

L N S E L

LEE & NEE SOFTWARES (EXPORTS) LIMITED



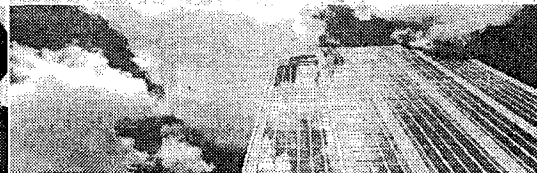
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2008-2009

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Lee & Nee Softwares (Exports) Ltd.

BOARD OF DIRECTORS : AJAY KUMAR AGARWAL – Executive Director
S. M. GUPTA – Promoter Director
PARESH AGARWAL – Independent Director

AUDITORS : L. BHALOTIA & ASSOCIATES
CHARTERED ACCOUNTANTS

BANKERS : ICICI BANK LTD.
UNITED COMMERCIAL BANK
UNION BANK OF INDIA
INDIAN OVERSEAS BANK
INDUSIND BANK LTD.
ABN AMRO BANK N.V.
ORIENTAL BANK OF COMMERCE
ALLAHABAD BANK

REGISTERED OFFICE : 14B, CAMAC STREET, 2ND FLOOR, KOLKATA-700017

SOFTWARE DEVELOPMENT CENTRE & DEVELOPMENT CENTRE : SOFTWARE TECHNOLOGY PARK
SALT LAKE ELECTRONICS COMPLEX
BLOCK 'GP', SECTOR-V
SDF BUILDING, 4TH FLOOR
BIDHANNAGAR, KOLKATA-700 091

OTHER SOFTWARE DEVELOPMENT CENTRES : SOFTWARE TECHNOLOGY PARK
BHUBANESHWAR
ROURKELA

REGISTRAR & SHARE TRANSFER AGENTS : MAHESHWARI DATAMATICS PVT. LTD.
6, MANGOE LANE, 2ND FLOOR
KOLKATA-700 001



Lee & Nee Softwares (Exports) Ltd.

NOTICE

NOTICE is hereby given that the **21st Annual General Meeting** of **Lee & Nee Softwares (Exports) Limited** will be held at Shishir Mitra Hall, 3rd Floor, Webel Bhavan, Block EP & GP, Sector-V, 3rd Floor, Saltlake, Kolkata-700 091 on Saturday the 19th day of September, 2009 at 11 A.M. for the transaction of the following businesses.

ORDINARY BUSINESS :

1. To consider and adopt the Accounts of the Company for the Financial year ended 31st March, 2009 and the Balance Sheet as on that date with the reports of the Directors and Auditors thereon.
2. To appoint Director in place of Mr. Ajay Agarwal who retires by rotation and being eligible offers himself for re-appointment. He holds Nil Equity Shares in the Company.
3. To appoint Auditors and fix their remuneration.

By order of the Board
For LEE & NEE SOFTWARES (EXPORTS) LTD.

Sd/-

(Ajay Agarwal)

Executive Director

Place : Kolkata

Date : The 25th day of August, 2009

NOTES :

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the Meeting.
2. Members are requested to bring their copies of the Report and Accounts at the Meeting.
3. Members are requested to notify any change in their address immediately to the Registrar and Share Transfer Agents at the below mentioned address.
4. Members who have multiple accounts in identical names or joint accounts in same order are requested to intimate to the Company, the ledger folios of such accounts to enable the Company to consolidate all such share holding into one account.
5. Shareholders are requested to send all transfer documents to the Registrar & Share Transfer Agents of the Company by Registered Post to ensure safe delivery of documents.
6. The Register of Members and Share Transfer Book of the Company will remain closed from 12.09.2009 to 19.09.2009 (both days inclusive).
7. a) Shareholders desiring any information as regards to Accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
b) Quote registered folio number or client ID in all correspondence.
8. Consequent upon the introduction of Section 109A of the Companies Act, 1956 Shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B to the Registrar & Share Transfer Agents :
M/s. Maheshwari Datamatics Pvt. Ltd. 6, Mangoe Lane, 2nd Floor, Kolkata - 700 001
9. As per SEBI's directive, w.e.f. June 26, 2000, all investors can offer delivery of Company's shares in dematerialized form only. 2,46,43,222 number of Company's shares (44.18%) have been dematerialized as on 31.03.2009.
Members are requested to take steps to dematerialize their shares held in physical form to have easy liquidity.
The Company's ISIN No. is INE791B01014.
10. Send all share transfer lodgements (physical mode) correspondence to the Registrar and Share Transfer Agent of the Company.
11. Members are informed in case of joint holders attending the meeting, only such joint holder who is higher in the order of the names will be entitled to vote.
12. Corporate members are requested to forward a certified copy of the Board Resolution authorising their representative to attend and vote at the Meeting.



