| Mr. K. Venkateswara Rao *   | Promoter & Executive Director      | Co-Chairman        |
| Mr. K. Venkata Subba Rao*   | Promoter & Executive Director      | Vice Chairman & MD |
| Mr. Y. Anand Swaroop        | Executive Director                 | Director & CEO     |
| Mr. G. Ramesh               | Non Executive Independent Director | Director           |
| Dr. Prasada Rao VDM Ravella | Non Executive Independent Director | Director           |
| Mr. B. Anand #              | Non Executive Independent Director | Alternate Director |
| Mr. V. Pradeep Kumar Dev*   | Non Executive Independent Director | Director           |
| Mr. Asokan Ganapathy*       | Non Executive Independent Director | Director           |

# Alternate Director to Dr. Prasada Rao VDM Ravella

\* Appointed as Additional Director on 27<sup>th</sup> March, 2008

- (b) None of the directors on the Board is a member of more than 10 committees or chairman of more than 5 committees as specified in Clause 49, across all the companies in which he is a director. Necessary disclosures regarding committee positions in other public companies have been made by the directors.

| Name of the Director        | Category                           | No. of Directorships in other Public Companies | No. of Committees positions held in other Public Companies |        |
|-----------------------------|------------------------------------|--|--|--------|
|                             |                                    |  | Chairman   | Member |
| Mr. K. Tejesh Kumar         | Promoter & Executive Director      | 4  | 1  | 1      |
| Mr. K. Venkateswara Rao     | Promoter & Executive Director      | 4  | 1  | 1      |
| Mr. K. Venkata Subba Rao    | Promoter & Executive Director      | 2  | NIL  | NIL    |
| Mr. Y. Anand Swaroop        | Executive Director                 | 1  | 1  | 2      |
| Mr. G. Ramesh               | Non Executive Independent Director | NIL  | NIL  | NIL    |
| Dr. Prasada Rao VDM Ravella | Non Executive Independent Director | 1  | NIL  | NIL    |
| Mr. B. Anand #              | Non Executive Independent Director | 2  | NIL  | NIL    |
| Mr. V. Pradeep Kumar Dev    | Non Executive Independent Director | 1  | NIL  | NIL    |
| Mr. Asokan Ganapathy        | Non Executive Independent Director | NIL  | NIL  | NIL    |

# Alternate Director to Dr. Prasada Rao VDM Ravella

- (c) The details of category of directorship, attendance of board meetings and last Annual General Meeting during the year, number of directorships, committee chairmanships and memberships held by the directors in other companies furnished herewith. Other directorships do not include alternative directorships, directorships of Private Limited Companies, Section 25 companies and of companies incorporated outside India. Chairmanship / membership of Board Committees include only Audit Committee and the Shareholder's Grievance Committee.
- (d) Ten Board Meetings were held during the year 2007-2008. Your Company has complied with all the requirements in terms of Listing Agreement and Companies Act, 1956 in respect of Board Meetings. The dates on which the Meetings were held are as follows:

|               |                   |
|---------------|-------------------|
| June 06, 2007 | October 30, 2007  |
| June 20, 2007 | December 01, 2007 |
| June 20, 2007 | January 30, 2008  |
| June 27, 2007 | March 27, 2008    |
| July 30, 2007 | March 27, 2008    |



| Name of the Director          | No. of Board Meetings<br>(during the year 2007-08) |          | Whether attended<br>last AGM<br>held on<br>29.12.2007 |
|-------------------------------|--|----------|---|
|                               | Held   | Attended |   |
| Mr. K. Tejesh Kumar           | 2  | 2        | N. A.   |
| Mr. K. Venkateswara Rao       | 2  | 2        | N. A.   |
| Mr. K. Venkata Subba Rao      | 2  | 2        | N. A.   |
| Mr. Y. Anand Swaroop          | 7  | 7        | YES   |
| Mr. G. Ramesh                 | 8  | 8        | YES   |
| Mr. P G K Murthy              | 8  | 8        | YES   |
| Mr. B. Anand                  | 10   | 7        | NO  |
| Mr. V. Pradeep Kumar Dev      | 2  | 2        | N. A.   |
| Mr. Asokan Ganapathy          | 2  | 0        | N. A.   |
| Mr. L. Madhusudhan Rao@       | 9  | 4        | NO  |
| Mr. G. Bhaskar Rao@           | 9  | 7        | NO  |
| Mr. M N Nambiar@              | 9  | 4        | YES   |
| Mr. Y. Harish Chandra Prasad* | 5  | 3        | N.A   |
| Mr. Nagarjun Valluripalli%    | 2  | 1        | N.A   |

@ Resigned on 27<sup>th</sup> March, 2008

% Resigned on 20<sup>th</sup> June, 2007

\* Resigned on 23<sup>rd</sup> October, 2007

- (e) The Board meetings are generally held at least once in a quarter, amongst others for consideration of the Audited / Unaudited quarterly financial results. Besides this, additional Board meetings are also convened to address the specific requirements of the Company, as and when the need arises. The urgent items, if any, may approved by passing resolutions through circulation by the Board. Agenda papers along with detailed notes are circulated to the Directors in advance for each of these meetings. All relevant information, as required was placed before the Board from time to time. The minutes of meetings of Board and Committees are circulated to the members of the meeting for their confirmation.
- (f) None of the non-executive directors has any pecuniary or material relationship or transaction with the Company.



**Notes:**

- (i) Following directors were appointed in the Board meeting held on 27<sup>th</sup> March, 2008
- Mr. K Tejesh Kumar  
 Mr. K Venkateswara Rao  
 Mr. K Venkata Subba Rao  
 Mr. V Pradeep Kumar Dev  
 Mr. Asokan Ganapathy
- (ii) Following directors were resigned in the Board meeting held on 27<sup>th</sup> March, 2008
- Mr. L Madhu Sudhan Rao  
 Mr. G Bhaskara Rao  
 Mr. M N Nambiar
- (iii) Mr. P G K Murthy resigned as Director w.e.f. 28<sup>th</sup> April, 2008
- (iv) The members in their 8<sup>th</sup> AGM held on 29<sup>th</sup> December, 2007 approved the appointment of Mr. Y Anand Swaroop as Director & CEO w.e.f. 20.06.2007.
- (v) Mr. G Ramesh and Mr. P G K Murthy were regularized as Directors at the 8<sup>th</sup> AGM held on 29<sup>th</sup> December, 2007.

**(g) Directors seeking appointment / re-appointment**

Dr. Prasada Rao VDM Ravella retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re appointment.

During the year Mr. K Tejesh Kumar, Mr. K Venkateswara Rao, Mr. K Venkata Subba Rao, Mr. V Pradeep Kumar and Mr. Asokan Ganapathy have been appointed as Additional directors in the Board meeting held on 27<sup>th</sup> March , 2008 and they hold the office only up to the date of the ensuing Annual General Meeting of the Company. They are eligible to act as directors on the Board, if they got elected by the members.

The Board of Directors in their meeting held on 28<sup>th</sup> July, 2008 appoints Mr. K Tejesh Kumar as Executive Chairman, Mr. K Venkateswara Rao as Executive Co-Chairman, Mr. K Venkata Subba Rao as Vice Chairman & Managing Director of the Company for a period of three years with effect from 28<sup>th</sup> July, 2008 at such terms and conditions of appointment and remuneration, however, these appointments are subject to the approval of Members at the ensuing general meeting.

**The brief profiles and other details about the Directors seeking appointment / re-appointment.**
**Mr. Tejesh Kumar Kodali**

|                     |   |  |
|---------------------|---|--|
| Father's Name       | : | Kodali Rambabu   |
| Age & Date of Birth | : | 37 years & 22 <sup>nd</sup> April, 1971  |
| Nationality         | : | Indian   |
| Education           | : | Bachelor of Commerce (B.Com)<br>Master of Business Administration (MBA)<br>Fellow of Academy of General Education (FAGE) |
| Address             | : | Plot No. 1226, Road No. 62, Jubilee Hills<br>Hyderabad - 5000 033, A.P.  |



**Professional competency:** More than fourteen years functional experience in Software and finance industry and having good skills in strategic technology advisory services, Information system consultancy services, technology procurement, project-based capacity building and technological project management services. Having rich experience and achieved a great success in Technology integration, business management, marketing, and operations in the IT sector. Mr. Tejesh is a director of M/s. Southern online Biotechnologies Limited, 3K Technologies Limited, 3K Infrastructures Limited, 3K Entertainment Private Limited, 3K Agro Tech Private Limited, 3K Agro Farms Private Limited, 3K Agro Sciences Private Limited, Rithwik Projects Limited. He is Chairman of the Audit Committee and Remuneration Committee and Member of Shareholder's/Investor's Grievance Committee in Rithwik Projects Limited. He is holding 4,42,642 shares in the company under promoter category.

### Mr. Venkateswara Rao Kadiyala

|                     |   |   |
|---------------------|---|---|
| Father's Name       | : | Kadiyala Appa Rao   |
| Age & Date of Birth | : | 37 years & 14 <sup>th</sup> April, 1971   |
| Nationality         | : | Indian  |
| Education           | : | Bachelor of Science (B.Sc)<br>Master of Computer Applications (MCA)                           |
| Residence           | : | Plot No. 99,<br>MLA & MP's Colony,<br>Road No. 10C, Jubilee Hills,<br>Hyderabad-500 033, A.P. |

**Professional competency:** More than fourteen years functional experience in Software and finance industry and having good skills in strategic technology advisory services, Information system consultancy services, technology procurement, project-based capacity building and technological project management services. Having rich experience and achieved a great success in Technology integration, business management, marketing, and operations in the IT sector. Mr. Venkat is a director of M/s. Southern Online Biotechnologies Limited, 3K Technologies Limited, 3K Infrastructures Limited, 3K Entertainment Private Limited, 3K Agro Tech Private Limited, 3K Agro Farms Private Limited, 3K Agro Sciences Private Limited, S2 Agro Bio Tech Private Limited, S2 Agro Bio Sciences Private Limited, S2 Agro Tech Private Limited, S2 Agro Sciences Private Limited, S2 Agro Farms Private Limited, Rithwik Projects Limited. He is Chairman of Shareholder's/Investor's Grievance Committee & Member of Audit Committee and Remuneration Committee in Rithwik Projects Limited. He is holding 4,42,642 shares in the company under promoter category.

### Mr. Venkata Subba Rao Karusala

|                     |   |   |
|---------------------|---|---|
| Father's Name       | : | Karusala Bapaiah  |
| Age & Date of Birth | : | 40 years & 6 <sup>th</sup> March, 1968  |
| Education           | : | Bachelor of Technology (B.Tech), Master of Technology (M.Tech),<br>Fellow of Institute of Engineers (FIE) |
| Nationality         | : | Indian  |
| Residence           | : | Plot No. 216, Street No. 19, Prashasan Nagar, Road No. 72,<br>Jubilee Hills, Hyderabad- 500 033, A.P.     |

**Professional competency:** More than sixteen years of functional experience in Software industry and expertise in infrastructure management with good skills in strategic technology advisory services, Information system consultancy services, technology procurement, project-based capacity building and technological project management services. Having rich experience and achieved a great success in Technology integration, business management, marketing, and operations in the IT sector. Mr. Rao is Director of 3K Technologies Limited, 3K Infrastructures Limited, 3K

Entertainment Private Limited, 3K Agro Tech Private Limited, 3K Agro Sciences Private Limited, 3K Agro Farms Private Limited, S2 Agro Bio Tech Private Limited, S2 Agro Bio Sciences Private Limited, S2 Agro Tech Private Limited, S2 Agro Sciences Private Limited, S2 Agro Farms Private Limited, Keystone Infratech India Private Limited, Hi Rise Housing Projects Private Limited, Techorbit Software Technologies Private Limited. Mr. Rao has no other committee memberships in any other company. He is holding 4,42,642 shares in the company under promoter category.

**Mr. Vyricherla Pradeep Kumar Dev**

|                     |   |   |
|---------------------|---|---|
| Father's Name       | : | Shri V. Chandra Chudamani Dev Kumar Rajah<br>of Kurupam - Zamindari Estate<br>(MLA from 1953 to 1978 representing<br>Parvathipuram Assembly Constituency) |
| Age & Date of Birth | : | 46 Years - 25.09.1961   |
| Education           | : | Bachelor of Commerce (B.Com)<br>Master of Business Administration (M.B.A.)  |
| Nationality         | : | Indian  |
| Residence           | : | 12, Ocean View Layout, Beach Road,<br>Visakhapatnam - 530 003, A.P.<br>"THE PALACE", Kurupam P.O, Kurupam,<br>Vizianagaram Dist. 535 524, Andhra Pradesh. |

**Professional competency & Work Experience:** Mr. Pradeep Kumar Dev, Former Member of Parliament (M.P) from Parvathipuram (Vizianagaram Dt.) Lok Sabha Parliamentary Constituency and he had been active member of politics. Mr. Pradeep, prior to join in active politics worked as an executive in M/s. Coromondal Fertilisers Ltd., at their corporate office in Secunderabad. He is also Chairman and Managing Partner of M/s. East Coast Steel Profiles, Visakhapatnam, A.P., Managing Director of M/s. Vinayagar Hotels and Sea Side Restaurants Pvt. Ltd., (VIHAR), Rushikonda Beach, Visakhapatnam. Mr. Pradeep has professional competency in Management and Corporate finance. Mr. Pradeep Kumar Dev is director of 3K Infrastructures Limited. Mr. Pradeep is a Chairman of Audit Committee and Shareholders' / Investors' Grievance Committee and member of Remuneration & Compensation Committee of Lanco Global Systems Limited. Mr. Pradeep have no other Committee Memberships in any other company. He has not hold any shares in this company.

**Mr. Asokan Ganapathy**

|                     |   |   |
|---------------------|---|---|
| Father's Name       | : | Kurupiah Ganapathy  |
| Age & Date of Birth | : | 47 years & 05 <sup>th</sup> July, 1961  |
| Education           | : | B.S (Electronics & Communication)<br>Masters in Computer Applications, (MCA) CPIM |
| Nationality         | : | USA   |
| Residence           | : | 2258, N Parkhurst Dr, Orange CA 92867 USA   |

**Professional competency:** Ashok is a senior executive with more than twenty years of experience across a variety of business sectors in the US. As Chief Information Officer, Ashok has successfully managed businesses from Aerospace, Vitamins & Minerals to Consumer Packaged Goods. Ashok has led many major business solutions implementations from ERP systems, B2B & B2C applications, business integration, etc. He was a key executive associated with the transition of Stila Cosmetics from Estee Lauder. This involved setting up of new infrastructure, affiliates, systems and processes from ground up in a short period. He has also worked as a turn around management executive for small to mid size companies in the US. He has provided valuable due diligence services to reorganize these companies. An



engineer by profession, Ashok has many business and professional credentials in the US. He participates and contributes to the Technology Network forum in Southern California. Mr Asokan has no other directorships and no other Committee Memberships on any other company. Mr Asokan has not held any shares in this company.

