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Company Secretary

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Lanco Global Systems Ltd.

FOURTH ANNUAL REPORT

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**BOARD OF DIRECTORS**

Sri L. Madhusudhan Rao	Chairman & Wholetime Director
Sri Suresh Chukkapalli	Vice Chairman
Sri G. Bhaskara Rao	Director
Sri Y. Harish Chandra Prasad	Director
Sri M.N. Nambiar	Director
Sri V.K. Srinivasan	Director
Dr Prasada Rao VDM Ravella	Director
Dr Kilaru Hanumantha Rao	Director

COMPANY SECRETARY

Sri C. Krishnakumar

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, Road # 2,
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. |
|---|--|

**REGISTRARS &
SHARE TRANSFER AGENTS**

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

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NOTICE

Notice is hereby given that the Fourth Annual General Meeting of the Members of Lanco Global Systems Limited will be held at 3.00 P.M. on Saturday, the 27th September, 2003, at Surana Udyog Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B.14, Hyderabad to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet of the Company as on 31st March, 2003 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 Sri Suresh Chukkapalli, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri Kilaru Hanumantha Rao, who retires by rotation, and being eligible, offers himself for re-appointment.
4. 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.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to Section 269 and Schedule XIII to the Companies Act, 1956, the appointment of Sri L. Madhusudhan Rao as a Wholtime Director of the Company for a period of 1 year, with effect from 27th January, 2003, on remuneration of Rs.10,000/- per month be and is hereby approved."

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Sri Y. Harish Chandra Prasad be and is hereby appointed as a Director of the Company, whose period of office shall be liable to retire by rotation."

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956, Sri G. Bhaskara Rao be and is hereby appointed as a Director of the Company, whose period of office shall be liable to retire by rotation."

8. To consider and if thought fit, to pass with or without modification(s) the following resolution as Special Resolution.

"RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956 and the rules framed there under and in terms of the SEBI (Delisting of Securities) Guidelines, 2003, the Listing Agreement with The Stock Exchange, Ahmedabad, and all other applicable laws, rules, regulations and guidelines as may be applicable and modifications if any made to the above from time to time and subject to such approvals as may be necessary, consent of the shareholders be and is hereby accorded to the Board of Directors of the Company (herein after referred to as the 'Board', which expression shall be deemed to include a Committee of Directors duly authorized in this behalf) to delist the Equity Shares listed on The Stock Exchange, Ahmedabad.

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary for the purpose."

By Order of the Board
For LANCO GLOBAL SYSTEMS LIMITED

SURESH CHUKKAPALLI
VICE CHAIRMAN

Place : Hyderabad,
Date : 30-07-2003.

**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 Thursday, the 25th September, 2003 to Saturday, the 27th September, 2003 (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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 5.**

The Board of Directors at the Meeting held on 27th January, 2003, appointed Sri L. Madhusudhan Rao as Wholtime Director of the Company u/s 269 of the Companies Act, 1956 and Schedule XIII to the Companies Act, 1956, with effect from 27-01-2003 for a period of 1 year with remuneration of Rs.10,000/- per month, subject to the approval of Members in the 4th Annual General Meeting.

Except Sri L. Madhusudhan Rao none of the Directors is interested or concerned in the said resolution.

Item No. 6.

The Board of Directors, at its Meeting held on 16th October, 2002, appointed Sri Y. Harish Chandra Prasad as Additional Director of the Company. The said appointment is in accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 104 of the Articles of Association of the Company and

accordingly, the said Director holds office up to the date of the 4th Annual General Meeting. In accordance with requirements of Section 257 of the Companies Act, 1956, the Company has received notice in writing along with the prescribed amount as deposit proposing the candidature of Sri Y. Harish Chandra Prasad as Director liable to retire by rotation.

Except Sri Y. Harish Chandra Prasad, none of the Directors is interested or concerned in the said resolution.

Item No. 7.

The Board of Directors, at its Meeting held on 16th April, 2003, appointed Sri G. Bhaskara Rao as Additional Director of the Company. The said appointment is in accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 104 of the Articles of Association of the Company and accordingly, the said Director holds office up to the date of the 4th Annual General Meeting. In accordance with requirements of Section 257 of the Companies Act, 1956, the Company has received notice in writing along with the prescribed amount as deposit proposing the candidature of Sri G. Bhaskara Rao as Director liable to retire by rotation.

Except Sri G. Bhaskara Rao and Sri L. Madhusudhan Rao, none of the Directors is interested or concerned in the said resolution.

Item No. 8.

