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Lanco Global Systems Ltd.

THIRD ANNUAL REPORT

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INSPIRING GROWTH

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LANCO GLOBAL SYSTEMS LIMITED

BOARD OF DIRECTORS

Sri L.Rajagopal	Chairman
Sri Suresh Chukkapalli	Vice Chairman
Sri L.Madhusudhan Rao	Director
Sri M.N.Nambiar	Director
Sri V.K.Srinivasan	Director
Dr Prasada Rao VDM Ravella	Director
Dr Kilaru Hanumantha Rao	Director

Dy. GENERAL MANAGER (Finance & Accounts)

Sri Y. Srinivasa Rao

AUDITORS

M/s. Mogili Sridhar & Co.,
Chartered Accountants,
6-3-655/2/3, 1st Floor,
Somajiguda,
Hyderabad - 500 082.

REGISTERED OFFICE

"LANCO HOUSE"
141, Avenue # 8, L.V. Prasad Marg,
Banjara Hills, Hyderabad - 500 034,
Andhra Pradesh, India.

SOFTWARE DEVELOPMENT CENTRE & CORPORATE OFFICE

LANCO Global Systems Ltd.,
8-3-993, Lanco Towers,
Srinagar Colony,
Hyderabad - 500 073.

BANKERS TO THE COMPANY

- | | |
|--|---|
| 1. Global Trust Bank Limited,
S.D.Road, Secunderabad. | 2. Bank of Baroda,
M.G.Road, Secunderabad. |
|--|---|

REGISTRAR & SHARE TRANSFER AGENT

Aarathi Consultants Pvt. Ltd.,
1-2-285, Domalguda,
Hyderabad - 500 029.

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NOTICE

NOTICE is hereby given that the Third Annual General Meeting of the Members of Lanco Global Systems Limited will be held at 4.00 P.M. on Friday, the 27th September, 2002 at K.L.N. Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B.14, Hyderabad - 500 004 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet of the Company as on 31st March, 2002 and Profit and Loss Account for the year ended on that date along with the Directors' Report and Auditors' Report thereon.
2. To appoint a Director in place of Dr Prasada Rao VDM Ravella, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri M.N. Nambiar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri V.K. Srinivasan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint 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. The present Auditors, M/s Mogili Sridhar & Co., Chartered Accountants, Hyderabad retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

By order of the Board
For Lanco Global Systems Limited

Place: Hyderabad, **SURESH CHUKKAPALLI**
Date: 23-08-2002. Vice Chairman

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. The Proxy form is enclosed, which should be deposited at the Registered office of the Company duly completed and signed not later than 48 hours before commencement of the meeting.
3. The Register of Members and Share Transfer Books of the Company will be closed from Wednesday, the 25th September, 2002 to Friday, the 27th September, 2002 (both days inclusive).
4. Members are requested to inform the change of address if any, to the Share Transfer Agents (physical and electronic), M/s Aarthi Consultants Pvt., Limited (Unit: Lanco Global Systems Ltd.), 1-2-285, Domalguda, Hyderabad - 500 029.
5. 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.

ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT/ RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING

Dr Prasada Rao VDM Ravella

Dr Prasada Rao VDM Ravella (52) is an NRI Director. He took his Medical Degree from Guntur Medical College and General Practice Residency from Ravenswood Hospital, Chicago, IL, USA. He is a Member of American



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Medical Association, Chicago Medical Society. He holds State of Illinois Medical Licence and Drug Enforcement Agency Licence. From 1980 to 1995, he worked in different capacities in Lincoln West Hospital, Chicago, IL, USA.

Sri M.N. Nambiar

Sri M.N. Nambiar (62) as a Member of the Indian Revenue Service, served with distinction in the Income Tax department. He rose from the post of Asst./ Dy. Commissioner of Income Tax, Mumbai to the positions of Under Secretary, Central Board of Direct Taxes, New Delhi, Joint Commissioner - Income Tax, Regional Director - Staff Selection Commission - Western Zone, Additional Commissioner of Income Tax, Mumbai, Commissioner of Income Tax culminating in his becoming the Chief Commissioner of Income Tax, Andhra Pradesh, Hyderabad. During his career in the Income Tax department, he was associated with various functions at different levels.

