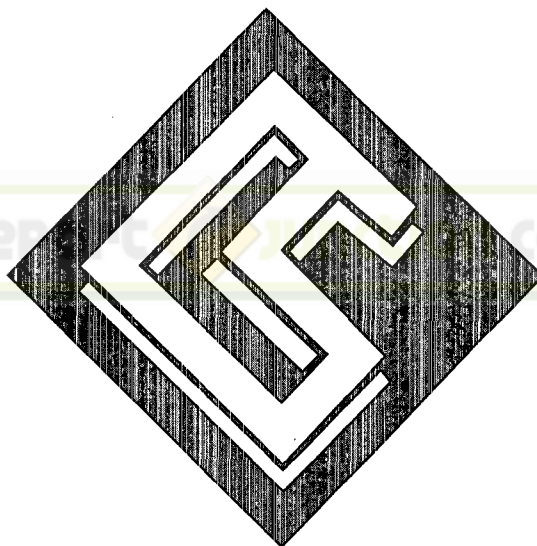


22nd

ANNUAL REPORT

2006 - 2007



Capricorn Systems
Global Solutions Limited

People and Solutions

BOARD OF DIRECTORS

- | | | |
|----|-----------------------|----------|
| 1. | Mr. S. Man Mohan Rao | Director |
| 2. | Mr. G. Surender Reddy | Director |
| 3. | Mr. S. Murali Krishna | Director |
| 4. | Mr. A. Rajan Dass | Director |

Registered Office & Development Centre:

306, Maitrivanam HUDA Complex,
S.R. Nagar,
Hyderabad – 500 038.

Auditors:

M/s. Satyanarayana & Co.,
Chartered Accountants,
Amar Mansion,
Rani Gunj,
Secunderabad – 500 003.

Bankers:

ICICI Bank Limited,
S.R. Nagar Branch,
Hyderabad – 500 038.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to all the Share holders of the Company that the **22nd Annual General Meeting of Capricorn Systems Global Solutions Limited** will be held at the Registered Office of the Company at #306, Maitrivanam, HUDA Complex, SR Nagar, Hyderabad - 500038 on Friday the **28th September 2007**, at 3 p.m. to transact the following business:

As Ordinary Business:

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March, 2007 and the Profit and Loss Account, Cash Flow Statement for the period ended as on that date along with the Directors' and Auditor's Report thereon.
2. To appoint M/s. Satyanarayana & Co., Chartered Accountants, Secunderabad as the Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.
3. To appoint a director in the place of Mr. A. Rajan Dass, who retires by rotation and being eligible, offers himself for re-appointment.

Place : Hyderabad

by Order of the Board

Sd/-

S. Man Mohan Rao

Director

Date : 29-Jun-2007.

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Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective, should be completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
3. The members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
4. Register of members and the Share Transfer Books of the Company shall remain closed from 25th September 2007 to 28th September 2007 (both the days inclusive).
5. Members are requested to intimate immediately to the Company, quoting the Registered Folio Number, change in their address, if any, with the PIN Code number.
6. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company at least seven days before the date of the meeting, so that the information required by the members may be made available at the meeting.
7. Members attending the meeting are requested to bring with them the attendance slip attached to the Annual Report duly filled in and signed and handover the same at the venue of the Annual General Meeting.

DIRECTORS' REPORT**Dear Shareholders,**

Your Directors have pleasure in presenting the Twenty Second Annual Report together with the Audited Accounts of the Company for the year Ended 31st March 2007.

(Rs. Lakhs)

Particulars	2006-07	2005-06
Income	89.83	103.44
Profit before Depreciation and Taxation	15.19	17.45
Depreciation	12.22	11.40
Profit before Tax	2.97	6.05
Provision for Tax	1.10	1.92
Profit after Tax	1.87	4.13

OPERATIONS:

During the year your Company has achieved a turnover of Rs.89.83 Lakhs. The Company has executed software development orders for overseas customers during the year. The efforts of the Company with the dedicated skilled resources would help the Company in achieving higher revenues and margins.

DIVIDEND:

As the company is in the process of stabilizing its operations in the changed market conditions no dividend is proposed for the year.

MARKET AND FUTURE OUTLOOK:

The future outlook of the Company is encouraging. The Company is planning to enter into Product Development segment for the growth of the Organization.

The Company is making efforts to execute development works in niche areas.

DEMATERIALISATION OF SHARES:

9.68% Shares of the Company has been dematerialized up to 31st March, 2007.

LISTING WITH STOCK EXCHANGES:

The Shares of the Company were suspended during the year from July ' 2005, citing the non – receipt of the Book Closure Notice for the Year 2004 – 2005. The Company is making efforts to get the suspension revoked.

FIXED DEPOSITS:

The company has not accepted fixed deposits during the period under review.

PERSONNEL:

There are no employees in the company whose particulars are required to be given pursuant to section 217(2A) of the Companies Act, 1956.

DIRECTORS:

There has been no change in the constitution of the Board of Directors since the date of last meeting.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the period ended 31st March 2007, the applicable accounting standards had been followed along with proper explanation relating to material departures..
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company for the year under review.
- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the directors had prepared the accounts for the period ended 31st March 2007 on a going concern basis.

AUDITORS:

M/s. Satyanarayana & Co., auditors of the Company hold office till conclusion of the ensuing annual general meeting and are eligible for reappointment. The Company has received a letter from M/s. Satyanarayana & Co., Chartered Accountants to the effect that their appointment if made would be within the limits under section 224(1B) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO:

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to these matters is as under:

A. Conservation of Energy

Though the Company's operations involve low energy consumption, there is a constant endeavor to conserve energy.

B. Absorption of Technology

The company has an in-house R&D team for up gradation/ development of the technologies and products.

C. Foreign Exchange earnings and Outgo:

Foreign Exchange earnings (on cash basis)	: Rs.61,41,973
Foreign Exchange Outgo	: -nil-

COMPLIANCE CERTIFICATE:

The Company has complied with the provisions of Corporate Governance under listing agreement. Company is in the process of broad basing the Board to make it in consonance with clause 49 of the listing agreement. A Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the listing agreement is attached to this report.

ACKNOWLEDGEMENTS:

Your Board would like to place on record its sincere appreciation for the wholehearted support and contributions made by its employees, business associates, shareholders and banks towards conducting the operations of the company.

for and on behalf of the Board

Sd/-

S. Man Mohan Rao

Director.

Place : Hyderabad
Date : 29-Jun-2007.

MANAGEMENT DISCUSSION AND ANALYSIS:**INDUSTRY STRUCTURE AND DEVELOPMENTS:**

The company is engaged in the business of software development, providing consultancy services in the fields of software and allied services.

REVIEW OF OPERATIONS:

The Company has been concentrating on developing expertise in the latest software technologies (i.e. .net and C). Company is also scaling up its recruitment operations/professional services operations to overseas customers.

FINANCIAL REVIEW:

The Company has achieved a total turnover of Rs.89.83 Lakhs. The Gross Profit (earnings before interest, depreciation and taxes) was Rs.15.19 Lakhs. The paid-up share capital as at 31st March 2007 amounts to Rs.399.96 Lakhs.

OPPORTUNITIES:

The outlook for the services rendered by the company is encouraging. The company with its strengths and business alliances is exploring the new markets. The market in US for software services is improving and India has established itself as destination for high quality technical services and support at a reasonable cost. The company is making all efforts to improve its turnover by forging suitable alliances to tap the growing market. The company with its quality standards and qualified work force is poised to increase its presence in the market.

CHALLENGES:

CSGSL encounters normal market competition from other similar companies. A number of MNCs have started operations in India in general and Hyderabad in particular. The demand for talent is assuming greater significance. Retaining the existing manpower and recruiting experienced professionals is becoming a major concern for the operations. The company is gearing up for the same by enhancing its service range effectively backed up by adopting appropriate combination of the strategies.

OUTLOOK:

The software industry is poised to register a growth rate of 25-30% per annum over the coming years, and CSGSL is targeting a growth rate of around 30% for the current year.

RISKS AND CONCERNS:

The domestic and international economic environment directly influences the spending patterns of the industry on the Information Technology. And also the margins of the companies are affected by any changes in the government regulations like taxation and also the increased competition from other countries. The company is out of tax holiday bracket, hence the revenue generated is liable to tax. This affects the profitability of the company in the present and coming period.

ADEQUACY OF INTERNAL CONTROLS:

CSGSL has a proper and adequate system of internal control to ensure that all the assets are safeguarded and protected against loss or misuse or disposition and the transactions are authorized, recorded and reported correctly. The internal control systems are supplemented by management review. The internal control system is designed to ensure that the financial and other records are reliable and also maintaining accountability of assets.

QUALITY:

The software development activity of the company has been awarded ISO 9001:2000 certification.

HUMAN RESOURCE DEVELOPMENT AND INDUSTRIAL RELATIONS:

CSGSL has 27 employees. CSGSL recognizes the contributions of its people in creating a company, which ranks as one of the best facilities with highly skilled people.

CSGSL provides continuous learning and personal development programs by conducting training and evaluation of its personnel. Industrial relations have been very cordial in the organization during the year.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To
The Board of Directors of
M/s. Capricorn Systems Global Solutions Ltd

We have reviewed implementation of Corporate Governance procedures set by Capricorn Systems Global Solutions Limited for the period ended 31st March 2007 with relevant records and documents maintained by the Company and furnished to us for our review and the report on Corporate Governance as approved by the Board of Directors.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

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.

On the basis of our review and according to the information and explanations given to us, the conditions of Corporate Governance as stipulated in Clause 49 of the Listing agreements with the stock exchanges have been complied with in all material respect excepting the composition of the Board with regard to the number of independent directors.

For Satyanarayana & Co.
Chartered Accountants.

J. Jagannadha Rao
Partner.
Date : 29th June 2007