## Dr. Prasada Rao VDM Ravella

|                          |   |  |
|--------------------------|---|--|
| Full Name                | : | Dr. Prasada Rao VDM Ravella  |
| Age & Date of Birth      | : | 59 years & 22 <sup>nd</sup> August, 1949   |
| Education                | : | M.B.B.S from Guntur Medical College, General Practice Residency (GPR) from Ravenswood Medical Association. |
| Professional Memberships | : | American Medical Association, Chicago Medical Society,   |
| Nationality              | : | USA  |
| Residence                | : | 5021, Fairview, Ln, Skokie IL 60077, USA   |

**Professional competency:** Mr. Prasad is a famous doctor in US and he served in various positions and his experience includes Lincoln West Hospital, Chicago, (1980-95), President of Medical Staff (1994-95), Chairman, Quality Assurance (1992-93), Chairman, ER/ICU Committee (1986-95), Physical Coordinator, ER (1980-95). He is director on Millennium Finance Limited. Mr. Prasad is a Member of Audit Committee, Remuneration & Compensation Committee and Share Allotment Committee of Lanco Global Systems Limited. Mr. Prasad has no other Committee Memberships in any other company. Mr. Prasad has not hold any shares in this company.

### (h) Board Committees

To enable better management of the affairs of the Company, the Board delegates certain matters to Committees of the Board set up for the purpose. The proceedings of the meetings of the Committees are circulated to the Board.

## 3. AUDIT COMMITTEE

- (a) The Audit Committee of the company is constituted in line with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges read with Section 292A of the Companies Act, 1956.
- (b) The brief description of terms of reference of the Audit Committee are as under:
  - Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
  - Recommending the appointment and removal of external auditor, fixation of their audit fee and also approval for repayment for any other services.
  - Reviewing with management the quarterly and annual financial statements before submission to the Board.
  - Reviewing the adequacy of Internal Control Systems and Internal Audit Reports and their compliance thereof etc.
- (c) The Audit Committee meetings are usually held at the registered office of the Company and are usually attended by the Statutory Auditors, Vice President (F&A) apart from Committee members. Other functional heads and special invitees are invited to the meetings, as required. The Company Secretary acts as Secretary of the Committee.
- (d) The then Chairman of the Audit Committee Mr. M N Nambiar attended to the previous Annual General Meeting of the Company held on 29<sup>th</sup> December, 2007 in terms of Clause 49.
- (e) The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below:

| Name of the Member                        | Status in the Committee | No. of Meetings during the year 2007-2008 |          |
|---|-------------------------|---|----------|
|   |                         | Held                                      | Attended |
| Mr. M N Nambiar (till 27.03.2008)         | Chairman                | 5   | 3        |
| Mr. G Bhaskara Rao (till 27.03.2008)      | Member                  | 5   | 2        |
| Dr. Prasada Rao VDM Ravella*              | Member                  | 5   | 2        |
| Mr. G Ramesh (from 27.06.2007)            | Member                  | 3   | 3        |
| Mr. P G K Murthy (till 28.04.2008)        | Member                  | 4   | 4        |
| Mr. V Pradeep Kumar Dev (from 27.03.2008) | Chairman                | Nil                                       | Nil      |
| Mr. K. Tejesh Kumar (from 29.04.2008)     | Member                  | Nil                                       | Nil      |

\* Mr. B Anand is Alternate Director to Dr. Prasada Rao VDM Ravella

Mr. V Pradeep Kumar Dev appointed as Member on 27<sup>th</sup> March, 2008 and elected as chairman of the Committee with effect from 28<sup>th</sup> July, 2008.

Mr. K Tejesh Kumar appointed as Member of the Committee with effect from 29<sup>th</sup> April, 2008.

**(f) Composition, Meetings & Attendance during the year**

The Audit Committee re-constituted with 3 Non Executive Independent Directors and One Executive Director. Mr. V Pradeep Kumar Dev, Non Executive Independent Director is the Chairman of the Audit Committee. Mr. Pradeep is holder of Master of Business Administration and having rich experience in Finance & Accounting, the detailed profile given elsewhere in this Report.

5 Audit Committee Meetings were held during the year 2007-2008. The dates on which the Meetings were held are as follows:

28.05.2007, 27.06.2007, 30.07.2007, 30.10.2007 and 30.01.2008

The Meetings of the Audit Committee were attended by the Head of Finance and Auditors as Invitees. The Quarterly and Annual audited financials of the Company were reviewed by the Audit Committee before consideration and approval by the Board of Directors. The Committee reviewed the adequacy of Internal Control Systems and the various compliances.

**4. REMUNERATION & COMPENSATION COMMITTEE**

Remuneration & Compensation Committee comprises three Non Executive Independent Directors only. Mr. G Ramesh, Independent Non Executive Director is the Chairman of the Committee with effect from 28<sup>th</sup> July, 2008. The terms of references of the Committee includes recommendations to the Board about Compensation and Benefits for Executive Directors, approval of stock options to employees and such other matters as may be referred to it by the Board from time to time. This Committee consists of the following Independent Directors. During the year the Committee held two meetings on 20<sup>th</sup> June, 2007.



| Name of the Member          | Status   | Appointment w.e.f | Cessation w.e.f. | Meetings attended |
|-----------------------------|----------|-------------------|------------------|-------------------|
| Mr. Prasada Rao VDM Ravella | Member   | 21.10.2005        | Continue         | 2                 |
| Mr. G Ramesh                | Chairman | 27.06.2007        | Continue         | N.A               |
| Mr. V Pradeep Kumar         | Member   | 27.03.2008        | Continue         | N.A               |
| Mr. M N Nambiar             | Member   | 27.01.2003        | 27.03.2008       | 2                 |
| Mr. P G K Murthy            | Member   | 20.06.2007        | 28.04.2008       | 1                 |

Mr. B Anand is Alternate director to Mr. Prasada Rao VDM Ravella.

Mr. M N Nambiar resigned to this directorship as well as his memberships in the committees.

Mr. G Ramesh elected as Chairman of the Committee w.e.f. 28<sup>th</sup> July, 2008.

No meeting was held during the year after their appointment; hence it was mentioned as N.A.

### Directors' Remuneration Policy

Non Executive Directors are not paid any remuneration other than sitting fee for the meetings attended by them. There are no performance linked incentives payable to any of the directors. At present, the company does not have any stock option plan as part of remuneration package for any director.

Remuneration of the Executive Director comprises of fixed component only.

During the year, the Company paid sitting fee of Rs 500/- per meeting to its Non Executive Directors for attending meetings of the Board and Committees. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending meetings.

Details of sitting fee paid during the year and their holding of equity shares of Rs.10/- each in the Company as on 31<sup>st</sup> March, 2008 are given below:

| Name                             | Sitting fee (Rs) | No.of Shares held |            |
|----------------------------------|------------------|-------------------|------------|
|                                  |                  | 31.03.2008        | 30.06.2008 |
| Mr. K Tejesh Kumar*              | 500              | Nil               | 442642     |
| Mr. K Venkateswara Rao*          | 500              | Nil               | 442642     |
| Mr. K Venkata Subba Rao*         | 500              | Nil               | 442642     |
| Mr. Y Anand Swaroop              | N.A.             | Nil               | Nil        |
| Mr. G Ramesh                     | 5500             | 8050              | Nil        |
| Mr. P G K Murthy                 | 6500             | Nil               | Nil        |
| Mr. B Anand (Alternate Director) | 5000             | Nil               | Nil        |
| Mr. V Pradeep Kumar Dev          | 500              | Nil               | Nil        |
| Mr. Asokan Ganapathy             | Nil              | Nil               | Nil        |
| Mr. L Madhusudhan Rao            | 2000             | 513860            | Nil        |
| Mr. G Bhaskara Rao               | 4500             | Nil               | Nil        |
| Mr. M N Nambiar                  | 4000             | Nil               | Nil        |
| Mr. Harish Chandra Prasad        | 1500             | 100               | 100        |
| Mr. Nagarjuna Valluripalli       | N.A.             | 484995            | Nil        |

\* sitting fee paid to them in their capacity as Non Executive Directors.

## Remuneration to Director & CEO

Details of remuneration paid to Mr Anand Swaroop, Director & CEO during the year 2007-08 are given below:

| Particulars        | Amount (Rs)      |
|--------------------|------------------|
| Salary             | 32,72,250        |
| Contribution to PF | 1,59,480         |
| Perks              | 59,119           |
| <b>Total</b>       | <b>34,90,849</b> |

The Board of Directors at their meeting held on 20<sup>th</sup> June, 2007 appointed Mr. Anand Swaroop, as Director & CEO of the Company for a period of three years w.e.f. 20<sup>th</sup> June, 2007 at such remuneration and the members of the company approved the same in the 8<sup>th</sup> AGM held on 29<sup>th</sup> December, 2007.

## 5. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

### (i) Constitution and Composition

Shareholders'/ Investors' grievance committee has been constituted to look into and redress the grievances of the shareholders and investors pertaining to transfer of shares, non-receipt of Annual Reports etc. Mr. V Pradeep Kumar Dev elected as Chairman of the Committee w.e.f 27<sup>th</sup> March, 2008. Mr. G Ramesh appointed as member of the committee w.e.f. 25<sup>th</sup> August, 2008.

| Name of the Member                        | Status   | Category                          |
|---|----------|-----------------------------------|
| Mr. L Madhusudhan Rao (till 27.03.2008)   | Chairman | Non Executive and Non Independent |
| Mr. V Pradeep Kumar Dev (from 27.03.2008) | Chairman | Non Executive and Independent     |
| Mr. Y Anand Swaroop (from 30.07.2007)     | Member   | Executive and Non Independent     |
| Mr. G Ramesh (from 25.08.2008)            | Member   | Non Executive and Independent     |

### (ii) The Name and Designation of Compliance Officer

The Name and Designation of the Compliance Officer of the Company is Mr. M Jagadeeshwara Rao, Company Secretary (w.e.f. 01.02.2008).

### (iii) No. of Shareholders' Complaints received during the year 2007-08 and the Status of Investor's Requests/ Complaints:

During the year 2007-08 total 29 complaints/letters were received from the investors and all were disposed off during the year.

| INVESTOR GRIEVANCE REPORT FOR THE PERIOD 01.04.2007 TO 31.03.2008 |   |           |           |            |
|---|---|-----------|-----------|------------|
| Sl.   | Particulars   | Received  | Resolved  | Pending    |
| 1   | <b>REQUESTS</b>   |           |           |            |
|   | a. Change/Correction of address                                   | 4         | 4         | 0          |
|   | b. Receipt of I/B and affidavit for issue of duplicate securities | 6         | 6         | 0          |
|   | c. Request for consolidation / split of securities                | 19        | 19        | 0          |
| 2   | <b>COMPLAINTS</b>   | NIL       | NIL       | NIL        |
|   | <b>TOTAL</b>  | <b>29</b> | <b>29</b> | <b>NIL</b> |



|  |   |     |
|--|---|-----|
| No. of complaints pending at the beginning of the year | : | NIL |
| No. of complaints received but not solved              | : | NIL |
| No. of complaints pending at the end of the year       | : | NIL |

## 6. SUBSIDIARY COMPANIES

The Company has no material non listed Indian Subsidiary Company and, therefore, the requirement of inducing an Independent Director on the Board of Directors of the Subsidiary Company does not arise. However, the Company has two foreign Subsidiaries namely Global IT Inc and Techorbit Inc.

## 7. DISCLOSURES

- a) **Related Party Transactions:** There were no materially significant related party transactions having potential conflict with the interests of the Company at large. However, transactions with the Related Parties are disclosed in note No.5 of the Schedule 14 (B) to the Accounts in the Annual Report.
- b) **Accounting Treatment:** There is no different Accounting treatment from the prescribed Accounting standards.
- c) **Risk Management:** The Board regularly discusses the significant business risks identified by the management and the mitigation process being taken up. A detailed note on the risk identification and mitigation is included in Management Discussion and Analysis, annexed to the Directors' Report.
- d) **Strictures and Penalties:** There has not been any non-compliance by the Company and there are no penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- e) **Compliance:** At every Board Meeting statements of compliance with all laws and regulations as certified by the Director&CEO /Chief Operating Officer and the Company Secretary are placed for review by the Board. The Board considers all materially important show causes / demand notices received from statutory authorities and the steps / action taken by the Company in this regard. The Board reviews the compliance of all the applicable laws and gives appropriate directions, wherever necessary.
- f) **Code of Conduct:** The Board of Directors have laid down a "Code of Conduct" (Code) for all the Board members and the senior management of the Company, and the Code have been posted on the website of the Company. Annual declaration is obtained from every person covered by the Code.
- g) **CEO and Head of Finance Certification:** The CEO and Head of Finance have given certificates to the Board as contemplated in Clause 49 of the Listing Agreement.
- h) **Mandatory Requirements:** All the Mandatory requirements as to Corporate Governance have been complied with.
- i) **Non Mandatory Requirements:** Board has reconstituted the committees from time to time if there is any vacancy. This year the company has unqualified financial statements.
- j) In the preparation of the consolidated financial statements the company has adopted certain principle in line with interpretation given by International Financial Reporting Standards. The same has been disclosed in the notes to the consolidated financial statements and have also been explained in the Directors' Report.
- k) **Secretarial Audit:** A qualified Company Secretary carried out Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The Secretarial Audit Report confirms that the total issued / paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL. The Secretarial Audit Report submitted to Stock Exchanges for every quarter within one month from the end of the quarter.



## 8. MEANS OF COMMUNICATION

- (i) **Quarterly Disclosures:** Quarterly un audited financial results are published in "Business Standard" (English daily) and 'Andhra Bhoomi' or "Surya" or "Eenadu" (Telugu daily) newspapers.
- (ii) **News Releases, Presentation etc.:** Official news releases, presentations made to media are displayed on the company's website [www.lsgglobal.com](http://www.lsgglobal.com).
- (iii) **Website:** The Company's website [www.lsgglobal.com](http://www.lsgglobal.com) contains a separate dedicated section "Investors" where shareholders information is available. The soft copies of Annual Reports, Announcements, Meetings, Notices, press release, Financial results, live stock quotes from BSE, Board information etc. the information available on website in user-friendly and downloadable form.
- (iv) **Annual Report:** Annual Report containing inter alia, Director's Report, Auditors' Report, Audited Annual Accounts and other important information is circulated to members and other entitled thereto. The Management Discussion and Analysis Report forms part of the Annual Report.
- v) **SEBI EDIFAR & CFDS:** The quarterly un audited financial results, shareholding pattern, Annual Report and other required details are also posted on the SEBI EDIFAR website: [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in) and CFDS website: [www.corpfilings.co.in](http://www.corpfilings.co.in)
- (vi) **Designate exclusive E-mail ID:** The Company has designated the following E-mail ID exclusively for investor servicing [investor.services@lsgglobal.com](mailto:investor.services@lsgglobal.com).
- (vii) **Management Discussion & Analysis:** The detailed report is forming part of this Annual Report.