Lee & Nee Softwares (Exports) Ltd.

DIRECTORS' REPORT

To,
The Shareholders.

Your Directors have pleasure in presenting the **21st Annual Report** together with the Audited Statement of Accounts for the year ended 31st March, 2009.

Working and Financial Results

Total Income during the year was Rs.1,17,94,096.08/- as compared to Rs. 1,22,10,563.15/- in the previous year but the profit during the year amounting to Rs. 11,02,666.80/- as against loss of Rs. 6,21,881.92/- in previous year.

The net impact of the above, has resulted in profit during the year compared to the earlier year due to better capacity utilisation in BPO sector specially in Call Centre Project though it is yet to be stable and suffering from several contingencies and industry hazards.

The Financial Highlights are given below :

	Figures for the Current year Rs.	Figures for the Previous year Rs.
Balance Brought Forward from the Last Year	(3,16,29,998.15)	(3,10,08,116.23)
Profit / (Loss) Before Depreciation	15,05,796.43	(1,46,365.23)
	<u>(3,01,24,201.72)</u>	<u>(3,11,54,481.46)</u>
Add/Less :		
Depreciation	<u>(4,03,129.63)</u>	<u>(4,75,516.69)</u>
Loss	<u>Rs. (3,05,27,331.35)</u>	<u>Rs. (3,16,29,998.15)</u>

Dividend

No dividend is recommended in view of the accumulated loss during the year apart from meeting the contingent liabilities.

Future Prospects

BPO (Business Process Outsourcing) – The Company is targetting ITES based services, both voice & non-voice based projects from several organisations in USA, Canada, UK & Australia. Endeavours are being made to move towards better segment of ITES such as KPO (Knowledge Process Outsourcing) & EPO (Education Process Outsourcing). To bridge the gap of manpower the Company has targeted to explore market of manpower development, manpower resourcing, developing, delivering under the new brand name LNSEL Jobs Online which has resulted in positive. Endeavours are being made for strategic alliances with staffing Companies in U. S. A.

The Company is preparing itself to set up a SEZ unit and is working for suitable space in a Special Economic Zone of a size more than several times of its current size. The Company envisages to move to SEZ (Special Economic Zone) on allotment of land from the respective authorities.

Outlook

The Company apart from software services, has established its reputation in the market as an Information Technology Enabled Service provider (ITES) specially in Medical Transcription as well as International Call Centre. The proposed expansion would further consolidate the position of the Company. This has a better margin of profitability and has resulted in higher growth of the Company.

Your Directors are glad to report that the adverse factors stand substantially abated so far in the current year. Accordingly your directors are confident of achieving better results in the year 2009- 10.

Fixed Deposits

The Company has not accepted any deposit from the Public.

Directors

Your Director, Mr. Ajay Agarwal, retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

Directors' Responsibility Statement

Your Directors confirm :

- that in the preparation of the annual accounts, the applicable accounting standards have been followed.
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year.



Lee & Nee Softwares (Exports) Ltd.

(iii) 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, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

(iv) that the Directors have prepared the annual accounts on a going concern basis.

Auditors

Your Auditors M/s. L. Bhalotia & Associates, Chartered Accountants also retire at the Annual General Meeting & have expressed their unwillingness to be reappointed. Your Board of Directors have approached M/s. Om Sagar & Associates, Chartered Accountants of 61, Lindsay Street, Kolkata-87, to hold the office of Auditors of the Company and has stated that appointment if made shall be in accordance with the limits specified u/s. 224(1B) of the Companies Act, 1956.

Auditors' Observations

As regards observations made by the Auditors, the relevant notes in Schedule-14 are self explanatory.

Cash Flow

In accordance with the requirement of Clause 32 of the Listing Agreement with the Stock Exchanges, a cash flow statement duly verified by your Auditors together with the certificate is annexed hereto.

Corporate Governance

Your Company has complied with the requirements of Corporate Governance pursuant to clause 49 of Listing Agreement with the Stock Exchanges and a report to that effect is enclosed herewith.