At present the Company's Equity Shares are listed on the following Stock Exchanges:

1. The Stock Exchange, Mumbai
2. The Hyderabad Stock Exchange Limited
3. The Stock Exchange, Ahmedabad

With the nationwide networking of The Stock Exchange, Mumbai (BSE), the investors have access to trade and deal in the Company's securities across the country. There was no trading in the Equity Shares of the Company on The Stock Exchange, Ahmedabad during the past two Financial Years. Hence, it is proposed to de-list the securities of the Company from The Stock Exchange, Ahmedabad. The proposed delisting will reduce paper work and save on cost. The proposed voluntary delisting will therefore not adversely affect any investors including the shareholders located in the region where the said Stock Exchange is situated. As per the

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guidelines issued by SEBI for de-listing of securities, a Company can de-list its securities by passing a special resolution at the General Meeting. The Securities of the Company shall continue to be listed on the Stock Exchange, Mumbai and The Hyderabad Stock Exchange Limited. The Company would also comply with additional conditions, if any, that may be imposed by The Stock Exchange, Ahmedabad, in this regard.

None of the Directors is interested or concerned in the said resolution.

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

Sri Suresh Chukkapalli

Sri Suresh Chukkapalli, (41) is an Engineering Graduate. He was the president of the Guntur District Automobile Association during 1990-93. He also served as a Member of Zonal Railway Users' Consultative Committee. He is currently a Member of Confederation of Indian Industry and Director on the Boards of Lanco Industries Limited, Lanco Net Limited, Frontline Constructions Limited, A.P. Gems and Jewellery Park Pvt. Ltd., IOI (India) Projects Pvt. Ltd., and Managing Director of Lanco Projects Limited.

Dr. Kilaru Hanumantha Rao

Dr Kilaru Hanumantha Rao, (55) is a fellow Member of American College of Emergency Physicians. He is one of the major investors in the Lanco Group Companies and is currently serving in various hospitals in the United States. He is a visiting faculty in Provena Saint Joseph Medical Center and served as President of Kurnool Medical College Alumni of North America from 1986-1991.

Sri L. Madhusudhan Rao

Sri L. Madhusudhan Rao, (37) did his M.Tech. (Mech. Design) and M.S. (Indl.Engg.) in U.S.A. He worked in Meadours Products of Michigan, Waggoner Brighton Corporation, Exotic Rubber & Plastics in U.S.A. He is the Chairman of Lanco Group of Companies. He is on the Boards of Directors of Lanco Kalahasthi Castings Ltd., Lanco Industries Ltd., Lanco Kondapalli Power Pvt. Ltd., Lanco Infratech Ltd., Clarion Power Corporation Ltd., Rithwik Energy Systems Ltd., Lanco Projects Ltd., Lanco Leasing & Investments Ltd., Lanco Group

Services Ltd., Lanco Electric Utility Ltd., Lanco Net Ltd., Lanco Green Power Pvt. Ltd., Lanco Energy Pvt. Ltd., and ABAN Power Company Ltd. He is a Member of prominent Industry and Business Associations.

Sri Y. Harish Chandra Prasad

Sri Y. Harish Chandra Prasad, (43) Graduated in Mechanical Engineering from Osmania University. He did his Masters Degree in Computers and Information Sciences at Brooklyn College of the City University of Newyork. He worked in Desein Private Limited, Spectrum Power Generation Limited before taking charge as Managing Director of Lanco Kondapalli Power Pvt. Ltd. He is a Director on the Boards of ABAN Power Company Ltd., Rithwik Energy Systems Ltd., Clarion Power Corporation Ltd., Lanco Electric Utility Ltd., Lanco Energy Systems Ltd., S R Power Engineering Services Pvt. Ltd., and Lanco Group Services Ltd. He is a Member of prominent Industry and Business Associations like Indian Institute of Engineers etc.

Sri G. Bhaskara Rao

Sri G. Bhaskara Rao, (49) did his M.Tech (Mech. Design.). He has rich experience in the fields of Engineering, Technology, Construction, Administration and Management etc. He has travelled extensively throughout the world. He is a Director on the Boards of Lanco Kalahasthi Castings Ltd., Lanco Industries Ltd., Lanco Kondapalli Power Pvt. Ltd., Clarion Power Corporation Ltd., Rithwik Energy Systems Ltd., Lanco Projects Ltd., Lanco Steels Ltd., Lanco Leasing & Investment Ltd., Lanco Infratech Ltd., Lanco Group Services Ltd., Lanco Electric Utility Ltd., Lanco Net Ltd., and Lanco Green Power Pvt. Ltd. He is a Member of several reputed institutions.

**DIRECTORS' REPORT**

To
The Members,

Your Directors have pleasure in presenting the Fourth Annual report on the business and operations of the Company together with the Audited Accounts for the year ended 31st March 2003.

