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LEE & NEE SOFTWARES (EXPORTS) LIMITED



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**TWENTY SECOND**

**ANNUAL REPORT & ACCOUNTS**

**2009-2010**



## Lee & Nee Softwares (Exports) Ltd.

**BOARD OF DIRECTORS :** AJAY KUMAR AGARWAL – Executive Director  
S. M. GUPTA – Promoter Director  
PARESH AGARWAL – Independent Director (upto 24.10.2009)  
ARPITA GUPTA – Independent Director (w.e.f. 24.10.2009)

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

**OTHER SOFTWARE :** SOFTWARE TECHNOLOGY PARK  
**DEVELOPMENT CENTRES** BHUBANESHWAR

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



## Lee & Nee Softwares (Exports) Ltd.

### NOTICE

NOTICE is hereby given that the **22nd 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 25th day of September, 2010 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, 2010 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. Sagarmal Gupta who retires by rotation and being eligible offers himself for re-appointment. He holds 11,97,017 (2.14%) 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, 2010.

#### 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 19.09.2010 to 25.09.2010 (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. 2,46,61,022 number of Company's shares (44.216%) have been dematerialized as on 31.03.2010.  
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.
13. Brief particulars of S. M. Gupta, retiring director by rotation seeking reappointment :-  
Sagarmal Gupta, Date of birth - 01.07.1950, date of appointment - 07.12.1991, CA, long experience of Software Business management including overseas business.



# Lee & Nee Softwares (Exports) Ltd.

## DIRECTORS' REPORT

To,  
The Shareholders,

Your Directors have pleasure in presenting the 22nd Annual Report together with the Audited Statement of Accounts for the year ended 31st March, 2010.

### Working and Financial Results

Total Income during the year was Rs. 1,12,74,301.17/- as compared to Rs. 1,17,94,096.08/- in the previous year but the profit during the year amounting to Rs. 14,23,756.96/- as against loss of Rs. 11,02,666.80/- 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	(3,05,27,331.35)	(3,16,29,998.15)
Profit/(Loss) Before Depreciation	17,19,798.96	15,05,796.43
	<u>(2,88,07,532.39)</u>	<u>(3,01,24,201.72)</u>
Add/Less :		
Depreciation	(2,96,042.00)	(4,03,129.63)
Loss	<u>Rs. (2,91,03,574.39)</u>	<u>Rs. (3,05,27,331.35)</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 targeting 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. The Company further wishes to pursue ERP implementation projects and hopeful of sizeable orders.

### 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 would have a better margin of profitability and would result in higher growth of the Company. New area of ERP implementation projects shall further add to the revenue 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 2010-11.

### Fixed Deposits

The Company has not accepted any deposit from the Public.

### Directors

Your Director, Mr. Sagarmal Gupta, retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Mrs. Arpita Gupta has been appointed as director by the Board of Directors to fill the casual vacancy caused by resignation of Mr. Paresh Agarwal on 24.10.2009. Mr. Paresh Agarwal was director for a long time and was Chairman of audit committee. The Company appreciates his valuable services during his tennure of directorship.

### Directors' Responsibility Statement

Your Directors confirm :

- that in the preparation of the annual accounts, the applicable accounting standards have been followed.





## Lee & Nee Softwares (Exports) Ltd.

- (ii) 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.
- (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. Om Sagar & Associates, Chartered Accountants also retire at the Annual General Meeting, are eligible for the re-appointment. The Auditors have furnished the certificate under section 224(1)(B) of the Companies Act, 1956 of their eligibility for reappointment.

### 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. (CDSL) 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. 70,48,247.29/- (previous year Rs. 1,08,,94,135.65/-).
- (b) Foreign Exchange Outgoing : Rs. 4,17,398.40/- (Previous Year Rs. 4,74,591.89/-) on account communication 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

Directors : 1. Ajay Agarwal

Dated : The 25th day of August, 2010.

2. Arpita Gupta



**ANNEXED TO AND FORMING PART OF THE DIRECTORS' REPORT**

**REPORT ON CORPORATE GOVERNANCE**

**INFORMATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

- De-listing :**  
No application for delisting the Company's securities has been made to any of the Stock Exchanges.
- Suspension in Trading :**  
Trading in the Company's Securities was not suspended.
- Listing Fees :**  
The listing fees payable as on 31.03.2010 to the various Stock Exchanges aggregating to Rs. 99,565/- has been paid.

**CORPORATE GOVERNANCE**

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

- 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 31.03.2010**

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 (upto 24.10.2009)	5	3	No	Nil
Mr. Sagarmal Gupta	Promoter Director	5	5	Yes	1
Mrs. Arpita Gupta	Independent Director 5 (from 24.10.2009)	5	2	-	1

Five Meetings of the Board of Directors were held during the year ended on 31st March, 2010. These were held on : 25th April 2009, 25th July 2009, 25th August 2009, 24th October 2009 and 29th January 2010.

**(B) Non-executive Directors' compensation & disclosures**

Name of the Director	Sitting fees	Consultancy Fees	Total
1. Mr. Paresh Agarwal (upto 24.10.09)	Nil	—	Nil
2. Mr. Sagarmal Gupta	Nil	—	Nil
3. Mrs. Arpita Gupta (from 24.10.09)	Nil	—	Nil

- Sitting Fees constitute fees paid to Non-executive directors for attending Board and Committee Meetings.
- The Company did not have any pecuniary relationship or transaction with the Non-Executive directors during the year 2009-2010.



## Lee & Nee Softwares (Exports) Ltd.

### Notes on retirement of directors by rotation and reappointment

Mr. Sagarmal Gupta retires by rotation and being eligible seeks reappointment and his brief resume is mentioned below :-

Mr. S. M. Gupta, Chartered Accountant, a fellow member of the Institute of Chartered Accountants of India is a C. A. since 1975 and is well versed with the knowledge of accountancy, taxation and software business. He is the promoter director since 1991 and is also senior Partner of S. M. Gupta & Co., Chartered Accountants. He has travelled vastly through out the globe and thereby he has gained very good experience in International business.

### (C) Other provisions as to Board and Committees –

The Board held five meetings during the year 2009-2010, on 25th April 2009, 25th July 2009, 25th August 2009, 30th October 2009 and 29th January 2010.

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.insel.com](http://www.insel.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 (upto 24.10.2009)
2. Mrs. Arpita Gupta – A. C. A. Independent, Non-Executive – Chairman (From 24.10.2009)
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 2010. They were held on 25th April 2009, 25th July 2009, 25th August 2009, 30th October 2009 and 29th January 2010. The minutes of the meeting of the Audit Committee are 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
Mrs. Arpita Gupta	Independent	Chair Person	2 (from 24.10.09)	2
Mr. Paresh Agarwal	Independent	Chairman	3 (upto 24.10.09)	3
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 –

- Overview 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, reappointment 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.
  - 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.