Dematerialization of Equity Shares

Your Company has entered into agreement with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSIL) for dealing in Equity Shares of the Company in dematerialized form. Your Company has been allotted (ISIN No. **INE 791B01014**). The shareholders may send their share certificates through their depository participants for having the shares in electronic form.

Other Information

None of the employees were in receipt of remuneration exceeding limits prescribed u/s. 217(2A) of the Companies Act, 1956 and the Rules made thereunder.

As required u/s. 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, Your Directors Report as follows :-

- A. Conservation of Energy : Not Applicable.
 B. Technology Absorption : Your Company is developing its capabilities in I. T. Enabled Services and Medical Transcription as well as a Call Center.

An expansion in the operation is ahead through strategic alliances for Business Process Outsourcing Projects.

- C. (a) Foreign Exchange Earning : Rs. 1,08,94,135.65/- (previous year Rs. 1,08,84,697.99/-) including sale of other 100% EOU units.

- (b) Foreign Exchange Outgoing : Rs. 4,74,591.89/- (Previous Year Rs. 21,54,693.38/-) on account communication exp., business procurement fees and ASP/VOIP charges.

Acknowledgments

Your Directors place on record their appreciation for the help and co-operation received by them from ICICI Bank Ltd., UCO Bank, Allahabad Bank, Indian Overseas Bank, Union Bank of India, Indusind Bank, Oriental Bank of Commerce, State Government of West Bengal and Orissa and Department of Electronics & Department of Telecommunication under Ministry of Information & Technology Government of India, specially Software Technology Parks of India.

Your Directors also place on record their appreciation for the dedicated services rendered by the employees of your Company at all levels.

On behalf of the Board of Directors
 For LEE & NEE SOFTWARES (EXPORTS) LTD.

Sd/-

Place : Kolkata

Dated : The 25th day of August, 2009.

Directors : 1. Ajay Agarwal
 2. Paresh Agarwal



Lee & Nee Softwares (Exports) Ltd.

ANNEXED TO AND FORMING PART OF THE DIRECTORS' REPORT REPORT ON CORPORATE GOVERNANCE

INFORMATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT

- a) De-listing :
No application for delisting the Company's securities has been made to any of the Stock Exchanges.
- b) Suspension in Trading :
Trading in the Company's Securities was not suspended.
- c) Listing Fees :
The listing fees payable as on 31.03.2009 to the various Stock Exchanges aggregating to Rs. 99,445/- has been paid.

CORPORATE GOVERNANCE

(Pursuant to Clause 51 of the Listing Agreement entered into with the Stock Exchanges)

1. The Company is committed to the best practice in the area of Corporate Governance. The Company believes that proper corporate governance facilitates effective management and control of business. This in turn, enables the Company to deliver the best results to all its share holders. The objective can be summarized as :
 - To enhance shareholders value.
 - To protect interest of shareholders.
 - To ensure transparency and integrity in communication and to make available full, accurate and clear information to all concerned.
 - To ensure accountability for performance and to achieve excellence at all levels.

The Company is committed to :

- ensure that the Company's Board of Directors meets regularly, provides effective leadership, exercises control over management and monitors executive performance.
- establish a framework of strategic control and continuously review its efficacy.
- establish clearly documented and transparent management process for policy development, implementation and review, decision-making, monitoring, controlling and reporting.
- provide free access to the Board, to all relevant information, advice, resources as are necessary to enable it to carry out its role effectively.
- ensure that a senior executive is made responsible to the Board to ensure compliance with all applicable statutes, regulations and other procedures, policies as laid down by Board and report deviation, if any, to the Board.

2. BOARD OF DIRECTORS :

(A) Composition of Board as on 31.03.2009

The Board of Directors comprises of three Directors. The Composition is as under :

Name of the Director	Position	No. of Meeting held	No. of Meeting attended	Whether attended last AGM	No. of other directorship
Mr. Ajay Agarwal	Executive Director	5	5	Yes	Nil
Mr. Paresh Agarwal	Independent Director	5	5	No	Nil
Mr. Sagarmal Gupta	Promoter Director	5	5	Yes	2

Five Meetings of the Board of Directors were held during the year ended on 31st March, 2009. These were held on : 29th April 2008, 29th July 2008, 4th September 2008, 25th October 2008 and 24th January 2009.