(Rupees in lakhs)

FINANCIAL RESULTS	2002-2003	2001-2002
Turnover	278.07	608.12
Other Income	0.56	0.11
Gross Profit before Interest, Depreciation & Tax	91.69	139.53
Less: Interest	13.17	21.59
Depreciation	50.83	51.30
Provision for Tax	1.46	0.61
Profit after Tax	26.23	66.03
Less: Provision for Deferred Tax	4.37	25.00
Profit after Deferred Tax	21.86	41.03
Balance Brought forward	43.15	10.58
Cumulative Transactional Deferred Tax	—	8.45
Adjustment pertaining to earlier year	0.94	—
Profit Carried to Balance Sheet	64.07	43.16

During the current year, the Company has generated total revenue of Rs.278.07 Lakhs as against Rs.608.12 Lakhs in the previous year. The profit after deferred tax during the current year is Rs.21.86 Lakhs as against Rs.41.03 Lakhs in the previous year.

In view of the recessionary trends in software industry and global economic conditions, the continuation of operations at US and UK branches were not economical, as the revenues were not matching to the expenditure. So, the operations at US and UK branches have been

closed. Due to closure of operations at US and UK, there was a fall in revenue. However, the revenue generated from Hyderabad Development Centre during the current year is Rs.278.07 lakhs as against Rs.238.47 lakhs in the previous year, registering a growth of 16.6%.

CONSEQUENTIAL DEVELOPMENTS TO EGM HELD ON 23-08-2002.

Consequent to the Special Resolution passed in the Extra-ordinary General Meeting of the Company held on 23-08-2002, the Company initiated the process of obtaining the approvals from the Government of India (Secretariat for Industrial Assistance) and Reserve Bank of India. However, since the Securities & Exchange Board of India (SEBI) withdrew exemption to preferential allotment of equity shares w.e.f. 9th September, 2002 and as the Company could not allot the shares by that date, pending the receipt of the approvals from GOI and RBI, the Special Resolution ceased to have effect.

DIRECTORS

During the year, Sri L. Rajagopal resigned from the Board. The Board placed on record its appreciation of the services rendered by Sri L. Rajagopal during his tenure as Chairman.

Sri L. Madhusudhan Rao was unanimously elected as the Chairman of the Board on 16th April, 2003.

In accordance with the provisions of Companies Act, 1956 and the Articles of Association of the Company, Sri Suresh Chukkapalli and Sri Kilaru Hanumantha Rao, Directors 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, 1956.

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PARTICULARS REGARDING CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS 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.274.37 lakhs
(F.O.B.Value)

Foreign Exchange outgo : Rs.15.21 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 2003 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 sense of appreciation for the sincere services of all the employees of the Company.

FOR AND ON BEHALF OF THE BOARD

SURESH CHUKKAPALLI
VICE CHAIRMAN

G. BHASKARA RAO
DIRECTOR

Place : Hyderabad,
Date : 30-07-2003.



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.

1. 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 2002-2003 are given below:

Name	Category	Designation	Number of membership in Boards of other public Companies
Sri L. Rajagopal	Non-Executive	Chairman	9
Sri L. Madhusudhan Rao	Executive	Whole-Time Director	11
Sri Suresh Chukkapalli	Non-Executive Independent	Vice Chairman	6
Sri Y. Harish Chandra Prasad *	Non-Executive	Director	4
Sri M.N. Nambiar	Non-Executive Independent	Director	NIL
Sri V.K. Srinivasan	Non-Executive Independent	Director	NIL
Dr Prasada Rao VDM Ravella	Non-Executive Independent	Director	3
Dr Kilaru Hanumantha Rao	Non-Executive Independent	Director	NIL

* appointed to the Board with effect from 16-10-2002.

- 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 has 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 other accounting practices.

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

Sri M.N. Nambiar - Member

Sri Suresh Chukkapalli - Member

Dr Prasada Rao VDM Ravella - Member

Name	Number of Meetings held during the year	Number of Meetings attended during the year
Sri Suresh Chukkapalli	5	5
Sri M.N. Nambiar	5	4
Dr Prasada Rao VDM Ravella	5	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 2002-2003.

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

The remuneration Committee was reconstituted with three non-executive directors viz., Sri V.K. Srinivasan, Sri M.N. Nambiar and Sri Suresh Chukkapalli, as Members.

The Wholtime Director was appointed on a remuneration of Rs.10,000/- per month as per the recommendation of the Committee, which was approved by the Board subject to the approval of Members in the General Meeting.

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.***

5 Board Meetings were held during the year 2002-2003. The dates on which the meetings were held are as follows:

19-04-2002, 23-07-2002, 23-08-2002, 16-10-2002 and 27-01-2003.

Agenda papers along with detailed notes were circulated to the Directors in advance for each of these meetings. All relevant information, as recommended by the SEBI Committee on Corporate Governance as well as items required under Clause 49 of the Listing Agreement were placed before the Board from time to time.

The attendance record of the Directors during the year 2002-2003 is given below: