

ANNEXURE II

REPORT ON CORPORATE GOVERNANCE

I. MANDATORY REQUIREMENTS

1. 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.

2. BOARD OF DIRECTORS

a) Composition

At the end of financial year 2006-07, the Board consisted of 6 directors and it has got an appropriate mix of executive and non-executive directors. There are 5 non-executive directors, including 2 independent directors.

b) Board Meetings

12 Board Meetings were held during the year 2006-2007. The dates on which the Meetings were held are as following :

04.06.2006	11.11.2006
27.06.2006	04.12.2006
26.07.2006	29.12.2006
09.08.2006	30.01.2007
28.09.2006	30.01.2007
26.10.2006	07.02.2007

Agenda papers along with detailed notes were circulated to the Directors in advance for each of these meetings. All relevant information, as required was placed before the Board from time to time.

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

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(i) The details of the Directors on the Board of the Company for the year 2006-2007 are given below:

Name	Category	Designation	Number of Memberships in Boards of other Public Limited Companies	Only Chairmanship in Committees of Boards of other Companies	Only Membership in Committees of Boards of other Companies	No. of Board meetings attended	Attendance at last AGM
Sri L Madhusudhan Rao	Non-Executive	Chairman	9	NIL	1	5	Yes
Sri G Bhaskara Rao	Non-Executive	Director	10	1	8	10	Yes
Sri Y Harish Chandra Prasad	Non-Executive	Director	1	NIL	NIL	6	Yes
Sri M N Nambiar	Non-Executive Independent	Director	NIL	NIL	NIL	6	Yes
Sri V K Srinivasan	Non-Executive Independent	till 1.09.2006	NIL	NIL	NIL	3	No
Dr Prasada Rao VDM Ravella	Non-Executive Independent	Director	1	NIL	NIL	1	No
Sri G Venkatesh Babu	Non-Executive Independent	Alternate Director to Dr Prasada Rao VDM Ravella	8	NIL	5	1	No
Sri Nagarjun Valluripalli	Executive	Director & CEO	1	NIL	1	6	No
Sri B Anand	Non-Executive Independent	Alternate Director to Dr Prasada Rao VDM Ravella	3	NIL	1	5	No

**C) Directors seeking re-appointment**

Shri L Madhusudhan Rao and Sri M.N. Nambiar retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re appointment.

During the year Shri Y. Anand Swaroop, Shri G Ramesh and Shri P G K Murthy have been appointed as additional directors w.e.f. 20-06-2007 and they hold the office of directorship only upto the date of the ensuing Annual General Meeting of the Company. They, being eligible offer themselves for re-appointment. During the year Shri Y Anand Swaroop has also been appointed as Director and Chief Executive Officer of the Company with effect from 20.06.2007 in place of Shri Nagarjun Valluripalli, who has resigned as such. The appointment of the Director and Chief Executive Officer is subject to the approval of Members at the ensuing general meeting.

Sri Y Anand Swaroop

Sri Y Anand Swaroop (42) is a graduate in Mechanical Engineering. He had a long tenure of two decades with H C L Infosystems Limited and rose to the level of Vice President. Subsequent to that he worked as Executive Vice President of Indu Group. He is a director on the Board of Southern Online Bio-Technologies Limited. He is the Chairman of Audit Committee and a member of Remuneration Committee and Shareholders / Investors Grievance Committee of Southern Online Bio-Technologies Limited. He does not hold any equity shares in the Company.

Sri P G K Murthy

Sri P G K Murthy (65) is a Fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He is former General Manager of Allahabad Bank and Managing Director of Allbank Finance Limited. He is also a member of Audit Committee and Remuneration and Compensation Committee of Lanco Global Systems Limited. He does not hold any equity shares in the Company.

Sri G Ramesh

Sri G Ramesh, (44) did his B. Tech. in Mechanical Engineering. He has rich experience as an industrialist and is an outstanding sportsman and a founder of prominent educational institutions in Hyderabad. He is the Chairman and Managing Director of Roshni Powertech Limited and he is also chairman of Robo Silicon Limited, Rodasi Projects Private Limited and Rhombus Exim Private Limited. He is a Member of several reputed institutions. He is the Founder President of Bio-Mass Energy Development Association and Vidyananda Educational Society, which has promoted Delhi Public School in Hyderabad. He is also a member of Andhra Mahila Sabha Obul Reddy Public School, Jubilee Hills, Hyderabad. He is also a member of Audit Committee and Remuneration and Compensation Committee of Lanco Global Systems Limited. He doesn't hold any equity shares in the Company.

d) Board Committees

To enable better management of the affairs of the Company, the Board delegates certain matters to Committees of the Board set up for the purpose. The proceedings of the meetings of the Committees are circulated to the Board.