## 9. PAST THREE ANNUAL GENERAL BODY MEETINGS

- (i) **Location and time, where last three AGMs held:**

| Year    | Location   | Date               | Time      |
|---------|--|--------------------|-----------|
| 2006-07 | K L N Prasad Auditorium,<br>The Federation of Andhra Pradesh Chambers of<br>Commerce and Industry (FAPCCI), Federation House,<br>11-6-841, Red Hills, P.B.14, Hyderabad, Andhra Pradesh. | December 29, 2007  | 11.00.A.M |
| 2005-06 | Surana Udyog Auditorium,<br>The Federation of Andhra Pradesh Chambers of<br>Commerce and Industry (FAPCCI), Federation House,<br>11-6-841, Red Hills, P.B.14, Hyderabad, Andhra Pradesh. | December 29, 2006  | 4.00 P.M. |
| 2004-05 | Surana Udyog Auditorium,<br>The Federation of Andhra Pradesh Chambers of<br>Commerce and Industry (FAPCCI), Federation House,<br>11-6-841, Red Hills, P.B.14, Hyderabad, Andhra Pradesh. | September 28, 2005 | 3.00 P.M. |

- (ii) **Special Resolutions passed in the previous three Annual General Meetings:**

| Date       | Description of Special Resolution passed  |
|------------|---|
| 29-12-2007 | (i) Amendment to Article 83 of the Articles of Association<br>(ii) Consent pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and all other applicable laws, for issue of further securities to various categories of investors in India and Abroad.<br>(iii) Consent of the members accorded to Board of Directors to exercise the powers u/s 372A of the Companies Act, 1956 for investment of the funds upto Rs. 300 Crores. |
| 28-09-2005 | Increase of remuneration of Mr. Nagarjun Valluripalli, Director & CEO   |



### (iii) Resolutions passed through Postal Ballot and details of voting:

The Company has conducted the Postal Ballot pursuant to provisions of Section 192A of the Companies Act, 1956 read with Companies (Passing of Resolution by Postal Ballot) Rules, 2001, for an Ordinary Resolution under Section 293(1) (a) of the Companies Act, 1956, for charging/mortgaging etc. the properties of the Company vide Postal Ballot Notice dated 1<sup>st</sup> December, 2007, the results of which were declared on 23<sup>rd</sup> January, 2008.

| S.No | Particulars   | No.of Postal Ballot forms | No.of shares | % of total polled paid-up capital |
|------|---|---------------------------|--------------|-----------------------------------|
| 1    | Total postal ballot forms received                          | 104                       | 1334298      | 100.00                            |
| 2    | Less: Invalid postal ballot forms                           | 6                         | 3600         | 0.27                              |
| 3    | Net valid postal ballot forms (1-2)                         | 98                        | 1330698      | 99.73                             |
| 4    | Postal ballot forms with <b>assent</b> for the Resolution   | 95                        | 1330368      | 99.71                             |
| 5    | Postal ballot forms with <b>dissent</b> for the Resolution. | 3                         | 330          | 0.02                              |

Persons who conducted the postal ballot exercise:

The Board of Directors had appointed Mr. P M V Subba Rao, FCS, Practicing Company Secretary as Scrutinizer for conducting the Postal Ballot exercise in a fair and transparent manner and to submit the Report.

#### Procedure for Postal Ballot:

The Company adopts the following procedure while conducting the Postal Ballot:

- (a) The Board of directors identifies and approves the nature of transactions for which approval has to be sought from the shareholders by way of postal ballot.
- (b) Board of directors appoints a qualified professional as prescribed under the Companies Act, 1956 and the rules made there under as the scrutinizer to conduct the postal ballot procedure in a fair and transparent manner.
- (c) The Board of directors approves the calendar of events which inter alia includes the details regarding the date of dispatch of the notice, the last date to receive the assent or dissent ballot forms and the date of declaration of the results.
- (d) The Board of directors approves the notice to be circulated to the members under Section 192A of the Companies Act, 1956 together with the explanatory statement and the postal ballot form.
- (e) Board of directors nominates any one of the Executive Directors and the Company Secretary to be responsible to the conducting the postal ballot process.
- (f) The scrutinizer submits his report to the Chairman on the date of declaration of results.

## 10. GENERAL SHAREHOLDERS INFORMATION

### (i) Ninth Annual General Meeting

|                      |  |
|----------------------|--|
| <b>Date and Time</b> | Tuesday, the 30 <sup>th</sup> September, 2008 at 11.00 a.m.  |
| <b>Venue</b>         | <b>K L N PRASAD AUDITORIUM,</b><br>The Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI),<br>Federation House, 11-6-841, Red Hills, Post Box No.14, Hyderabad- 500 004<br>Phones: 040-23393428; 040-23393658; Fax: 040-23395083; website: <a href="http://www.fapcci.in">www.fapcci.in</a> |

### (ii) Financial Calendar for the Year 2008-09 (tentative)

| Financial reporting for the quarter ended | On or Before end of the  |
|---|--|
| June 30, 2008                             | July 31, 2008  |
| September 30, 2008                        | October 31, 2008   |
| December 31, 2008                         | January 31, 2009   |
| March 31, 2009                            | April 30, 2009   |
| AGM for the year ending March 31, 2009    | September 30, 2009   |
| Dividend payment                          | The final dividend, if declared, shall be paid / credited within the statutory period. |

- (iii) **Book Closure Dates** : 25.09.2008 to 30.09.2008 (both days inclusive)
- (iv) **Dividend Payment Date** : if declared, within 30 days from the date of AGM
- (v) **Listing on Stock Exchanges** : The Bombay Stock Exchange Limited (BSE), Mumbai  
The Hyderabad Stock Exchange Limited, (HSE), Hyderabad.
- (vi) **Listing fee** : The Company has paid the listing fee for the financial year 2008-2009.
- (vii) **Stock Code:**

| Exchange                               | Stock Code  | Scrip Code |
|--|-------------|------------|
| Hyderabad Stock Exchange Limited (HSE) | HSE -LAGLOB | 6426       |
| Bombay Stock Exchange Limited (BSE)    | LANCOGLO    | 532368     |

- (viii) **ISIN Code** : INE425B01019



## (ix) Stock Market Data

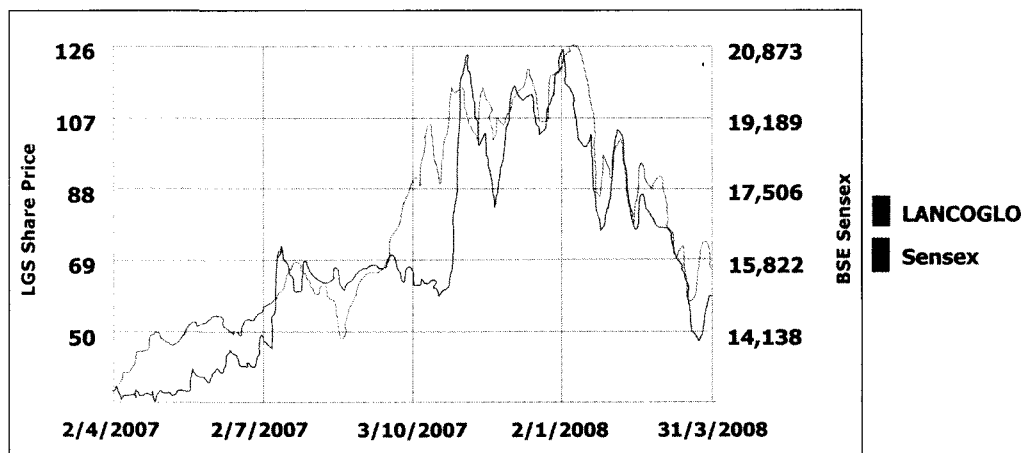
Monthly High/Low of Market price of the Company's shares traded in BSE and performance in comparison to BSE Sensex during the period from April, 2007 to March, 2008 is furnished below:

| Bombay Stock Exchange Limited, Mumbai<br>Share Prices (In Rs.) |        |        | BSE Sensex |          |
|--|--------|--------|------------|----------|
| Month  | High   | Low    | High       | Low      |
| April '07  | 38.85  | 29.60  | 14383.72   | 12425.52 |
| May '07  | 44.00  | 32.05  | 14576.37   | 13554.34 |
| June '07   | 51.85  | 38.75  | 14683.36   | 13946.99 |
| July '07   | 77.90  | 47.00  | 15868.85   | 14638.88 |
| August '07   | 74.90  | 56.50  | 15542.40   | 13779.88 |
| September '07  | 75.00  | 62.20  | 17361.47   | 15323.05 |
| October '07  | 89.20  | 59.00  | 20238.16   | 17144.58 |
| November '07   | 136.70 | 84.20  | 20204.21   | 18182.83 |
| December '07   | 120.00 | 100.40 | 20498.11   | 18886.40 |
| January '08  | 128.75 | 73.35  | 21206.77   | 15332.42 |
| February '08   | 105.85 | 74.85  | 18895.34   | 16457.74 |
| March '08  | 81.15  | 46.20  | 17227.56   | 14677.24 |

**Note:** SEBI has withdrawn recognition to 'The Hyderabad Stock Exchange Limited (HSE)', hence, no information was furnished about monthly high & low quotations at HSE.

**Start Date: 1-4-2007**

**End Date: 31-03-2008**



## (x) Registrar & Share Transfer Agent

Aarthi Consultants Private Limited, whose address is given below, is the Registrar & Share Transfer Agent of the Company for looking after the work related to share registry.

**Contact Person: Mr. G Bhaskar, Manager**  
**AARTHI CONSULTANTS PRIVATE LIMITED,**  
 (Unit: Lanco Global Systems Limited)

1-2-285, Domalguda, Hyderabad - 500 029. A.P. India.

Phone : +91-40-27634445, 27638111, 27642217, 66611921

Fax : +91-40-27632184, Email : [info@arthiconsultants.com](mailto:info@arthiconsultants.com)

Website: [www.arthiconsultants.com](http://www.arthiconsultants.com)

**(xi) Share Transfer System**

The shareholders are advised to contact the Registrars and Share Transfer Agents at their address for effecting transfer of shares or other matters related to shares held in physical mode. All correspondence relating to share transfers, transmission, dematerialization, dividends, and change of address can also be made at the above address

**(xii) (a) Distribution of Shareholding as on March 31, 2008 :**

| Nominal Value of Shareholding (in Rs.) | No. of Shareholders | Percentage | No. of Shares   | Percentage    |
|--|---------------------|------------|-----------------|---------------|
| Up to 5,000                            | 2707                | 84         | 430141          | 1.69          |
| 5,001 - 10,000                         | 201                 | 6          | 160407          | 0.63          |
| 10,001 - 20,000                        | 118                 | 4          | 193851          | 0.76          |
| 20,001 - 30,000                        | 42                  | 1          | 106165          | 0.42          |
| 30,001 - 40,000                        | 16                  | 0          | 57199           | 0.22          |
| 40,001 - 50,000                        | 23                  | 1          | 111299          | 0.44          |
| 50,001 - 1,00,000                      | 38                  | 1          | 277263          | 1.09          |
| 1,00,001 and above                     | 78                  | 2          | 24087342        | 94.74         |
| <b>TOTAL</b>                           | <b>3223</b>         | <b>100</b> | <b>25423667</b> | <b>100.00</b> |

**(b) Categories of Shareholders as March 31, 2008:**

| Category   | No. of shares   | %             |
|--|-----------------|---------------|
| <b>A. Promoters Shareholding\$</b>                                   |                 |               |
| Indian individuals   | 2273924         | 8.94          |
| Foreign Bodies Corporate   | 14766667        | 58.07         |
| <b>Total Promoters Shareholding</b>                                  | <b>17040591</b> | <b>67.03</b>  |
| <b>B. Public Shareholding</b>  |                 |               |
| Bodies Corporate   | 1065353         | 4.19          |
| Indian Public -Individual shareholders holding nominal share capital |                 |               |
| - upto Rs 1 Lakh   | 1053632         | 4.14          |
| - in excess Rs 1 Lakh  | 1482092         | 5.83          |
| Non Resident Individuals   | 1631157         | 6.42          |
| Overseas Corporate Bodies  | 2295650         | 9.03          |
| Trusts   | 837269          | 3.29          |
| Clearing Members   | 17923           | 0.07          |
| <b>Total Public Shareholding</b>                                     | <b>8383076</b>  | <b>32.97</b>  |
| <b>Grand Total</b>   | <b>25423667</b> | <b>100.00</b> |

\$ This is the post open offer shareholding of Promoters (i.e Acquirers). However, as on 31st March, 2008 some of the shares were pending for transfer to the present promoters (i.e Acquirers) but subsequently those were transferred.



## (xiii) Dematerialization of Shares and Liquidity

Since the Company has entered into an agreement with both the depositories namely NSDL and CDSL for dematerialization of its shares, the shareholders of the company have the choice to get dematerialize their shares and keep them in dematerialized form with either of the depository participants.

As on 31<sup>st</sup> March, 2008, 66,16,280 equity shares representing 26% of paid up capital of the Company have been dematerialized.

## (xiv) Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity.

No such instruments have been issued by the Company.

## (xv) Address for Correspondence

### Registered Office:

8-2-293/82/A/796/B  
 Road No.36, Jubilee Hills  
 Hyderabad 500 033, A P  
 Phone No.040 - 6699 0000  
 Fax No. 040 - 6699 4444  
 Email:info@lgsglobal.com  
 Website: [www.lgsglobal.com](http://www.lgsglobal.com)

## (xvi) Locations:

In view of the nature of the Company's business viz. Information Technology (IT) Services and IT Enabled Services, the Company operates from various offices in India and Abroad and does not have any manufacturing plant. However, the addresses of such offices are mentioned herein below.

| India office  | USA Office  | USA Office   |
|---|---|--|
| 8-2-293/82/A/796/B<br>Road No.36, Jubilee Hills.<br>Hyderabad - 500 033, A.P. | Princeton, New Jersey<br>1 Independence Way<br>Suite # 210<br>Princeton, NJ 08540 | Sterling, Virginia<br>21351 Gentry Drive<br>Suite # 265-A<br>Sterling, VA 20166    |
| UK office   | USA Office  | USA Office   |
| Suite#508,<br>1Alie Street,<br>London E1, 8DE                                 | Irving, Texas<br>1303, W Walnut Hill Lane,<br>Suite#360<br>Irving, Texas 75038    | Atlanta, Georgia<br>1725 Windward Concourse<br>Suite # 150<br>Alpharetta, GA 30005 |

## II. NON-MANDATORY REQUIREMENTS CHAIRMAN OF THE BOARD

The Chairman of the Company is an Executive Chairman. No separate amount was paid except his remuneration. However he was paid sitting fee during his period of non whole time directorship.

for LANCO GLOBAL SYSTEMS LIMITED

Place : Hyderabad  
 Date : 25.08.2008

Tejesh Kumar Kodali  
 Chairman

## CHIEF EXECUTIVE OFFICER (CEO) & CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

To  
The Board of Directors  
**LANCO GLOBAL SYSTEMS LIMITED**

We, the undersigned, in our respective capacities as Chief Executive Officer and Vice President (F&A) i.e Chief Financial Officer of Lanco Global Systems Limited ("the Company"), to the best of our knowledge and belief certify that:

- (a) We have reviewed the financial statements and the cash flow statement for the year ended on March 31, 2008 and based on our knowledge and belief, we state that:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain any statement 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) We further state that to the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.

We hereby declare that all the members of the Board of Directors and Management Committee have confirmed compliance with the Code of Conduct as adopted by the Company.

- (c) We are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the financial reporting of the Company and 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, based on our most recent evaluation, wherever applicable, to the Auditors and Audit Committee:
- (i) significant changes, if any, in the internal control over financial reporting during the year;
  - (ii) significant changes, if any, in the accounting policies made during the year and that the same has 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 significant role in the Company's internal control system over financial reporting.

for **LANCO GLOBAL SYSTEMS LIMITED**

**Y. Srinivasa Rao**  
Vice President (F&A)

Place : Hyderabad  
Date : 25.07.2008

for **LANCO GLOBAL SYSTEMS LIMITED**

**Y. Anand Swaroop**  
Director & CEO

### CERTIFICATE FROM DIRECTOR & CEO FOR COMPLIANCE WITH CODE OF CONDUCT FOR BOARD AND SENIOR MANAGEMENT

This is to certify that M/s. Lanco Global Systems Limited has put in place the Code of Conduct for the Board of Directors and Senior Management. This code is applicable to all the Directors of the Company and the Members of Senior Management, which includes the employees of the Company who are one level below the Whole time Directors and all the functional heads. The Directors and Members of Senior Management have affirmed compliance with the Code of Conduct for the Board of Directors and Senior Management as on March 31, 2008. The Company has complied with the provisions of the Listing Agreement in this respect.

for LANCO GLOBAL SYSTEMS LIMITED

Date : Hyderabad

Place : 25.07.2008

**Y. Anand Swaroop**

Director & C.E.O

### COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members of  
Lanco Global Systems Limited  
Hyderabad

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance condition of corporate governance of Lanco Global Systems Limited ("the company") for the year ended 31st March, 2008 as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchanges.

The compliance of the conditions of the corporate governance is the responsibility of the management. Our examination, conducted in the manner described in the Guidance note on "Certification of Corporate Governance" issued by the Institute of Chartered Accountants of India was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, the company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We further 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.

for **P. Murali & Co.,**  
Chartered Accountants

Place : Hyderabad

Date : 25.08.2008

**P. Murali Mohana Rao**

Partner



## AUDITORS' REPORT

To  
 The Members,  
**LANCO GLOBAL SYSTEMS LTD**

We have audited the attached Balance Sheet of **LANCO GLOBAL SYSTEMS LTD** as at 31<sup>st</sup> March, 2008 and also the Profit & Loss Account for the year ended on the date annexed thereto and the cash flow statement for the year ended on that date. 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 statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Companies (Auditors Report) Order 2003 and as amended by the Companies (Auditor's Report)(Amendment) Order 2004, issued by the Central Government of India in terms of the sub-section(4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- (i) 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 ;

- (ii) 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 ;
- (iii) The Balance Sheet & Profit & Loss Account dealt with by this report are in agreement with the books of account ;
- (iv) In our opinion, the Balance Sheet & Profit & Loss Account dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956 ;
- (v) On the basis of written representations received from the Directors, as on 31<sup>st</sup> March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2008 from being appointed Director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act,1956.
- (vi) 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 ;
- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2008;
- (b) In the case of the Profit & Loss Account, of the Profit for the year ended on that date;
- And
- (c) In the case of the Cash Flow, of the cash flows for the year ended on that date ;

for **P. MURALI & CO.**,  
 Chartered Accountants

Place : Hyderabad  
 Date : 28.07.2008

**P. Murali Mohana Rao**  
 Partner



## ANNEXURE TO THE AUDITORS' REPORT

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.
- (c) The Company has not disposed off substantial part of the Fixed Assets during the year.
- II. The Company has no Inventory. Hence this clause is not applicable.
- III. (a) The Company has not granted any loans, secured or unsecured to Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.
- (b) As the Company has not granted any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.
- (c) As no loans are granted by company, the clause of receipt of interest & principal amount from parties, is not applicable to the company.
- (d) No loans have been granted to Companies, Firms & other parties listed in the register U/s.301 of the Companies Act, 1956, hence overdue amount of more than rupees one lac does not arise and the clause is not applicable.
- (e) The Company has not taken loans, unsecured from Companies, and other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.
- (f) During the year the Company has repaid the loans taken from Lanco Group Limited, Nagarjuna Valluripalli to the parties listed in the register maintained under section 301 and the terms and conditions of the same are not prejudicial to the interest of company.
- (g) The repayment of interest & principal amount to parties is regular.
- IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets and for sale of goods and services. There is no continuing failure by the company to correct any major weaknesses in internal control.
- V. According to the information and explanations given to us, as the contracts or arrangements made by the company, at a reasonable price having regard to the prevailing market prices at the relevant time .
- VI. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A,58AA or any other relevant provisions of the Act and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not been received by the Company.
- VII. In our opinion, the company is having internal audit system, commensurate with its size and nature of its business.
- VIII. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section(1) of section 209 of the Companies Act, 1956.
- IX. a) The Company is regular in depositing statutory dues including PF, Income Tax, and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.
- b) According to the information and explanations given to us, no undisputed amounts are payable in respect of PF, Income Tax, and any other statutory dues as at the end of the period, for a period more than six months from the date they became payable.
- X. The Company has been registered for a period of not less than 5 years, and the company has no accumulated losses at the end of the financial year and the company has not incurred cash losses in this financial year and in the immediately preceding financial year.

- XI. According to information and explanations given to us, the Company has not defaulted in repayment of dues to financial Institutions or banks.
- XII. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
- XIII. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Scocieties.
- XIV. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, Debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the company does not arise.
- XVI. According to the information and explanations given to us, the company has not obtained any term loan during the year.
- XVII. According to the information and explanations given to us, no funds are raised by the Company on short-term basis. Hence the clause of short term funds being used for long-term investment does not arise.
- XVIII. According to the information and explanations given to us, the Company has not made any preferential allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.
- XIX. According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.
- XX. According to information and explanations given to us, the company has not raised money by way of public issues during the year, hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

for P. MURALI & CO.,  
Chartered Accountants

Place : Hyderabad  
Date : 28.07.2008

P. Murali Mohana Rao  
Partner



## Balance Sheet as at March 31, 2008

(Amount in Rupees)

| Particulars   | Schedule Reference | As at March 31, 2008 | As at March 31, 2007 |
|---|--------------------|----------------------|----------------------|
| <b>I. Sources of Funds :</b>  |                    |                      |                      |
| 1. Share Holders Funds  |                    |                      |                      |
| (a) Share Capital   | 1                  | 254,219,670          | 254,219,670          |
| (b) Reserves & Surplus  | 2                  | 312,820,869          | 90,619,010           |
| 2. Loan funds   |                    |                      |                      |
| (a) Secured Loans   | 3                  | 148,484,576          | 26,178,203           |
| (b) Unsecured Loans   | 4                  | 136,245,000          | 170,572,575          |
| 3. Deferred Tax Liability   |                    | 4,092,502            | 2,899,814            |
| <b>TOTAL</b>  |                    | <b>855,862,617</b>   | <b>544,489,272</b>   |
| <b>II APPLICATION OF FUNDS</b>  |                    |                      |                      |
| 1. Fixed Assets   |                    |                      |                      |
| (a) Gross Block   | 5                  | 172,283,853          | 131,630,231          |
| Less: Depreciation  |                    | 67,853,537           | 49,162,643           |
| (b) Net Block   |                    | 104,430,316          | 82,467,588           |
| (c) Capital Work in progress including Advances                             |                    | 181,445,503          | 222,445,503          |
| 2. Investments  |                    | 163,654,000          | 163,654,000          |
| 3. Current Assets, Loans & Advances   |                    |                      |                      |
| (a) Sundry Debtors  | 6                  | 965,321,512          | 98,675,165           |
| (b) Cash and Bank Balances  | 7                  | 38,139,431           | 881,221              |
| (c) Loans & Advances  | 8                  | 56,878,862           | 71,994,606           |
| Less: Current Liabilities & Provisions                                      | 9                  | 654,663,434          | 96,467,238           |
| <b>Net Current Assets</b>   |                    | <b>405,676,371</b>   | <b>75,083,754</b>    |
| 4. Miscellaneous Expenditure<br>(to the extent not written off or adjusted) | 10                 | 656,427              | 838,427              |
| Notes on Balance Sheet and Profit & Loss Account                            | 14                 |                      |                      |
| <b>TOTAL</b>  |                    | <b>855,862,617</b>   | <b>544,489,272</b>   |

As per our Report Attached

for and on behalf of the Board of  
**LANCO GLOBAL SYSTEMS LIMITED**

for **P. MURALI & CO.,**  
Chartered Accountants

**K. VENKATA SUBBA RAO**  
Vice Chairman & M.D.

**Y. ANAND SWAROOP**  
Director & C.E.O

**P. MURALI MOHANA RAO**  
Partner

**Y. SRINIVASA RAO**  
Vice President (F&A)

**M. JAGADESHWARA RAO**  
Company Secretary

Place : Hyderabad  
Date : 28.07.2008

## Profit & Loss Account for the Year ended March 31, 2008

(Amount in Rupees)

| Particulars                                      | Schedule Reference | for the Year ended March 31, 2008 | for the Year ended March 31, 2007 |
|--|--------------------|-----------------------------------|-----------------------------------|
| <b>INCOME</b>                                    |                    |                                   |                                   |
| Export   |                    | 1,356,834,856                     | 437,530,155                       |
| Domestic   |                    | 8,387,157                         | 16,363,743                        |
| Other Income                                     | 11                 | 1,415,094                         | 1,762,590                         |
| <b>TOTAL</b>                                     |                    | <b>1,366,637,107</b>              | <b>455,656,488</b>                |
| <b>EXPENDITURE</b>                               |                    |                                   |                                   |
| Personnel Cost                                   |                    | 976,040,269                       | 290,511,315                       |
| Interest & Financial Charges                     | 12                 | 6,851,335                         | 5,399,187                         |
| Operating & Administration Expenses              | 13                 | 83,090,281                        | 81,664,538                        |
| Depreciation                                     |                    | 18,692,096                        | 19,538,382                        |
| Written off Expenses                             |                    | 182,000                           | 214,050                           |
| <b>TOTAL</b>                                     |                    | <b>1,084,855,981</b>              | <b>397,327,472</b>                |
| Profit / (Loss) before tax                       |                    | 281,781,126                       | 58,329,016                        |
| Provision for Tax                                |                    | 28,014,899                        | 1,700,105                         |
| Provision for FBT                                |                    | 629,250                           | 423,970                           |
| Profit / (Loss) after tax                        |                    | 253,136,977                       | 56,204,941                        |
| Provision for deferred Tax Liability             |                    | 1,192,688                         | 557,602                           |
| Profit After deferred Tax                        |                    | 251,944,289                       | 55,647,339                        |
| Balance Brought forward                          |                    | 89,119,010                        | 33,471,671                        |
| <b>Amounts available for Appropriations</b>      |                    | <b>341,063,299</b>                | <b>89,119,010</b>                 |
| <b>Appropriations:</b>                           |                    |                                   |                                   |
| Proposed Dividend on Equity                      |                    | 25,421,967                        | -                                 |
| Corporate Dividend Tax                           |                    | 4,320,463                         | -                                 |
| General Reserve                                  |                    | 6,355,492                         | -                                 |
| Surplus carried to Balance Sheet                 |                    | 304,965,377                       | 89,119,010                        |
| <b>TOTAL</b>                                     |                    | <b>341,063,299</b>                | <b>89,119,010</b>                 |
| Notes on Balance Sheet and Profit & Loss Account | 14                 |                                   |                                   |
| Earnings Per Share Basic & Diluted               |                    | 9.91                              | 2.19                              |

As per our Report Attached

 for and on behalf of the board of  
**LANCO GLOBAL SYSTEMS LIMITED**

 for P. MURALI & CO.,  
 Chartered Accountants

 K. VENKATA SUBBA RAO  
 Vice Chairman & M.D.

 Y. ANAND SWAROOP  
 Director & C.E.O

 P. MURALI MOHANA RAO  
 Partner

 Y. SRINIVASA RAO  
 Vice President (F&A)

 M. JAGADEESHWARA RAO  
 Company Secretary

 Place : Hyderabad  
 Date : 28.07.2008


## Schedules annexed to the Balance Sheet

(Amount in Rupees)

| Particulars                               | As at<br>March 31, 2008 | As at<br>March 31, 2007 |
|---|-------------------------|-------------------------|
| <b>SCHEDULE - I</b>                       |                         |                         |
| <b>SHARE CAPITAL</b>                      |                         |                         |
| Authorised                                | 400,000,000             | 400,000,000             |
| 4,00,00,000 Equity Shares of Rs.10/- each |                         |                         |
| Issued & Subscribed                       |                         |                         |
| 25,423,667 Equity Shares of Rs.10/- each  | 254,236,670             | 254,236,670             |
| Less: Allotment Money Areams              | 17,000                  | 17,000                  |
| <b>TOTAL</b>                              | <b>254,219,670</b>      | <b>254,219,670</b>      |
| <b>SCHEDULE - 2</b>                       |                         |                         |
| <b>RESERVES &amp; SURPLUS</b>             |                         |                         |
| Investment Subsidy                        | 1,500,000               | 1,500,000               |
| Surplus in Profit & Loss Account          | 304,965,377             | 89,119,010              |
| General Reserve                           |                         |                         |
| - at the commencement of the year         | -                       | -                       |
| - Add: Transfer from P & L a/c            | 6,355,492               | -                       |
| <b>TOTAL</b>                              | <b>312,820,869</b>      | <b>90,619,010</b>       |
| <b>SCHEDULE - 3</b>                       |                         |                         |
| <b>SECURED LOANS</b>                      |                         |                         |
| Working Capital - GTF                     | 148,484,576             | -                       |
| Working Capital - SBI                     | -                       | 18,532,096              |
| SBI Term Loan A/c                         | -                       | 7,646,107               |
| <b>TOTAL</b>                              | <b>148,484,576</b>      | <b>26,178,203</b>       |
| <b>SCHEDULE - 4</b>                       |                         |                         |
| <b>UNSECURED LOANS</b>                    |                         |                         |
| Other Loans & Advance                     |                         |                         |
| i) From Banks                             | -                       | -                       |
| ii) From Others                           |                         |                         |
| Nagarjun Valluripalli                     | -                       | 21,110,046              |
| Lanco Group Limited                       | -                       | 13,217,529              |
| Infinite India Pvt Ltd                    | 1,116,000               | 1,116,000               |
| Others                                    | 135,129,000             | 135,129,000             |
| <b>TOTAL</b>                              | <b>136,245,000</b>      | <b>170,572,575</b>      |