Sri V.K. Srinivasan

Sri V.K. Srinivasan (62) obtained his Master's Degree in Economics with specialization in "Structure and Problems of Indian Industry", and Labour Problems and Industrial Relations. He was awarded a Gold medal for performance in M.A. examinations.

As a Member of Indian Administrative Service, Sri Srinivasan, mainly served in the Finance and Planning and Industry departments in the initial years, before moving to Education and General Administration Departments of Andhra Pradesh Government in the later part of his career. As a Director in the Plan Finance Division, Ministry of Finance, Government of India he

was mainly responsible for Plan Schemes, Capital Budgeting and Investment Appraisals of major projects in the Steel, Petroleum, Power and Heavy Engineering Industries in the Central Public Sector.

He is now serving as Honorary Director, Indian Institute of Economics and Editor, *Asian Economic review*. He has been a regular contributor to the Hindu and the Indian Express for over three decades and to the Economic Times (1965-85) and the Hindu Businessline (1990s). In his capacity as an Economist, Sri Srinivasan has been a regular invitee to the Union Financial Minister's Pre-Budget consultations for the last five years.

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DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting the Third Annual report on the business and operations of the Company together with the Audited Accounts for the year ended 31st March 2002.

(Rupees in Lakhs)

FINANCIAL RESULTS	2001-2002	2000-01
Turnover	608.12	317.42
Other Income	0.11	16.40
Gross Profit before Interest, Depreciation & Tax	139.53	55.88
Less: Interest	21.59	20.58
Depreciation	51.30	25.67
Tax Provision	0.61	-
Profit after Tax	66.03	9.63
Less: Provision for Deferred Tax	25.00	-
Profit after Deferred Tax	41.03	9.63
Balance Brought forward	10.58	0.95
Cumulative Transactional Deferred Tax	8.45	-
Profit Carried to Balance Sheet	43.16	10.58

During the current year, the Company has generated revenue of Rs.608.12 Lakhs against Rs.317.42 Lakhs in the previous year registering a growth of 91.58%. The profit after tax during the current year is Rs.41.03 Lakhs as against Rs.9.62 Lakhs in the previous year.

RECENT DEVELOPMENTS

In the Extraordinary General Meeting of the Members of the Company held on 23rd August, 2002, it was resolved

to issue and allot 150,00,000 Equity Shares of Rs.10/- each at a price of Rs.25/- per share including a premium of Rs.15/- per share for consideration other than cash on swap basis to Lanco Solutions Inc., for acquiring 100% equity share capital of the three Companies incorporated in the USA namely 3000000 Shares of Lanco Century Solutions Inc., New York, 3000000 Shares of Lanco Global Systems Inc., Illinois, and 9000000 Shares of Lanco Global Systems Inc., New jersey (formerly known as Livingston Consulting Group Inc.), which are 100% subsidiaries of Lanco Solutions Inc., by way of Preferential Allotment as per existing SEBI Guidelines and subject to all necessary approvals.

DIRECTORS

Sri P.V. Subrahmanyam resigned from the Board of Directors of the Company on 15th June, 2001 and Sri Alyque Padamsee resigned from the Board of Directors of the Company on 27th July, 2001.

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Dr Prasada Rao VDM Ravella, Sri M.N. Nambiar and Sri V.K. Srinivasan retire by rotation and being eligible offer themselves for re-appointment.

DEPOSITS

The Company has not accepted deposits falling within the provisions of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of the Deposits) Rules, 1975 during the year under review.

AUDITORS

M/s. Mogili Sridhar & 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.



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PARTICULARS REGARDING CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO.

Information pursuant to 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:

CONSERVATION OF ENERGY

Not Applicable

RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION

Nil

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings : Rs.592.57 lakhs
(F.O.B.Value)

Foreign Exchange outgo : Rs. 5.06 lakhs

PARTICULARS OF EMPLOYEES

The information required to be published under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended is NIL.