3. AUDIT COMMITTEE

(i) Brief descriptions of terms of reference

The Audit Committee consists of only Non-Executive Directors and discharges all the responsibilities statutorily prescribed.

The functions of the Audit Committee include:

Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

Recommending the appointment and removal of external auditor, fixation of their audit fee and also approval for repayment for any other services.

Reviewing with management the quarterly and annual financial statements before submission to the Board.

Reviewing the adequacy of Internal Control Systems and Internal Audit Reports, and their compliance thereof etc. Company Secretary is the Secretary of the Committee.

(ii) Composition, Meetings & Attendance during the year

The Audit Committee comprises of 3 Non Executive Directors.

5 Audit Committee Meetings were held during the year 2006-2007. The dates on which the Meetings were held are as follows:

27.06.2006, 26.07.2006, 26.10.2006, 4.12.2006 and 30.01.2007

The attendance record of the Directors during the year 2006-2007 is given below:

Name	Designation	Number of Meetings attended
Sri M N Nambiar	Chairman	5
Dr Prasada Rao VDM Ravella (along with the attendance of his alternate director)	Member	5
Sri G Bhaskara Rao from 08.09.2006	Member	3
Sri V K Srinivasan till 01.09.2006	Former Member	2

The Meetings of the Audit Committee were attended by the Head of Finance and Auditors as Invitees. The Quarterly and Annual audited financials of the Company were reviewed by the Audit Committee before consideration and approval by the Board of Directors. The Committee reviewed the adequacy of Internal Control Systems and the various compliances.

4. REMUNERATION & COMPENSATION COMMITTEE

Remuneration & Compensation Committee recommends to the Board Compensation and Benefits for Executive Directors and such other matters as may be referred to it by the Board from time to time. This Committee consists of the following Independent Directors. During the year, the Committee met one time on 27th June, 2006. Their attendance during the year is given below:

Name	Designation	Number of Meetings attended during the year
Sri V K Srinivasan till 1.9.2006	Chairman	1
Sri M N Nambiar	Member	NIL
Dr Prasada Rao VDM Ravella	Member	1

Directors' Remuneration Policy

Non Executive Directors are not paid any remuneration other than sitting fee for the meetings attended by them. There are no performance linked incentives payable to any of the directors. At present, the company does not have any stock option plan as part of remuneration package for any director.

Remuneration of the Executive Director comprises of fixed component only.

Details of sitting fee paid during the year and their holding of equity shares of Rs.10/- each in the Company as on March 31, 2007 are given below:

Name	Sitting Fee in Rs.	Shares held
Sri L Madhusudhan Rao	2500	513960
Sri G Bhaskara Rao	6000	600
Sri Y Harish Chandra Prasad	2500	100
Sri M N Nambiar	4500	NIL
Sri V K Srinivasan	3000	NIL
Dr Prasada Rao VDM Ravella	1000	NIL
Sri G Venkatesh Babu, Alternate Director to Dr Prasada Rao VDM Ravella	1500	NIL
Sri B Anand, Alternate Director to Dr Prasada Rao VDM Ravella	4000	7000

Remuneration to Director & CEO

Details of remuneration paid to Shri Nagarjun Valluripalli, Director & CEO during the year 2006-07 are given below:

Particulars	In Rupees
Salary	22,58,400
Contribution to PF	1,41,600
Perks	24,812
Total	24,24,812

Shri Nagarjun Valluripalli was on contractual service.

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5. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE

(i) Constitution and Composition

Shareholders'/ Investors' grievance committee has been constituted to look into and redress the grievances of the shareholders and investors pertaining to transfer of shares, non-receipt of Annual Reports etc.

The Committee was headed by a Non-Executive Director.

Sri L Madhusudhan Rao - Chairman
Sri Nagarjun Valluripalli - Member

(ii) The Name and Designation of Compliance Officer

The Name and Designation of the Compliance Officer of the Company upto 15.5.2006 was Sri C Krishna Kumar, Company Secretary and is presently Sri K V R Raju, Company Secretary.
Email : investor.services@lgsglobal.com

(iii) Details of requests/complaints received, resolved and pending during the year 2006-2007

Nature of Complaint	Received	Resolved	Pending
Duplicate Share Certificates	3	3	0
Others	3	3	0
Total:	6	6	0

6. GENERAL BODY MEETINGS

(i) Location and time, where last three AGMs held:

Year	Location	Date	Time
2003-04	Surana Udyog Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, Hyderabad.	September 28, 2004	3.00 P.M.
2004-05	Surana Udyog Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, Hyderabad.	September 28, 2005	3.00 P.M.
2005-06	Surana Udyog Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, Hyderabad.	December 29, 2006	4.00 P.M.