SCHEDULE - 5

FIXED ASSETS

(Amount in Rupees)

| DESCRIPTION OF ASSET | GROSS BLOCK           |                           |                           |                             | DEPRECIATION      |                   |  |                        | NET BLOCK          |                   |
|----------------------|-----------------------|---------------------------|---------------------------|-----------------------------|-------------------|-------------------|--|------------------------|--------------------|-------------------|
|                      | Cost as at 01.04.2007 | Additions during the year | Deletions during the year | Total Cost as at 31.03.2008 | up to 31.03.2007  | For the year      | Deletions of Depreciation for the Year | Total as at 31.03.2008 | As at 31.03.2008   | As at 31.03.2007  |
| Good will            | 61,317,995            | -                         | -                         | 61,317,995                  | 12,263,599        | 12,263,599        | -                                      | 24,527,198             | 36,790,797         | 49,054,396        |
| Computers            | 35,371,392            | 6,283,748                 | -                         | 41,655,140                  | 23,082,248        | 2,921,703         | -                                      | 26,003,951             | 15,651,189         | 12,289,144        |
| Furniture & Fixtures | 16,899,337            | 22,382,902                | -                         | 39,282,239                  | 6,786,635         | 1,338,580         | -                                      | 8,125,215              | 31,157,024         | 10,112,702        |
| Airconditioners      | 1,358,500             | 5,135,266                 | -                         | 6,493,766                   | 442,857           | 125,836           | -                                      | 568,693                | 5,925,073          | 915,643           |
| Electricals          | 4,974,339             | 4,973,895                 | -                         | 9,948,234                   | 1,420,027         | 349,608           | -                                      | 1,769,635              | 8,178,599          | 3,554,312         |
| Office Equipments    | 3,688,373             | 1,890,857                 | 13,045                    | 5,566,185                   | 750,590           | 209,212           | 1,202                                  | 958,600                | 4,607,585          | 2,937,783         |
| Vehicles             | 1,150,482             | -                         | -                         | 1,150,482                   | 668,363           | 109,595           | -                                      | 777,958                | 372,524            | 482,119           |
| Assets at US Branch  | 6,869,813             | -                         | -                         | 6,869,813                   | 3,748,324         | 1,373,963         | -                                      | 5,122,287              | 1,747,526          | 3,121,489         |
| <b>TOTAL</b>         | <b>131,630,231</b>    | <b>40,666,668</b>         | <b>13,045</b>             | <b>172,283,853</b>          | <b>49,162,643</b> | <b>18,692,096</b> | <b>1,202</b>                           | <b>67,853,537</b>      | <b>104,430,316</b> | <b>82,467,588</b> |

(Amount in Rupees)

| Particulars                               | As at<br>March 31, 2008 | As at<br>March 31, 2007 |
|---|-------------------------|-------------------------|
| <b>SCHEDULE - 6</b>                       |                         |                         |
| <b>SUNDRY DEBTORS</b>                     |                         |                         |
| (Unsecured and Considered good)           |                         |                         |
| More than six months                      | 57,727,921              | 1,014,675               |
| Others                                    | 907,593,591             | 97,660,490              |
| <b>TOTAL</b>                              | <b>965,321,512</b>      | <b>98,675,165</b>       |
| <b>SCHEDULE - 7</b>                       |                         |                         |
| <b>CASH &amp; BANK BALANCES</b>           |                         |                         |
| Cash in hand                              | 233,301                 | 37,981                  |
| Bank Balance                              |                         |                         |
| a) With Scheduled Banks                   |                         |                         |
| Current Accounts                          | 18,258,337              | 843,240                 |
| b) Others                                 |                         |                         |
| Wachovia Bank - Current Account           | 19,647,793              | -                       |
| <b>TOTAL</b>                              | <b>38,139,431</b>       | <b>881,221</b>          |
| <b>SCHEDULE - 8</b>                       |                         |                         |
| <b>LOANS &amp; ADVANCES</b>               |                         |                         |
| (Unsecured and Considered good)           |                         |                         |
| a) Advance and Loans to Subsidiaries      |                         |                         |
| LGSL Foundation (Trust)                   | 8,813,693               | 8,813,693               |
| b) Advance recoverable in Cash or in Kind |                         |                         |
| i) Pre-paid Expenses                      | 2,331,399               | 1,983,924               |
| ii) Advance for Expenses & Recoverable    | 39,061,130              | 59,498,798              |
| c) Balance with Customs Etc               |                         |                         |
| Security Deposits                         | 6,672,640               | 1,698,191               |
| <b>TOTAL</b>                              | <b>56,878,862</b>       | <b>71,994,606</b>       |



(Amount in Rupees)

| Particulars                                 | As at<br>March 31, 2008 | As at<br>March 31, 2007 |
|---|-------------------------|-------------------------|
| <b>SCHEDULE - 9</b>                         |                         |                         |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b> |                         |                         |
| A. Current Liabilities                      |                         |                         |
| a) Sundry Creditors                         |                         |                         |
| i) Dues to SSI Undertakings                 | -                       | -                       |
| ii) Dues to other than SSI Undertakings     | 505,109,940             | 30,943,841              |
| b) Advance payments                         | 66,875,653              | 33,850,000              |
| c) Other Liabilities                        | 16,471,458              | 23,857,197              |
| B. Provisions                               |                         |                         |
| Provision for Dividend                      | 25,421,967              | -                       |
| Provision for Tax                           | 34,414,099              | 2,124,185               |
| Provision for Gratuity                      | 3,586,999               | 2,927,872               |
| Provision for LTA                           | -                       | 55,000                  |
| Provision for Leave Encashment              | 2,783,318               | 2,709,143               |
| <b>TOTAL</b>                                | <b>654,663,434</b>      | <b>96,467,238</b>       |
| <b>SCHEDULE - 10</b>                        |                         |                         |
| <b>MISCELLANEOUS EXPENDITURE</b>            |                         |                         |
| Preliminary Expenses                        | 656,427                 | 838,427                 |
| <b>TOTAL</b>                                | <b>656,427</b>          | <b>838,427</b>          |



(Amount in Rupees)

| Particulars                                    | for the Year ended<br>March 31, 2008 | for the Year ended<br>March 31, 2007 |
|--|--------------------------------------|--------------------------------------|
| <b>SCHEDULE - 11</b>                           |                                      |                                      |
| <b>Other Income</b>                            |                                      |                                      |
| Interest Income                                | 9,494                                | 13,369                               |
| Lease Rentals                                  | 1,405,600                            | 637,199                              |
| Foreign Exchange Fluctuation Profit            | -                                    | 1,112,022                            |
| <b>TOTAL</b>                                   | <b>1,415,094</b>                     | <b>1,762,590</b>                     |
| <b>SCHEDULE - 12</b>                           |                                      |                                      |
| <b>INTEREST &amp; FINANCIAL CHARGES</b>        |                                      |                                      |
| Bank Charges                                   | 2,821,159                            | 423,744                              |
| Interest on Working Capital Facility           | 2,916,311                            | 1,693,258                            |
| Interest On SBI Term Loan A/c                  | 875,297                              | 818,713                              |
| Interest on Unsecured Loans                    | 233,815                              | 2,406,467                            |
| Interest on Others                             | 4,753                                | 57,005                               |
| <b>TOTAL</b>                                   | <b>6,851,335</b>                     | <b>5,399,187</b>                     |
| <b>SCHEDULE - 13</b>                           |                                      |                                      |
| <b>OPERATING &amp; ADMINISTRATION EXPENSES</b> |                                      |                                      |
| Communication Expenses                         | 7,038,366                            | 9,942,276                            |
| Repairs & Maintenance                          |                                      |                                      |
| - Buildings                                    | 1,204,081                            | 707,265                              |
| - Others                                       | 4,088,246                            | 5,011,595                            |
| Rent   | 24,532,520                           | 20,534,029                           |
| Rates & Taxes                                  | 5,294,589                            | 11,951,326                           |
| Insurance                                      | 654,439                              | 14,765                               |
| Business Development Exp                       | 3,178,853                            | 8,285,021                            |
| Electricity Charges                            | 3,480,742                            | 3,442,515                            |
| Travelling & Conveyance                        | 10,868,199                           | 10,129,043                           |
| Printing & Stationery                          | 348,448                              | 340,268                              |
| Staff Recruitment Charges                      | 293,853                              | 1,261,406                            |
| Computer Rentals                               | -                                    | 888,105                              |
| Consultancy Charges                            | 5,574,068                            | 4,756,169                            |
| Directors Remuneration                         | 3,490,849                            | 2,424,812                            |
| Iso Survival Audit fee                         | 34,000                               | 531,814                              |
| Audit Fee                                      |                                      |                                      |
| - as Auditor                                   | 44,944                               | 44,896                               |
| - Other Services                               | 67,416                               | -                                    |
| Misc.Exp                                       | 2,846,575                            | 1,215,989                            |
| Foreign Exchange Fluctuation Loss              | 10,050,093                           | -                                    |
| Loss on sale of Assets                         | -                                    | 183,244                              |
| <b>TOTAL</b>                                   | <b>83,090,281</b>                    | <b>81,664,538</b>                    |

## SCHEDULE - 14

### Notes Forming Part of The Accounts

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### General :

- (i) These accounts are prepared on the historical cost basis and on the accounting principles of a going concern.
- (ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

##### Revenue Recognition :

- (i) Income from software development is accounted for on the basis of Software developed and billed to clients on acceptance and/or on the basis of man days/man hours as per the terms of contract.
- (ii) Revenue from professional services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognised as and when the services are performed.
- (iii) Revenue from software development services includes revenue from time and material and fixed price contracts are recognised as related services are performed.
- (iv) Revenue on fixed price contracts is recognised in accordance with percentage of completion and method of account.
- (v) Revenue is not recognised on the grounds of prudence, until realised in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.

##### Foreign Exchange Transaction :

- (i) Realised gains & loss in foreign exchange transactions are recognised in Profit & Loss Account.
- (ii) Transactions in foreign currency will be recorded at the rates of exchange prevailing on the date of the transaction. Current assets and liabilities denominated in foreign currency will be translated at the rate of exchange as at Balance Sheet date.

##### Investments :

Investments are stated at cost i.e. cost of acquisition, inclusive of expenses incidental to acquisition wherever applicable.

##### Fixed Assets :

- (i) Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, duties, taxes and incidental expenses thereto.

##### Depreciation and Amortisation :

- (i) Depreciation is provided on straight line method on pro-rata basis and at the rates and manner specified in the Schedule XIV of the Companies Act, 1956.
- (ii) Preliminary Expenses are amortised over the period of 5 years.

##### Taxation :

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax asset and liability is recognised for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date.

##### Earning Per Share:

The earning considered in ascertaining the companies earning per share comprise net profit after tax. The number of shares used in computing basic earning per share is the weighted average number of shares outstanding during the year.

##### Gratuity :

The provision for Gratuity and leave Encashment is calculated as per accrual method and included in current liability & provision.

#### B. NOTES ON ACCOUNTS

- 1 Particulars of Employees in accordance with Sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule 1975 as amended, forms part of this report.



|                              |                           |                     |
|------------------------------|---------------------------|---------------------|
| 2. Director's Remuneration : | <b>Current Year (Rs.)</b> | Previous Year (Rs.) |
|                              | <b>34,90,849</b>          | 24,24,812           |
| 3. Auditor's Remuneration :  | <b>Current Year (Rs.)</b> | Previous Year (Rs.) |
| Audit Fee                    | <b>44,944</b>             | 44,896              |
| Other Services               | <b>67,416</b>             | -                   |
| <b>Total</b>                 | <b>112,360</b>            | 44,896              |

4. The Company is engaged in the development of Computer Software and services. The production and sale of such software and services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI to the Companies Act, 1956.

## 5. Related Party Transactions

During the financial year 2007 -08 the Company has entered into some transactions, which can be deemed as related party transactions. All these matters have been approved by the Board and the Govt. of India, wherever necessary.

| Sl. No. | Name of the Related Party | Nature of Relation | Nature of Transaction                                  | Amount Involved  |
|---------|---------------------------|--------------------|--|--|
| 1       | 3K Technologies Ltd       | Common Directors   | Business Advance                                       | Rs. 605.66 lakhs   |
| 2       | Lanco Group Limited       | Common Directors   | Repaid Temporary financial accommodation on 21.06.2007 | Rs. 133.34 lakhs   |
| 3       | Mr Nagarjun Valluripalli  | Director & CEO     | Repaid Unsecured Loan on 24.05.2007                    | Rs. 211.10 lakhs   |
| 4       | Global IT Inc             | 100% Subsidiary    | Sale of Software Exports                               | Rs. 536.49 lakhs<br>(Out standing as on 31.03.2008 is Nil) |
| 5       | Anand Swaroop Y           | Director & CEO     | Gross Remuneration                                     | Paid Rs. 34.90 Lakhs                                       |

6. The Company has debited the amount of Rs. 1,22,63,600/- towards the one fifth Goodwill written off for the year 2007-08 being the goodwill arised on merger of Lanco Global Systems Inc.

7. All Investments are unquoted Equity Shares.

8. Capital Work in Progress of Rs. 18,14,45,503/- (previous year Rs. 22,24,45,503/-) towards the Capitalised Software & Product Development Cost.

|                               |                           |                     |
|-------------------------------|---------------------------|---------------------|
| 9. Foreign Currency Outflow : | <b>Current Year (Rs.)</b> | Previous Year (Rs.) |
| Capital Expenditure           | <b>1,04,15,518</b>        | 52,68,469           |
| Foreign Travelling            | <b>33,20,118</b>          | 13,68,191           |
| Others                        | <b>8,52,57,908</b>        | NIL                 |

10. Foreign Exchange inflow as reported by the Company to Government of India and as certified by Management.

|                         |                           |                     |
|-------------------------|---------------------------|---------------------|
|                         | <b>Current Year (Rs.)</b> | Previous Year (Rs.) |
| Foreign Exchange Inflow | <b>19,12,17,319</b>       | 10,31,36,269        |

11. In case of Foreign exchange fluctuation profit / loss as per AS 11 the Branch and head office is having integral transactions and hence profit / loss debited to P & L a/c. The receivables have been considered at the actual rate at which the amount is realized and accordingly loss from Foreign Exchange fluctuation and Integral transactions of Rs. 1,00,50,093/- (net) has been reflected in Profit and Loss Account for the Year.
12. The Intra Branch transactions have been eliminated while preparing the financial statement.
13. There are no dues to SSI Units outstanding for more than 30 days.
14. Confirmations were obtained from debtors/creditors as to the balances receivable from/payable to them as at year end.
15. In accordance with Accounting Standard 22 (AS 22) issued by the ICAI, the Company has accounted for deferred income tax during the year. The deferred income tax provision for the current year amounts to Rs. 11,92,688/- towards deferred income tax liability. (Previous year Rs. 5,57,602/- towards deferred income tax Liability.).
16. Tech orbit Inc and Global IT Inc are wholly owned subsidiaries of Lanco Global Systems Ltd
17. The Factoring facility Amounting to Rs. 1500 Lacs from Non Banking Finance Company are secured by way of hypothecation of Book Debts present and future on all the approved debtors as mentioned in the sanction letter and Personal guarantee of Directors and corporate guarantee from their company.
18. Previous years figures have been regrouped wherever necessary.
19. The figures have been rounded off to the nearest rupee.