REPORT ON CORPORATE GOVERNANCE

Corporate Governance report is set out as Annexure to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors hereby confirm:

1. that in preparation of annual accounts containing financial statements for the year ended 31st March 2002 the applicable accounting standards have been followed.
2. that 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.
3. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

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

FOR AND ON BEHALF OF THE BOARD

SURESH CHUKKAPALLI

Vice Chairman

M.N.NAMBIAR

Director

Place : Hyderabad,

Date : 23-08-2002.

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REPORT ON CORPORATE GOVERNANCE

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.

I. BOARD OF DIRECTORS

A *The Board of Directors of the Company shall have an optimum combination of executive and non-executive directors with not less than fifty percent of the Board of Directors comprising of non-executive directors. In case the Company has an executive chairman, at least half of the Board should comprise of independent directors.*

The details of the Directors on the Board of the Company for the year 2001-2002 are given below:

Name	Category	Designation	Number of membership in Boards of other public Companies
Sri L. Rajagopal	Non-Executive Director	Chairman	9
Sri Suresh Chukkapalli	Non-Executive Director	Vice Chairman	4
Sri L. Madhusudhan Rao	Non-executive Director	Director	10
Sri M.N. Nambiar	Non-Executive Director	Director	1
Sri V.K. Srinivasan	Non-Executive Director	Director	NIL
Dr Prasada Rao VDM Raveilla	Non-Executive Director	Director	2
Dr Kilaru Hanumantha Rao	Non-Executive Director	Director	NIL
Sri Alyque Padamsee *	Non-Executive Director	Director	NIL
Sri P.V. Subrahmanyam **	Non-Executive Director	Director & CEO	NIL

* resigned from the Board with effect from 27-07-2001

** resigned from the Board with effect from 15-06-2001

B. *All pecuniary relationship or transactions of the non-executive directors vis-a-vis the Company should be disclosed in the Annual Report.*

None of the non-executive directors have any pecuniary relationship or transaction with the Company.



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II. AUDIT COMMITTEE

A qualified and independent Audit Committee shall be set up having a minimum of three independent non-executive directors as members. The role of the Audit Committee shall include the following:

- *Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.*
- *Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for repayment for any other services.*
- *Receiving with management the annual financial statements before submission to the Board.*

The Audit Committee of the Board of Directors reviews, acts and reports to the Board of Directors with respect to various auditing and accounting matters, including the recommendation for appointment of our independent auditors, the scope of the annual audits, fees to be paid to the independent auditors, the performance of our independent auditors and our accounting practices.

The Audit Committee comprises of the following three non-executive directors. The Audit Committee reviews the audited quarterly and yearly financial results with the Management before being submitted to the Board for its consideration and approval.

Sri Suresh Chukkapalli	-	Member
Sri M.N. Nambiar	-	Member
Dr. Prasada Rao VDM Ravella	-	Member

Name	No. of Meetings held during the year	Number of Meetings attended during the year
Sri Suresh Chukkapalli	4	4
Sri M.N. Nambiar	4	3
Dr. Prasada Rao VDM Ravella	4	1

III. REMUNERATION OF DIRECTORS

- A.** *The remuneration of the non-executive directors shall be decided by the Board of Directors.*

No remuneration was paid to the non-executive directors during the year 2001-2002.

- B.** *Appropriate disclosures on the remuneration of directors have to be made in the section on the corporate governance of the annual report.*

A remuneration committee was constituted with three non-executive directors viz., Sri V.K. Srinivasan, Sri M.N. Nambiar and Sri L. Madhusudhan Rao, as Members.

IV. BOARD PROCEDURE

- A.** *The Board of Directors of a Company shall meet at least four times a year, with a maximum time gap of four months between any two meetings.*

7 Board Meetings were held during the year 2001-2002. The dates on which the meetings were held are as follows:

20-04-2001, 15-06-2001, 28-06-2001, 27-07-2001, 29-10-2001, 21-12-2001 and 28-01-2002.