(ii) Whether any Special Resolutions passed in the previous three AGMs

Yes. Special Resolution was passed at the AGM held on 28th September, 2005. No special resolution that requires approval through Postal Ballot was passed during the previous three years. No special Resolution which requires approval through Postal Ballot is proposed to be passed at the ensuing AGM.

On 28th September, 2005 one special resolution for increase of remuneration of Shri Nagarjun Valluripalli, Director & CEO was passed.

7. DISCLOSURES

- a) Related Party Transactions: There were no materially significant related party transactions having potential conflict with the interests of the Company at large. However, transactions with the Related Parties are disclosed in note No.5 of the Schedule 14 (B) to the Accounts in the Annual Report.
- b) Accounting Treatment: There is no Accounting treatment different from the prescribed Accounting standards.
- c) Risk Management: The Board regularly discusses the significant business risks identified by the management and the mitigation process being taken up. A detailed note on the risk identification and mitigation is included in Management Discussion and Analysis, annexed to the Directors' Report.
- d) Strictures and Penalties: There has not been any non-compliance by the Company and there are no penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- e) Compliance: At every Board Meeting statements of compliance with all laws and regulations as certified by the Director & CEO /Chief Operating Officer and the Company Secretary are placed for review by the Board. The Board considers all materially important show causes / demand notices received from statutory authorities and the steps / action taken by the Company in this regard. The Board reviews the compliance of all the applicable laws and gives appropriate directions, wherever necessary.
- f) Code of Conduct: The Board of Directors have laid down a "Code of Conduct" (Code) for all the Board members and the senior management of the Company, and the Code have been posted on the website of the Company. Annual declaration is obtained from every person covered by the Code.
- g) CEO and Head of Finance Certification: The CEO and Head of Finance have given certificates to the Board as contemplated in Clause 49 of the Listing Agreement.
- h) Mandatory Requirements: All the Mandatory requirements as to Corporate Governance have been complied with.
- i) Non Mandatory Requirements: Board has constituted a Remuneration and Compensation Committee, the details of which are given in Para 4 of this report. The vacancy in the Remuneration and Compensation Committee caused by the resignation of Shri V K Srinivasan has been filled up in the current year. This year the company has unqualified financial statements.
- j) In the preparation of the consolidated financial statements the company has adopted certain principle in line with interpretation given by International Financial Reporting Standards. The same has been disclosed in the notes to the consolidated financial statements and have also been explained in the Directors' Report.

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8. MEANS OF COMMUNICATION

As per clause 51 of the Listing Agreement, the Company's financial results, quarterly shareholding pattern and Compliance Reports on Corporate Governance are uploaded on the EDIFAR website (www.sebiedifar.nic.in) maintained by National Informatics Centre (NIC). The said financial results and also press releases are posted on Company's website: www.lgsglobal.com. Presentations, if any, made to institutional investors or to the analysts are also placed on the website of the Company.

The same are generally published in the Business Standard (In English) and Andhra Bhoomi (In Telugu) News Papers.

9. MANAGEMENT DISCUSSION & ANALYSIS

As required by the Listing Agreement, the Management Discussion and Analysis Report is annexed to the Corporate Governance Report.

10. GENERAL SHAREHOLDERS INFORMATION

(i) Eighth Annual General Meeting

- Date and Time	Saturday, 29 th December, 2007 at 11 A.M.
- Venue	KLN Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, Hyderabad.

(ii) Financial Calendar for the Year 2007-08 (tentative)

Tentative Schedule		
1.	Financial reporting for the quarter ended June 30, 2007	Before end July, 2007
2.	Financial reporting for the half year ending September 30, 2007	Before end October, 2007
3.	Financial reporting for the quarter ending December 31, 2007	Before end January, 2008
4.	Financial reporting for the year ending March 31, 2008	Before end April, 2008
5.	Annual General Meeting for the year ending March 31, 2008	Before end September, 2008

(iii) **Book Closure Dates** : 27.12.2007 to 29.12.2007 (both days inclusive)

(iv) **Dividend Payment Date** : Not Applicable

(v) **Listing on Stock Exchanges** : Hyderabad and Mumbai. The Company has paid the listing fee for the period ending 31st March, 2008

**(vi) Stock Code:**

S.No.	Exchange	Code
1.	Hyderabad Stock Exchange	Stock Code : HSE -LAGLOB Scrip Code No. : 6426
2.	Bombay Stock Exchange	Stock Code : BSE - LANCOGLO Scrip Code No. : 532368

(vii) Stock Market Data

Monthly High/Low of Market price of the Company's shares traded in BSE and performance in comparison to BSE Sensex during the period from April, 2006 to March, 2007 is furnished below.