#### SIGNATURES TO SCHEDULES 1 To 14

As per our Report of even date

for and on behalf of the board of  
**LANCO GLOBAL SYSTEMS LIMITED**

for **P. MURALI & CO.,**  
Chartered Accountants

**K.VENKATA SUBBA RAO**  
Vice Chairman & M.D.

**Y. ANAND SWAROOP**  
Director & C.E.O

**P. MURALI MOHANA RAO**  
Partner

**Y. SRINIVASA RAO**  
Vice President (F&A)

**M. JAGADEESHWARA RAO**  
Company Secretary

Place : Hyderabad  
Date : 28.07.2008



## Cash Flow Statement for the Year ended 31.03.2008

(Rupees in lakhs)

| Particulars   | Current Year    | Previous Year    |
|---|-----------------|------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>              |                 |                  |
| Net profit before taxation, and extraordinary Items         | 2817.81         | 583.29           |
| Adjustments for:  |                 |                  |
| Depreciation  | 186.92          | 195.38           |
| Loss on Sale of Assets                                      | 0.00            | 1.83             |
| Interest expenses   | 68.51           | 53.99            |
| Written off Expenses  | 1.82            | 2.14             |
| Operating Profit before working capital changes             | 3075.07         | 836.63           |
| Trade and other receivables                                 | (8515.30)       | (589.55)         |
| Trade payables  | 6297.62         | 286.45           |
| Cash generated from operations                              | 857.38          | 533.53           |
| Interest paid   | (68.51)         | (51.82)          |
| <b>NET CASH FLOW OPERATING ACTIVITIES</b>                   | <b>788.87</b>   | <b>481.71</b>    |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>              |                 |                  |
| Purchase of Fixed Assets including Capital Work-in-progress | 3.45            | (777.54)         |
| Pre-operative & Project Expenses                            | 0.00            | (1445.64)        |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                | <b>3.45</b>     | <b>(2223.18)</b> |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>              |                 |                  |
| Proceeds from Issue of Share Capital                        | 0.00            | 0.43             |
| Unsecured Loans   | (343.28)        | 1672.01          |
| Proceeds from Term Loans                                    | (76.46)         | 66.90            |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                | <b>(419.74)</b> | <b>1739.34</b>   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>            | <b>372.58</b>   | <b>(2.13)</b>    |
| Cash and Cash equivalents as at (Opening Balance)           | 8.81            | 10.94            |
| Cash and Cash equivalents as at (Closing Balance)           | 381.39          | 8.81             |

for and on behalf of the board of  
LANCO GLOBAL SYSTEMS LIMITED

K. VENKATA SUBBA RAO  
Vice Chairman & M.D.

Y. ANAND SWAROOP  
Director & C.E.O

Place : Hyderabad  
Date : 28.07.2008

Y.SRINIVASA RAO  
Vice President (F&A)

M. JAGADEESHWARA RAO  
Company Secretary

To  
The Board of Directors  
Lanco Global Systems Limited

We have examined the attached Cash Flow Statement of Lanco Global Systems Limited for the year ended 31<sup>st</sup> March, 2008. The Statement has been prepared by the company in accordance with the requirement of Clause 32 of listing agreement with Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of 28<sup>th</sup> July, 2008 to the members of the company.

Place : Hyderabad  
Date : 28.07.2008

for P. MURALI & CO.,  
Chartered Accountants

P. MURALI MOHANA RAO  
Partner

## Balances Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No:   -      State Code :

Balance Sheet Date   .   .       
Date Month Year

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

Public Issue     N I L Right Issue     N I L

Bonus Issue     N I L Private Placement     N I L

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities        Total Assets

Sources of Funds

Paid - Up Capital        Reserves & Surplus

Secured Loans        Un-Secured Loans/  
Deferred Tax Liability

Application of Funds

Net Fixed Assets        Investments

Net Current Assets        Misc. Expenditure

Accumulated Losses     N I L

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover        Total Expenditure

Profit/ Loss Before Tax   Profit/ Loss After Tax

Earning Per Share in Rs.    .   Dividend rate %

### V. Generic Names of three principal products/Services of the Company (As per monetary terms)

Item Code No. (ITC Code) :         .

Product Description :



## Auditors' Report on the Consolidated Financial Statements

**AUDITORS' REPORT to the Board of Directors of LANCO GLOBAL SYSTEMS LIMITED on the Consolidated Financial Statements of LANCO GLOBAL SYSTEMS LIMITED and its Subsidiary.**

1. We have examined the attached Consolidated Balance Sheet of LANCO GLOBAL SYSTEMS LIMITED ('the Company') and its wholly owned subsidiaries TECHORBIT INC., USA and GLOBAL IT INC., as at 31<sup>st</sup> March, 2008 and the Consolidated Profit & Loss Account for the year ended on the date annexed thereto and Consolidated Cash flow Statement for the period ended on that date. These Consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these Consolidated 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 prepared, in all material respects, in accordance with an identified financial reporting framework and 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. We believe that our audit provides a reasonable basis for our opinion .

We did not audit the financial statements of its subsidiaries TECHORBIT INC., USA and GLOBAL IT INC., as at 31<sup>st</sup> March, 2008. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) in the case of the Consolidated balance Sheet, of the consolidated state of affairs of the company and its subsidiaries as at 31<sup>st</sup> March, 2008.
- (b) In the case of the Consolidated Profit and Loss Account of the consolidated results of operations of the Company and its subsidiaries for the year then ended and
- (c) In the case of the Consolidated cash flows Statement, of the consolidated Cash flows of the company and its subsidiaries for the year then ended.

for **P. MURALI & CO.,**  
Chartered Accountants.

Place : Hyderabad  
Date : 28.07.2008

**P. Murali Mohana Rao**  
Partner



## Consolidated Balance Sheet as at March 31, 2008

(Amount in Rupees)

| Particulars  | Schedule Reference | As at March 31, 2008 | As at March 31, 2007 |
|--|--------------------|----------------------|----------------------|
| <b>I SOURCES OF FUNDS</b>  |                    |                      |                      |
| 1. Share Holders Funds   |                    |                      |                      |
| (a) Share Capital  | 1                  | 254,219,670          | 254,219,670          |
| (b) Reserves & Surplus   | 2                  | 420,567,917          | 118,406,549          |
| 2. Loan funds  |                    |                      |                      |
| (a) Secured Loans  | 3                  | 148,484,576          | 26,178,203           |
| (b) Unsecured Loans  | 4                  | 265,621,295          | 177,891,206          |
| 3. Deferred Tax Liability  |                    | 4,092,502            | 2,899,814            |
| <b>TOTAL</b>   |                    | <b>1,092,985,960</b> | <b>579,595,442</b>   |
| <b>II APPLICATION OF FUNDS</b>   |                    |                      |                      |
| 1. Fixed Assets  |                    |                      |                      |
| (a) Gross Block  | 5                  | 255,085,910          | 214,432,288          |
| Less: Depreciation   |                    | 72,645,723           | 52,728,651           |
| (b) Net Block  |                    | 182,440,187          | 161,703,637          |
| (c) Capital Work in progress including Advances                          |                    | 181,445,503          | 222,445,503          |
| 2. Investments   |                    | 20,000,000           | 20,000,000           |
| 3. Current Assets, Loans & Advances                                      |                    |                      |                      |
| (a) Sundry Debtors   | 6                  | 1,210,032,081        | 541,461,077          |
| (b) Cash and Bank Balances   | 7                  | 133,068,940          | 27,497,101           |
| (c) Loans & Advances   | 8                  | 254,640,629          | 98,941,202           |
| Less: Current Liabilities & Provisions                                   | 9                  | 889,297,807          | 493,291,505          |
| Net Current Assets   |                    | 708,443,843          | 174,607,875          |
| 4. Miscellaneous Expenditure (to the extent not written off or adjusted) | 10                 | 656,427              | 838,427              |
| Notes on Balance Sheet and Profit & Loss Account                         | 14                 |                      |                      |
| <b>TOTAL</b>   |                    | <b>1,092,985,960</b> | <b>579,595,442</b>   |

As per our Report Attached

 for and on behalf of the board of  
**LANCO GLOBAL SYSTEMS LIMITED**

 for P. MURALI & CO.,  
 Chartered Accountants

**K. VENKATA SUBBA RAO**  
 Vice Chairman & M.D.

**Y. ANAND SWAROOP**  
 Director & C.E.O

**P. MURALI MOHANA RAO**  
 Partner

**Y. SRINIVASA RAO**  
 Vice President (F&A)

**M. JAGADEESHWARA RAO**  
 Company Secretary

 Place : Hyderabad  
 Date : 28.07.2008


## Consolidated Profit and Loss Account for the Year ended March 31, 2008

(Amount in Rupees)

| Particulars                                  | Schedule Reference | for the Year ended March 31, 2008 | for the Year ended March 31, 2007 |
|--|--------------------|-----------------------------------|-----------------------------------|
| <b>INCOME</b>                                |                    |                                   |                                   |
| Export                                       |                    | 2,764,475,868                     | 764,397,400                       |
| Domestic                                     |                    | 8,387,157                         | 16,363,743                        |
| Other Income                                 | 11                 | 1,415,094                         | 1,762,590                         |
| <b>TOTAL</b>                                 |                    | <b>2,774,278,119</b>              | <b>782,523,733</b>                |
| <b>EXPENDITURE</b>                           |                    |                                   |                                   |
| Personnel Cost                               |                    | 2,184,746,054                     | 533,871,601                       |
| Interest & Financial Charges                 | 12                 | 10,670,736                        | 6,054,028                         |
| Operating & Administration Expenses          | 13                 | 185,851,198                       | 131,535,155                       |
| Depreciation                                 |                    | 19,918,274                        | 23,104,390                        |
| Written off Expenses                         |                    | 182,000                           | 214,050                           |
| <b>TOTAL</b>                                 |                    | <b>2,401,368,262</b>              | <b>694,779,224</b>                |
| Profit / (Loss) before tax                   |                    | 372,909,857                       | 87,744,509                        |
| Provision for Tax                            |                    | 28,014,899                        | 1,700,105                         |
| Provision for FBT                            |                    | 629,250                           | 423,970                           |
| Profit / (Loss) after tax                    |                    | 344,265,708                       | 85,620,434                        |
| Provision for deferred Tax Liability         |                    | 1,192,688                         | 557,602                           |
| Profit After deferred Tax                    |                    | 343,073,020                       | 85,062,832                        |
| Balance Brought forward                      |                    | 118,534,503                       | 33,471,671                        |
| <b>Amounts available for Appropriations</b>  |                    | <b>461,607,523</b>                | <b>118,534,503</b>                |
| <b>Appropriations:</b>                       |                    |                                   |                                   |
| Proposed Dividend on Equity                  |                    | 25,421,967                        | -                                 |
| Corporate Dividend Tax                       |                    | 4,320,463                         | -                                 |
| General Reserve                              |                    | 6,355,492                         | -                                 |
| Surplus carried to Balance Sheet             |                    | 425,509,601                       | 118,534,503                       |
| <b>TOTAL</b>                                 |                    | <b>461,607,523</b>                | <b>118,534,503</b>                |
| Notes on Balance Sheet and Profit & Loss A/c | 14                 |                                   |                                   |
| Earnings Per Share Basic & Diluted           |                    | 13.49                             | 3.35                              |

As per our Report Attached

for and on behalf of the board of  
LANCO GLOBAL SYSTEMS LIMITED

for P. MURALI & CO.,  
Chartered Accountants

K. VENKATA SUBBA RAO  
Vice Chairman & M.D.

Y. ANAND SWAROOP  
Director & C.E.O

P. MURALI MOHANA RAO  
Partner

Y. SRINIVASA RAO  
Vice President (F&A)

M. JAGADEESHWARA RAO  
Company Secretary

Place : Hyderabad  
Date : 28.07.2008

## Schedules Annexed to the Consolidated Balance Sheet

(Amount in Rupees)

| Particulars                               | As at<br>March 31, 2008 | As at<br>March 31, 2007 |
|---|-------------------------|-------------------------|
| <b>SCHEDULE - I</b>                       |                         |                         |
| <b>SHARE CAPITAL</b>                      |                         |                         |
| <b>Authorised</b>                         | 400,000,000             | 400,000,000             |
| 4,00,00,000 Equity Shares of Rs.10/- each |                         |                         |
| <b>Issued &amp; Subscribed</b>            | 254,236,670             | 254,236,670             |
| 25,423,667 Equity Shares of Rs.10/- each  |                         |                         |
| Less: Allotment Money Areams              | 17,000                  | 17,000                  |
| <b>TOTAL</b>                              | <b>254,219,670</b>      | <b>254,219,670</b>      |
| <b>SCHEDULE - 2</b>                       |                         |                         |
| <b>RESERVES &amp; SURPLUS</b>             |                         |                         |
| Investment Subsidy                        | 1,500,000               | 1,500,000               |
| Surplus in Profit & Loss Account          | 425,509,601             | 118,534,503             |
| Foreign Exchange Translation Reserve      | (12,797,176)            | (1,627,954)             |
| General Reserve                           |                         |                         |
| - at the commencement of the year         | -                       | -                       |
| - Add: Transfer from P & L a/c            | 6,355,492               | -                       |
| <b>TOTAL</b>                              | <b>420,567,917</b>      | <b>118,406,549</b>      |
| <b>SCHEDULE - 3</b>                       |                         |                         |
| <b>SECURED LOANS</b>                      |                         |                         |
| Working capital - GTF                     | 148,484,576             | -                       |
| Working Capital - SBI                     | -                       | 18,532,096              |
| SBI Term Loan A/c                         | -                       | 7,646,107               |
| <b>TOTAL</b>                              | <b>148,484,576</b>      | <b>26,178,203</b>       |
| <b>SCHEDULE - 4</b>                       |                         |                         |
| <b>UNSECURED LOANS</b>                    |                         |                         |
| Other Loans & Advance                     |                         |                         |
| i) From Banks                             |                         |                         |
| ii) From Others                           |                         |                         |
| Nagarjun Valluripalli                     | -                       | 21,110,046              |
| Lanco Group Limited                       | -                       | 13,217,529              |
| Infinite India Pvt Ltd                    | 1,116,000               | 1,116,000               |
| Others                                    | 264,505,295             | 142,447,631             |
| <b>TOTAL</b>                              | <b>265,621,295</b>      | <b>177,891,206</b>      |



## SCHEDULE - 5

## FIXED ASSETS

(Amount in Rupees)

| DESCRIPTION OF ASSET  | GROSS BLOCK           |                           |                           |                             | DEPRECIATION      |                   |  |                        | NET BLOCK          |                    |
|-----------------------|-----------------------|---------------------------|---------------------------|-----------------------------|-------------------|-------------------|--|------------------------|--------------------|--------------------|
|                       | Cost as at 01.04.2007 | Additions during the year | Deletions during the year | Total Cost as at 31.03.2008 | up to 31.03.2007  | For the year      | Deletions of Depreciation for the Year | Total as at 31.03.2008 | As at 31.03.2008   | As at 31.03.2007   |
| Good will             | 137,989,162           | -                         | -                         | 137,989,162                 | 15,080,687        | 12,263,599        | -                                      | 27,344,286             | 110,644,876        | 122,908,475        |
| Computers             | 35,371,392            | 6,283,748                 | -                         | 41,655,140                  | 23,082,248        | 2,921,703         | -                                      | 26,003,951             | 15,651,189         | 12,289,144         |
| Furniture & Fixtures  | 16,899,337            | 22,382,902                | -                         | 39,282,239                  | 6,786,635         | 1,338,580         | -                                      | 8,125,215              | 31,157,024         | 10,112,702         |
| Airconditioners       | 1,358,500             | 5,135,266                 | -                         | 6,493,766                   | 442,857           | 125,836           | -                                      | 568,693                | 5,925,073          | 915,643            |
| Electricals           | 4,974,339             | 4,973,895                 | -                         | 9,948,234                   | 1,420,027         | 349,608           | -                                      | 1,769,635              | 8,178,599          | 3,554,312          |
| Office Equipments     | 3,688,373             | 1,890,857                 | 13,045                    | 5,566,185                   | 750,590           | 209,212           | 1,202                                  | 958,600                | 4,607,585          | 2,937,783          |
| Vehicles              | 1,150,482             | -                         | -                         | 1,150,482                   | 668,363           | 109,595           | -                                      | 777,958                | 372,524            | 482,119            |
| Assets at US Branch   | 6,869,813             | -                         | -                         | 6,869,813                   | 3,748,324         | 1,373,963         | -                                      | 5,122,287              | 1,747,526          | 3,121,489          |
| Asset at Subsidiary's | 6,130,890             | -                         | -                         | 6,130,890                   | 748,920           | 1,226,178         | -                                      | 1,975,098              | 4,155,792          | 5,381,970          |
| <b>TOTAL</b>          | <b>214,432,288</b>    | <b>40,666,668</b>         | <b>13,045</b>             | <b>255,085,910</b>          | <b>52,728,651</b> | <b>19,918,274</b> | <b>1,202</b>                           | <b>72,645,723</b>      | <b>182,440,187</b> | <b>161,703,637</b> |