(B) Non-executive Directors' compensation & disclosures

Name of the Director	Sitting fees	Consultancy Fees	Total
1. Mr. Ajay Agarwal	Nil	—	Nil
2. Mr. Paresh Agarwal	Nil	—	Nil
3. Mr. Sagarmal Gupta	Nil	—	Nil

1. Sitting Fees constitute fees paid to Non-executive directors for attending Board and Committee Meetings.
2. The Company did not have any pecuniary relationship or transaction with the Non-Executive directors during the year 2008-2009.



Lee & Nee Softwares (Exports) Ltd.

(C) Other provisions as to Board and Committees –

The Board held five meetings during the year 2008-2009, on 29th April 2008, 29th July 2008, 4th September 2008, 25th October 2008 and 24th January 2009.

The agenda paper was circulated well in advance of each meeting and all the relevant information as required by clause 49 of the Listing Agreement was made available to the Board of Directors.

No Director holds membership of more than 10 Committees of Boards nor is any Director, Chairman of more than 5 Committees of Boards.

(D) Code of Conduct –

The Board has formulated a code of conduct for the Board members and senior management of the Company. The same has also been posted on the website of the Company www.lnsel.com

All Board members and senior management personnel have affirmed their compliance with the code. The Annual Report contains a declaration to this effect signed by the Directors of the Company.

3. AUDIT COMMITTEE :

(A) Qualified & Independent Audit Committee –

The Company has an Audit Committee at the Board level with the powers and the role that are in accordance with Clause 49 II(C) and (D) of the Listing Agreement. The Committee acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting process. The Audit Committee comprises of two directors as under :

1. Mr. Paresh Agarwal – F. C. A. Independent, Non-Executive – Chairman
2. Mr. Sagarmal Gupta – F. C. A. Independent, Non-Executive – Member.

(B) Meeting of Audit Committee –

The Committee has met 5 times in the financial year ended 31st March 2009. They were held on 29th April 2008, 29th July 2008, 4th September 2008, 25th October 2008 and 24th January 2009. The minutes of the meeting of the Audit Committee is reviewed and noted by the Board. The Composition of the Committee and the attendance at the meetings of the committee is given below.

Name of the Member	Category	Position	No. of Meeting held	No. of Meeting attended
Mr. Paresh Agarwal	Independent	Chairman	5	5
Mr. Sagarmal Gupta	Independent	Member	5	5

(C) Powers of Audit Committee 49 (IIC) –

The Powers of the Audit Committee of the Company include the following –

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

(D) Role of Audit Committee –

The functions of the Audit Committee of the Company 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 to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to :
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies act, 1956.
 - Changes, if any, in accounting policies and practices and reasons of the same.
 - Major accounting entries involving estimates based on the exercise of judgement by the management.
 - Significant adjustments made in the financial statements arising out of audit findings.



Lee & Nee Softwares (Exports) Ltd.

– Compliance with listing and other legal requirements relating to financial statements.

– Disclosure of any related party transactions.

– Qualifications in the draft audit report.

- Reviewing with the management, the quarterly, half yearly and yearly financial statement before submission to the Board for approval.
- Reviewing with the management, performance of the statutory and internal auditors and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any including the structure of the internal audit department staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with the internal auditors any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with the statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any areas of concern.

(E) Review of information by Audit Committee –

The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews:

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.
- Management letters/letters of internal control weaknesses issued by the statutory auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment, removal and terms of remuneration of the Chief internal auditor.

4. SUBSIDIARY COMPANIES :

The company does not have any subsidiary company.

5. DISCLOSURES :

There are no materially significant related party transactions i.e. transactions material in nature, with its promoters, the Directors or the Management or their relatives etc. having potential conflict with the interests of the Company.

(A) Basis of related party transactions –

The details of all transactions with related parties are placed before the Audit Committee on quarterly basis.

(B) Board Disclosures –

Disclosure of Accounting Treatment – In the preparation of financial statements, the Company has followed the Accounting Standards issued by the the Institute of Chartered Accountants of India to the extent applicable.

Disclosures on Risk Management – The Company has laid down procedures to inform Board members about the risk assessment and minimisation procedures. A Risk Management Committee consisting of Director and senior executives of the Company has been formed to periodically review these procedures to ensure that executive management controls risk through means of a properly defined framework. The company has framed the risk assessment and minimisation procedure which will be periodically reviewed by the Board.