(Amount in Rupees)

| Particulars                               | As at<br>March 31, 2008 | As at<br>March 31, 2007 |
|---|-------------------------|-------------------------|
| <b>SCHEDULE - 6</b>                       |                         |                         |
| <b>SUNDRY DEBTORS</b>                     |                         |                         |
| (Unsecured and Considered good)           |                         |                         |
| More Than six months                      | 57,727,921              | 1,014,675               |
| Others                                    | 1,152,304,160           | 540,446,402             |
| <b>TOTAL</b>                              | <b>1,210,032,081</b>    | <b>541,461,077</b>      |
| <b>SCHEDULE - 7</b>                       |                         |                         |
| <b>CASH &amp; BANK BALANCES</b>           |                         |                         |
| Cash in hand                              | 233,301                 | 37,981                  |
| Bank Balance                              |                         |                         |
| a) With Scheduled Banks                   |                         |                         |
| Current Accounts                          | 18,258,337              | 843,240                 |
| b) Others                                 |                         |                         |
| - Current Account                         | 114,577,302             | 26,615,880              |
| <b>TOTAL</b>                              | <b>133,068,940</b>      | <b>27,497,101</b>       |
| <b>SCHEDULE - 8</b>                       |                         |                         |
| <b>LOANS &amp; ADVANCES</b>               |                         |                         |
| (Unsecured and Considered good)           |                         |                         |
| a) Advance and Loans to Subsidiaries      |                         |                         |
| LGSL Foundation (Trust)                   | 8,813,693               | 8,813,693               |
| b) Advance recoverable in Cash or in Kind |                         |                         |
| i) Pre-paid Expenses                      | 2,331,399               | 1,983,924               |
| ii) Advance for Expenses & Recoverable    | 236,822,897             | 86,445,394              |
| c) Balance with Customs Etc               |                         |                         |
| Security Deposits                         | 6,672,640               | 1,698,191               |
| <b>TOTAL</b>                              | <b>254,640,629</b>      | <b>98,941,202</b>       |



# Consolidated Financial Statements

(Amount in Rupees)

| Particulars                                 | As at<br>March 31, 2008 | As at<br>March 31, 2007 |
|---|-------------------------|-------------------------|
| <b>SCHEDULE - 9</b>                         |                         |                         |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b> |                         |                         |
| <b>A. Current Liabilities</b>               |                         |                         |
| a) Sundry Creditors                         |                         |                         |
| i) Dues to SSI Undertakings                 | -                       | -                       |
| ii) Dues to other than SSI Undertakings     | 403,001,477             | 427,768,108             |
| b) Advance payments                         | 66,875,653              | 33,850,000              |
| c) Other Liabilities                        | 16,471,458              | 23,857,197              |
| <b>B. Provisions</b>                        |                         |                         |
| Provision for Dividend                      | 25,421,967              | -                       |
| Provision for Tax                           | 371,156,935             | 2,124,185               |
| Provision for Gratuity                      | 3,586,999               | 2,927,872               |
| Provision for LTA                           | -                       | 55,000                  |
| Provision for Leave Encashment              | 2,783,318               | 2,709,143               |
| <b>TOTAL</b>                                | <b>889,297,807</b>      | <b>493,291,505</b>      |
| <b>SCHEDULE - 10</b>                        |                         |                         |
| <b>MISCELLANEOUS EXPENDITURE</b>            |                         |                         |
| Preliminary Expenses                        | 656,427                 | 838,427                 |
| <b>TOTAL</b>                                | <b>656,427</b>          | <b>838,427</b>          |

(Amount in Rupees)

| Particulars                                    | for the Year ended<br>March 31, 2008 | for the Year ended<br>March 31, 2007 |
|--|--------------------------------------|--------------------------------------|
| <b>SCHEDULE - 11</b>                           |                                      |                                      |
| <b>Other Income</b>                            |                                      |                                      |
| Other Income                                   | 1,415,094                            | 650,568                              |
| Foreign Exchange Fluctuation Profit            | -                                    | 1,112,022                            |
| <b>TOTAL</b>                                   | <b>1,415,094</b>                     | <b>1,762,590</b>                     |
| <b>SCHEDULE - 12</b>                           |                                      |                                      |
| <b>INTEREST &amp; FINANCIAL CHARGES</b>        |                                      |                                      |
| Bank Charges                                   | 6,640,560                            | 1,078,585                            |
| Interest on Working Capital Facility           | 2,916,311                            | 1,693,258                            |
| Int On SBI Term Loan A/c                       | 875,297                              | 818,713                              |
| Interest on Unsecured Loans                    | 233,815                              | 2,406,467                            |
| Interest on Others                             | 4,753                                | 57,005                               |
| <b>TOTAL</b>                                   | <b>10,670,736</b>                    | <b>6,054,028</b>                     |
| <b>SCHEDULE - 13</b>                           |                                      |                                      |
| <b>OPERATING &amp; ADMINISTRATION EXPENSES</b> |                                      |                                      |
| Communication Expenses                         | 8,667,918                            | 10,139,961                           |
| Repairs and Office Maintenance                 | 58,319,012                           | 35,109,724                           |
| Rent   | 30,067,338                           | 21,722,801                           |
| Rates, Taxes & Insurance                       | 5,949,028                            | 11,951,326                           |
| Business Development Exp                       | 22,708,018                           | 21,051,176                           |
| Electricity Charges                            | 3,480,742                            | 3,442,515                            |
| Travelling & Conveyance                        | 28,429,763                           | 13,529,789                           |
| Printing & Stationery                          | 348,448                              | 340,268                              |
| Staff Recruitment Charges                      | 293,853                              | 1,261,406                            |
| Computer Rentals                               | -                                    | 888,105                              |
| Consultancy Charges                            | 11,053,201                           | 7,697,329                            |
| Directors Remuneration                         | 3,490,849                            | 2,424,812                            |
| Iso Survival Audit fee                         | 34,000                               | 531,814                              |
| Audit Fee                                      |                                      |                                      |
| - as Auditor                                   | 44,944                               | 44,896                               |
| - Other Services                               | 67,416                               | -                                    |
| Misc.Exp                                       | 2,846,575                            | 1,215,989                            |
| Foreign Exchange Fluctuation Loss              | 10,050,093                           | -                                    |
| Loss on sale of Assets                         | -                                    | 183,244                              |
| <b>TOTAL</b>                                   | <b>185,851,198</b>                   | <b>131,535,155</b>                   |



## SCHEDULE - 14

### Notes to the Consolidated Financial Statements

#### Significant Accounting Policies to The Consolidated Balance Sheet and Profit and Loss Account

A. The consolidated financial statements relate to LANCO GLOBAL SYSTEMS LIMITED. ( " the Company" ) has prepared the Consolidated Financial Statements, by consolidating its accounts with that of its wholly owned subsidiaries TECHORBIT INC, U.S.A and GLOBAL IT INC, U.S.A in accordance with the Statements of Accounting standards on " Consolidated Financial Statements ( AS 21 ) issued by the Institute of Chartered Accountants of India ( ICAI ) The Consolidated Financial Statements have been prepared under the historical cost convention, on the accrual basis of accounting and comply with the mandatory accounting standards and statemnets issued by the ICAI. The consolidated financial statements have been prepared on the following basis:

- (i) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balance and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- (ii) In case of Foreign subsidiaries, revenue items and Assets and Liabilities are consolidated at the Foreign Exchange rates prevailing at the end of the year.
- (iii) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill .
- (iv) Minority interest's share is not there as the company is holding 100 % Equity Shares
- (v) As for as possible, the consolidate financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

#### NOTES ON ACCOUNTS TO CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT :

Global IT Inc. USA, and Techorbit Inc. USA subsidiary companies have been considered in the consolidated financial Statements. As required by Accounting Standard ( AS - 23 ) on Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India, the carrying amount of Investments in Associates at the beginning of the year have been restated by applying " equity Method " of accounting from the date of acquisition of the associates and corresponding adjustments has been made to the retained earnings at the beginning of the year after eliminating unrealised profits, if any.

#### General :

- (i) These accounts are prepared on the historical cost basis and on the accounting principles of a going concern.
- (ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

#### Revenue Recognition :

- (i) Income from software development is accounted for on the basis of Software developed and billed to clients on acceptance and/or on the basis of man days/man hours as per the terms of contract.
- (ii) Revenue from professional services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognised as and when the services are performed.
- (iii) Revenue from software development services includes revenue from time and material and fixed price contracts are recognised as related services are performed.
- (iv) Revenue on fixed price contracts is recognised in accordance with percentage of completion and method of account.
- (v) Revenue is not recognised on the grounds of prudence, until realised in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.



**Foreign Exchange Transaction :**

- (i) Realised gains & loss in foreign exchange transactions are recognised in Profit & Loss Account, however in case of 100 % subsidiaries have been reflected in the Foreign Exchange translation Reserve Account.
- (ii) Transactions in foreign currency will be recorded at the rates of exchange prevailing on the date of the transaction. Current assets and liabilities denominated in foreign currency will be translated at the rate of exchange as at Balance Sheet date.

**Investments :**

Investments are stated at cost i.e. cost of acquisition, inclusive of expenses incidental to acquisition wherever applicable.

**Fixed Assets :**

- (i) Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, duties, taxes and incidental expenses thereto.

**Depreciation and Amortisation :**

- (i) Depreciation is provided on straight line method on pro-rata basis and at the rates and manner specified in the Schedule XIV of the Companies Act, 1956.
- (ii) Preliminary Expenses are amortised over the period of 5 years.

**Taxation :**

The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax asset and liability is recognised for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date.

**Earning Per Share:**

The earning considered in ascertaining the companies earning per share comprise net profit after tax. The

number of shares used in computing basic earning per share is the weighted average number of shares outstanding during the year.

**Gratuity :**

The provision for Gratuity and leave Encashment is calculated as per accrual method and included in current liability & provision.

**B. NOTES ON ACCOUNTS**

1. Particulars of Employees in accordance with Sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule 1975 as amended, forms part of this report.

**2 Director's Remuneration :**

|  | Current<br>Year (Rs.) | Previous<br>Year (Rs.) |
|--|-----------------------|------------------------|
|  | 34,90,849             | 24,24,812              |

**3 Auditor's Remuneration :**

|                | Current<br>Year (Rs.) | Previous<br>Year (Rs.) |
|----------------|-----------------------|------------------------|
| Audit Fee      | 44,944                | 44,896                 |
| Other Services | 67,416                | -                      |
| <b>Total</b>   | <b>1,12,360</b>       | <b>44,896</b>          |

- 4 The Company is engaged in the development of Computer Software and services. The production and sale of such software and services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI to the Companies Act, 1956.

**5. Related Party Transactions**

During the financial year 2007-2008 the Company has entered into some transactions, which can be deemed as related party transactions. All these matters have been approved by the Board and the Govt. of India, wherever necessary.



# Consolidated Financial Statements

| Sl. No. | Name of the Related Party | Nature of Relation | Nature of Transaction                                  | Amount Involved      |
|---------|---------------------------|--------------------|--|----------------------|
| 1       | 3K Technologies Ltd       | Common Directors   | Business Advance                                       | Rs. 605.66 lakhs     |
| 2       | Lanco Group Limited       | Common Directors   | Repaid Temporary financial accommodation on 21.06.2007 | Rs. 133.34 lakhs     |
| 3       | Mr Nagarjun Valluripalli  | Director & CEO     | Repaid Unsecured Loan on 24.05.2007                    | Rs. 211.10 lakhs     |
| 4       | Anand Swaroop Y           | Director & CEO     | Gross Remuneration                                     | Paid Rs. 34.90 Lakhs |

6. Goodwill and other Intangible Assets in the case of Subsidiary Companies, it represents the difference between the purchase price and the book value of assets and liabilities acquired. Goodwill is amortised over the useful life of the asset. The goodwill is reviewed for impairment wherever events or changes in business circumstances indicate the carrying amount of assets may not be fully recoverable. If impairment is indicated the asset is written down to its fair value.
7. All Investments are unquoted Equity Shares.
8. Capital Work in Progress of Rs. 18,14,45,503/- (previous year Rs. 22,24,45,503/-) towards the Capitalised Software & Product Development Cost.
9. Foreign Currency Outflow :
- |                     | Current Year (Rs.) | Previous Year (Rs.) |
|---------------------|--------------------|---------------------|
| Capital Expenditure | 1,04,15,518        | 52,68,469           |
| Foreign Travelling  | 33,20,118          | 13,68,191           |
| Others              | 8,52,57,908        | NIL                 |
10. Foreign Exchange inflow as reported by the Company to Government of India and as certified by Management .
- |                         | Current Year (Rs.) | Previous Year (Rs.) |
|-------------------------|--------------------|---------------------|
| Foreign Exchange Inflow | 19,12,17,319       | 10,31,36,269        |
11. In case of Foreign exchange fluctuation profit / loss as per AS 11 the Subsidiaries and holding company being non-integral the difference in Foreign Exchange profit / loss reflected in Foreign Exchange Translation Reserve account.
12. The Intra Branch transactions have been eliminated during the year. The inter company transactions have been eliminated while consolidation of Consolidated Financial Statements.
13. There are no dues to SSI Units outstanding for more than 30 days.
14. Confirmations were obtained from debtors/creditors as to the balances receivable from/payable to them as at year end.

15. In accordance with Accounting Standard 22 (AS 22) issued by the ICAI, the Company has accounted for deferred income tax during the year. The deferred income tax provision for the current year amounts to Rs.11,92,688/- towards deferred income tax liability. (Previous year Rs. 5,57,602//- towards deferred income tax liabilities).
16. Techorbit Inc., and Gobal IT Inc., are wholly owned subsidiaries of Lanco Global Systems Inc,
17. The Factoring facility Amounting to Rs. 1500 Lacs from Non Banking Finance Company are secured by way of hypothecation of Book Debts present and future on all the approved debtors as mentioned in the sanction letter and Personal guarantee of Dirctors and corporate guarantee from their company.
18. Previous years figures have been regrouped wherever necessary.
19. The figures have been rounded off to the nearest rupee.