(C) Proceeds from public issues, rights issues, preferential issues etc. :

The Company did not raise any money through any issue during the year 2008-2009.

The Company has complied with all rules and regulations prescribed by the Stock Exchanges, SEBI or any Statutory Authority relating to the Capital Markets during the last three years. No penalties structures have been imposed by them on the Company.

(D) Remunerations of Directors :

The Company has a remuneration committee comprising of two Directors. The composition of the committee is as follows –



Lee & Nee Softwares (Exports) Ltd.

Name of the Member	Position	No. of Meeting held	No. of Meeting attended
Mr. Ajay Kumar Agarwal	Executive Director	5	5
Mr. S. M. Gupta	Promoter Director	5	5

(E) Management Discussion and Analysis Report :

Industry Structure and Developments : The contribution of IT & BPO Sector in India's economy is much higher than its export achievement or the brand equity in foreign markets that has raised India's economy profile abroad. The BPO industry today boasts over turnover of \$ 12 billion & employs 23,00,000 staffs. The NASSCOM - McKinsey 2009 report estimates that the combine IT & BPO industry workforce is increasing by 26% annually. Despite of global meltdown India is still the leader in the world in IT & BPO.

BPO Business – BPO business providing software & services to companies outside its border has experienced growth rate as much as 50% in a single year. In the last eight years average growth has been 33.7%. Though due to slowdown in US economy this is expected to reduce between 21 -24% but even the projected growth rate of 21 -24% is robust and in sync with the industry target of achieving \$60 -62 billion of exports by 2010 as stated by NASSCOM. The gross revenue from domestic segment experienced growth to register revenue of \$ 13 billion. It is expected that the industry will grow further by 15-20% in the year 2009-10 despite the current situation.

BPO Destinations – India, Malayasia, Vietnam, Singapore, Philippines, Latin America, Eastern Europe, South Africa and recently Egypt is considered as a significant BPO destinations. The industry creates lot of job opportunities for youth and brings overall growth for the country.

Future of Indian BPO – The Conventional Custom Application Development continues to remain the dominant service line which is expected to witness steady growth. This service line accounts for 49% of Indian IT service exports & will continue to dominate. The other service lines witnessing attraction include IT consulting, Staffing Solutions, Infrastructure Management Services and R & D and System Integration. Revenue from exports of software services and BPO will reach about \$ 72 billion for the next fiscal year, according to data released by the NASSCOM. BPO boom has arrived in West Bengal also. New players are coming and FDI investment is also foreseen. Indian IT companies have successfully scaled up operation and made a mark in the global outsourcing business market. Post presidential election in US it was interpreted that BPO industry will be affected but still India is witnessing growth.

Risks & Concerns for Indian It Industry – Though demand conditions have been optimistic, the Indian IT sector is exposed to certain risks which may hinder growth. An appreciating Rupee, slow down in US economy, shortage of skilled manpower, limitations in domestic infrastructure and competition from other global players. Services provided at a low cost by China, Philippines and Vietnam are threat to Indian Companies. The employment and growth has reduced to 16%. Apart from this increasing activities of global MNC's is making it difficult for employee retention for Indian Companies.

On the financial front wage inflation of 15% can reduce the top line as well as the bottom line of the companies. Shortage of experienced and skilled call centre professionals is another concern for the industry. In voice based operations infrastructural support as to Zero break down is another continguous factor which affects revenue.

Opportunities and threats – Growth in IT and ITES industry is spreading. Having made indeilible mark in global BPO business this sector is thriving in KPO. According to the market report this new outsourcing avenue for Indian BPO market estimates that the world BPO market is worth US \$234 billion with the contribution from India worth \$ 5.7 billion. India is a major KPO player in the world has inherent advantages because of its intellectual and Internet resource.

On the other side, the threats are increased attrition, saturated infrastructure, regular political issues and reliability of the project performance, meeting customer requirements and getting payment. Given the fact that the industry is growing at a compounded annual rate (CAGR) of 33.7% certain issues like data security and lack of product expertise pose serious threats to the growth of this industry. The IT Act Amendment Bill 2006 has been rolled out from Dec. 2008 as it is expected to herald a new , more stringent IP policy structure.

Growth – According to Nasscom-McKinsey study, the IT-enabled services sector was due to employ 1.1 million people and earn \$ 1 billion by 2008. The rapid growth is throwing up winners and the losers who didi nearly everything right and are now set to take on a larger share of the BPO pie even as they gear to meet