#### SIGNATURES TO SCHEDULES 1 To 14

As per our Report of even date

for and on behalf of the board of  
**LANCO GLOBAL SYSTEMS LIMITED**

for **P. MURALI & CO.,**  
Chartered Accountants

**K.VENKATA SUBBA RAO**  
Vice Chairman & M.D.

**Y. ANAND SWAROOP**  
Director & C.E.O

**P. MURALI MOHANA RAO**  
Partner

**Y. SRINIVASA RAO**  
Vice President (F&A)

**M. JAGADEESHWARA RAO**  
Company Secretary

Place : Hyderabad  
Date : 28.07.2008



## Consolidated Cash Flow Statement for the Year ended 31.03.2008

(Rupees in lakhs)

| Particulars   | Current Year   | Previous Year    |
|---|----------------|------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>              |                |                  |
| Net profit before taxation, and extraordinary Items         | 3729.10        | 877.45           |
| Adjustments for:  |                |                  |
| Depreciation  | 199.18         | 231.04           |
| Foreign Exchange Fluctuation profit                         | (111.69)       | (16.27)          |
| Loss on Sale of Assets                                      | -              | 1.83             |
| Interest expenses   | 106.71         | 60.54            |
| Written off Expenses  | 1.82           | 2.14             |
| Operating Profit before working capital changes             | 3925.12        | 1156.73          |
| Trade and other receivables                                 | (8242.70)      | (5326.43)        |
| Trade payables  | 4675.72        | 4294.25          |
| Cash generated from operations                              | 358.13         | 124.55           |
| Interest paid   | (106.71)       | (58.37)          |
| <b>NET CASH FLOW OPERATING ACTIVITIES</b>                   | <b>251.43</b>  | <b>66.18</b>     |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>              |                |                  |
| Purchase of Fixed Assets including Capital Work-in-progress | 3.45           | (1605.56)        |
| Pre-operative & Project Expenses                            | -              | (9.10)           |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                | <b>3.45</b>    | <b>(1614.66)</b> |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>              |                |                  |
| Proceeds from Issue of Share Capital                        | -              | 0.43             |
| Unsecured Loans   | 877.30         | 1745.19          |
| Proceeds from Term Loans                                    | (76.46)        | 66.90            |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                | <b>800.84</b>  | <b>1812.52</b>   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>            | <b>1055.71</b> | <b>264.03</b>    |
| Cash and Cash equivalents as at (Opening Balance)           | 274.97         | 10.94            |
| Cash and Cash equivalents as at (Closing Balance)           | 1330.69        | 274.97           |

for and on behalf of the board of  
LANCO GLOBAL SYSTEMS LIMITED

**K. VENKATA SUBBA RAO**  
Vice Chairman & M.D.

**Y. ANAND SWAROOP**  
Director & C.E.O

Place : Hyderabad  
Date : 28.07.2008

**Y. SRINIVASA RAO**  
Vice President (F&A)

**M. JAGADEESHWARA RAO**  
Company Secretary

To  
The Board of Directors  
Lanco Global Systems Limited

We have examined the attached Consolidated Cash Flow Statement of Lanco Global Systems Limited for the year ended 31<sup>st</sup> March, 2008. The Statement has been prepared by the company in accordance with the requirement of Clause 32 of listing agreement with Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of 28<sup>th</sup> July, 2008 to the members of the company.

Place : Hyderabad  
Date : 28.07.2008

for **P. MURALI & CO.,**  
Chartered Accountants

**P. MURALI MOHANA RAO**  
Partner

## Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No:   -      State Code :

Balance Sheet Date   -   -

Date      Month      Year

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

Public Issue     N I L Right Issue     N I L

Bonus Issue     N I L Private Placement     N I L

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities        Total Assets

Sources of Funds

Paid - Up Capital        Reserves & Surplus

Secured Loans        Un-Secured Loans/  
Deferred Tax Liability

Application of Funds

Net Fixed Assets        Investments

Net Current Assets        Misc. Expenditure

Accumulated Losses     N I L

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover        Total Expenditure

Profit/ Loss Before Tax   Profit/ Loss After Tax

Earning Per Share in Rs.     .   Dividend rate %

### V. Generic Names of three principal products/Services of the Company (As per monetary terms)

Item Code No. (ITC Code) :         .

Product Description :



Statement pursuant to Section 212 of the Companies Act, 1956,  
related to Subsidiary companies

| Name of the Subsidiary companies |    |   |   |   |
|----------------------------------|----|---|---|---|
| Sr. no.                          |    | Particulars   | Global IT Inc   | Techorbit Inc   |
| 1.                               |    | Financial year  | 31-03-2008  | 31-03-2008  |
| 2.                               |    | Shares of the subsidiary held by the Company on the above date:   |   |   |
|                                  | a) | Number and face value   | 100000/ \$0.10  | 1,00,000/\$0.10   |
|                                  | b) | Extent of holding   | 100%  | 100%  |
| 3                                |    | The net aggregate of profit/(loss) of the subsidiary for the above financial year so far as they concern the members of the Company and is not dealt with in the accounts of the Company: |   |   |
|                                  | a) | For the financial year ended on 31st March, 2008  | N.A   | N.A   |
|                                  | b) | For the previous financial year of the subsidiaries since it became a subsidiary  | N.A   | N.A   |
| 4                                |    | The net aggregate of profit/(loss) of the subsidiary for the above financial year so far as they concern the members of the Company and is dealt with in the accounts of the Company:     |   |   |
|                                  | a) | For the financial year ended on 31st March, 2008  | \$ 1,451,725  | \$ 743,319  |
|                                  | b) | For the previous financial year of the subsidiaries since it became a subsidiary  | \$ 239,712  | \$ 499,737  |
| 5.                               |    | Change in the holding company's interest in the subsidiaries between the end of the financial year of the subsidiary and the end of the holding Company's financial year.                 | Not applicable as financial year coincides with that of the holding company                                   | Not applicable as financial year coincides with that of the holding company                                   |
| 6.                               |    | Material changes which have occurred between the end of the aforesaid financial year of the subsidiaries and the end of the holding company's financial year in respect:                  | As the financial year of both holding and subsidiary companies coincide, there are no particulars to furnish. | As the financial year of both holding and subsidiary companies coincide, there are no particulars to furnish. |
|                                  | a) | the subsidiaries fixed assets   |   |   |
|                                  | b) | its investments   |   |   |
|                                  | c) | money lent by the subsidiary company  |   |   |
|                                  | d) | the money borrowed by it for any purpose other than that of meeting current liabilities   |   |   |

## Statement pursuant to exemption received under Section 212 (8) of the Companies Act, 1956 relating to Subsidiary companies:

### 1. Tech Orbit Inc.,

In Rupees

| S.No               | Description            | Amount In INR | Amount In USD |
|--------------------|------------------------|---------------|---------------|
| a)                 | Capital                | 399,700       | 10,000        |
| b)                 | Reserves & Surplus     | 66,672,678    | 1,668,068     |
| c)                 | Total Assets           | 178,114,154   | 4,456,196     |
| d)                 | Total Liabilities      | 178,114,154   | 4,456,196     |
| e)                 | Details of Investments | NIL           | NIL           |
| f)                 | Turnover               | 523,836,428   | 13,105,740    |
| g)                 | Profit Before Taxation | 29,710,460    | 743,319       |
| h)                 | Provision for Taxation | NIL           | NIL           |
| i)                 | Profit after taxation  | 29,710,460    | 743,319       |
| j)                 | Proposed Dividend      | NIL           | NIL           |
| Reporting Currency |                        |               | USD (\$)      |

As required under para iii) of the Approval letter dated 21<sup>st</sup> May 2008 issued by the Ministry of Company Affairs, India Rupees equivalent of the figures given in foreign currencies, based on the exchange rate as on 31-03-2008 (USD 1 = INR 39.97).

### 2. Global IT Inc.,

In Rupees

| S.No               | Description            | Amount In INR | Amount In USD |
|--------------------|------------------------|---------------|---------------|
| a)                 | Capital                | 399,700       | 10,000        |
| b)                 | Reserves & Surplus     | 109,747,028   | 2,745,735     |
| c)                 | Total Assets           | 363,115,619   | 9,084,704     |
| d)                 | Total Liabilities      | 363,115,619   | 9,084,704     |
| e)                 | Details of Investments | NIL           | NIL           |
| f)                 | Turnover               | 830,276,945   | 20,772,503    |
| g)                 | Profit Before Taxation | 58,025,448    | 1,451,725     |
| h)                 | Provision for Taxation | NIL           | NIL           |
| i)                 | Profit after taxation  | 58,025,448    | 1,451,725     |
| j)                 | Proposed Dividend      | NIL           | NIL           |
| Reporting Currency |                        |               | USD (\$)      |

As required under para iii) of the Approval letter dated 21<sup>st</sup> May, 2008 issued by the Ministry of Company Affairs, India Rupees equivalent of the figures given in foreign currencies, based on the exchange rate as on 31-03-2008 (USD 1 = INR 39.97).



**PERSONS CONSTITUTING GROUP AS DEFINED UNDER THE MONOPOLIES AND RESTRICTIVE TRADE PRACTICES ACT, 1969**

1. K Tejesh Kumar
2. K Venkateswara Rao
3. K Venkata Subba Rao
4. Y Janaki
5. Y Sirisha
6. P Sridevi
7. Firora Enterprises Ltd
8. Mundi Enterprise Ltd
9. Probus Capital Ltd
10. Fingrowth Co. Ltd

The above statement has been published to avail the exemption under Regulation 3(1)(e)(i) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended from time to time.





## LANCO GLOBAL SYSTEMS LIMITED

Regd. Office: 8-2-293/82/A/796/B, Road No. 36, Jubilee Hills, Hyderabad - 500033

Dear Shareholder,

**Re: Payment of Dividend through Electronic Clearing Services (ECS)**

We hereby request you to update the ECS particulars in the attached ECS Mandate Form and forward it immediately to the Registrar & Share Transfer Agent or concerned Depository Participant (DP). Shareholders holding shares in physical form have to submit ECS Mandate Form to the Registrar & Transfer Agent, namely M/s. Aarthi Consultants Private Limited, Unit: Lanco Global Systems Limited, #1-2-285, Domalguda, Hyderabad - 500 029, A.P., and Shareholders holding their shares in Electronic mode have to submit same to their Depository Participant.

We would like to inform you that the ECS mode is safe and secure. The dividend amount will be directly credited to the Bank Account of the respective shareholder. ECS also provides adequate protection against fraudulent interception and encashment of dividend warrants apart from eliminating loss/damage of dividend warrants in transit and the correspondence with the company on revalidation/issuance of duplicate dividend warrants.

Please ensure that the details submitted are correct, as any error therein could result in the dividend amount being credited to wrong account.

Kindly help us in our endeavor to serve you better.

Yours faithfully  
for LANCO GLOBAL SYSTEMS LIMITED

Tejesh Kumar Kodali  
Chairman



# FORM FOR ELECTRONIC CLEARING SERVICE (ECS) FOR PAYMENT OF DIVIDEND

\* Please fill in information in CAPITAL LETTERS in English only

Shareholder's authorization to receive dividends through Electronic Credit Clearing Mechanism

For Shares held in physical form : Folio No. ....

For Shares held in Demat form : DP ID:..... Client ID: .....

Name of First / Sole Share holder : .....

Bank Name : .....

Branch Address : .....

.....

.....

.....

.....

Branch Code : .....

(9 digit MICR Code Number  
appearing on the Cheque supplied  
by the Bank) : 

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|

Account Type : Saving ( ) Current ( ) Cash Credit ( )

Account No. : .....

(As appearing in Cheque Book)

I / We hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied above, I will not hold Lanco Global Systems Limited responsible. I / We agree to inform and update any change in my / our Bank / Branch and account number.

Date :.....

Place:.....

(Signature of Sole / First Shareholder)

(Please attach photocopy of a blank cheque of your bank, duly cancelled, for ensuring accuracy of the Bank's name, branch and 9 digit MICR Code)

# LANCO GLOBAL SYSTEMS LIMITED

Regd. Office: 8-2-293/82/A/796/B, Road No. 36, Jubilee Hills, Hyderabad - 500033, Andhra Pradesh, INDIA.

## ATTENDANCE SLIP 9th Annual General Meeting - 30<sup>th</sup> September, 2008

|                             |  |             |  |
|-----------------------------|--|-------------|--|
| Regd. Folio No.             |  | *DP ID:     |  |
| No. of Shares held          |  | *Client ID: |  |
| Name of the Shareholder     |  |             |  |
| Name of Proxy               |  |             |  |
| Signature of Member / Proxy |  |             |  |

I hereby record my presence at the 9<sup>th</sup> Annual General Meeting of the Company held at K L N Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI), Federation House, 11-6-841, Red Hills, P. B. 14, Hyderabad - 500 004 at 11:00 a.m., Tuesday, the 30<sup>th</sup> September, 2008.

### SIGNATURE OF THE MEMBER OR THE PROXY ATTENDING THE MEETING

\_\_\_\_\_

If Member, Please sign here

\_\_\_\_\_

If Proxy, Please sign here

Note : This form should be signed and handed over at the Meeting Venue. No duplicate Attendance Slip will be issued at the Meeting Hall. You are requested to bring copy of the Annual Report to the Meeting.

\* Applicable for investors holding shares in electronic form.

# LANCO GLOBAL SYSTEMS LIMITED

Regd. Office: 8-2-293/82/A/796/B, Road No. 36, Jubilee Hills, Hyderabad - 500033, Andhra Pradesh, INDIA.

## PROXY FORM

|                    |  |             |  |
|--------------------|--|-------------|--|
| Regd. Folio No.    |  | *DP ID:     |  |
| No. of Shares held |  | *Client ID: |  |

I / We .....  
of ....., being a Member /  
Members of LANCO GLOBAL SYSTEMS LIMITED hereby appoint ..... of  
..... or failing him ..... of  
..... as my / our proxy to attend and vote for me / us on my / our behalf  
at the 9th Annual General Meeting of the Company at KLN Prasad Auditorium, The Federation of Andhra Pradesh  
Chambers of Commerce and Industry (FAPCCI), Federation House, 11-6-841, Red Hills, P. B. 14, Hyderabad-  
500 004 at 11:00 a.m., Tuesday, the 30<sup>th</sup> September, 2008.

As witness my/our hand(s) this ..... day of ..... 2008.

Signed by the said .....



NOTE: The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.

\* Applicable for investors holding shares in electronic form.





A grayscale, high-contrast image showing a hand holding a pen over a document. The background is slightly blurred, showing a keyboard. The overall aesthetic is professional and business-oriented.

# **Delivering Business Value**

## India Office

Lanco Global Systems Limited  
# 8-2-293/82/A/796/B,  
Road No: 36, Jubilee Hills,  
Hyderabad - 500 033.

Phone: +91-40-66990000

Fax: +91-40-66994444

[www.lgsglobal.com](http://www.lgsglobal.com)

## UK Office

Suite# 508  
1 Alie Street  
London E1 8DE

## USA Offices

### Princeton, New Jersey

1 Independence Way  
Suite # 210  
Princeton, NJ 08540

### Sterling, Virginia

21351 Gentry Drive  
Suite # 265-A  
Sterling, VA 20166

### Atlanta, Georgia

1725 Windward Concourse  
Suite # 150  
Alpharetta, GA 30005

### Irving, Texas

1303 W Walnut Hill Lane  
Suite# 360  
Irving, TX 75038