The Stock Exchange, Mumbai Share Prices (In Rs.)			BSE Sensex	
Month	High	Low	High	Low
Apr. '06	78.65	55.10	12,102.00	11,008.43
May '06	61.10	44.25	12,671.11	9,826.91
June '06	61.30	37.25	10,626.84	8,799.01
July '06	45.40	32.00	10,940.45	9,875.35
Aug. '06	45.20	37.00	11,794.43	10,645.99
Sept. '06	43.00	33.15	12,485.17	11,444.18
Oct. '06	42.00	33.05	13,075.85	12,178.83
Nov. '06	42.30	33.00	13,799.08	12,937.30
Dec. '06	44.50	30.10	14,035.30	12,801.65
Jan. '07	43.00	31.70	14,325.92	13,303.22
Feb. '07	38.10	26.00	14,723.88	12,800.91
Mar. '07	37.85	20.55	13,386.95	12,316.10

Note: During the year, the shares of the Company were not traded in The Hyderabad Stock Exchange Limited. Hence, the monthly high & low stock quotations in respect of the same are not furnished.

(viii) Registrars & Share Transfer Agents

Aarathi Consultants Private Limited, whose address is given below, has been appointed as Registrar & Share Transfer Agent of the Company for looking after the work related to share registry.

Aarathi Consultants Private Limited,
1-2-285, Domalguda, Hyderabad – 500 029. A.P. India.
Phone : +91-40-27634445, 27638111, 27642217
Fax : +91-40-27632184
Email : info@aarathiconsultants.com

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(ix) Share Transfer System

The shareholders are advised to contact the Registrars and Share Transfer Agents at their address for effecting transfer of shares or other matters related to shares held in physical mode.

(x) (a) Distribution of Shareholding as on March 31, 2007 :

Nominal Value of Shareholding (in Rs)	No. of Shareholders	Percentage	No. of Shares	Percentage
Up to 5,000	1556	77	292083	1.15
5,001 - 10,000	197	10	152883	0.6
10,001 – 20,000	118	6	184621	0.73
20,001 – 30,000	33	2	79968	0.31
30,001 – 40,000	15	1	50225	0.2
40,001 – 50,000	21	1	97431	0.38
50,001 – 1,00,000	35	2	249136	0.98
1,00,001 and above	59	3	24317320	95.65
TOTAL	2034	100	25423667	100

(b) Distribution of Shareholding by Ownership as on March 31, 2007 :

Category code	Category of shareholder	Number of share holders	Total number of shares	Number of shares held in dematerialized form	Total share holding as a percentage of total number of shares	
					As a percentage of (A+B)[1]	As a percentage of (A+B+C)
(A)	Shareholding of Promoter and Promoter Group					
(1)	Indian					
a.	Individuals/Hindu Undivided Family	16	7078422	1168855	27.84	27.84
b.	Central Government/State Government(s)	0	0	0	0	0
c.	Bodies Corporate	2	558500	531000	2.20	2.20
d.	Financial Institutions/ Banks	0	0	0	0	0
	Others :-	0	0	0	0	0
e.	Mutual Funds	0	0	0	0	0
f.	Trusts	0	0	0	0	0
	Sub Total (A)(1)	18	7636922	1699855	30.04	30.04
(2)	Foreign					
a.	Individuals (Non Resident Individuals/ Foreign Individuals)	0	0	0	0	0
b.	Bodies Corporate	1	4795650	0	18.86	18.86
c.	Institutions	0	0	0	0	0

	Others	0	0	0	0	0
d.	Overseas Corporate Bodies	0	0	0	0	0
e.	Foreign Companies	2	8860000	0	34.85	34.85
	Sub Total (A)(2)	3	13655650	0	53.71	53.71
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	21	21292572	1699855	83.75	83.75
(B)	Public Shareholding					
(1)	Institutions	0	0	0	0	0
a.	Mutual Funds/UTI	0	0	0	0	0
b.	Financial Institutions/ Banks	0	0	0	0	0
c.	Central Government/State Government(s)	0	0	0	0	0
d.	Venture Capital Funds	0	0	0	0	0
e.	Insurance Companies	0	0	0	0	0
f.	Foreign Institutional Investors	0	0	0	0	0
g.	Foreign Venture Capital Investors	0	0	0	0	0
	Others :-					
h.	Foreign Companies	0	0	0	0	0
	Sub Total (B)(1)	0	0	0	0	0
(2)	Non-Institutions	0	0	0	0	0
a.	Bodies Corporate	128	1143326	1143326	4.50	4.50
b.	Individuals	0	0	0	0	0
	i. Individual shareholders holding nominal share capital upto Rs.1 lakh	1822	908663	819616	3.57	3.57
	ii. Individual shareholders holding nominal share capital in excess of Rs.1 lakh	31	1112541	1058808	4.38	4.38
	Others	0	0	0	0	0
c.	Non Resident Individuals	15	76599	76599	0.30	0.30
d.	Overseas Corporate Bodies	0	0	0	0	0
e.	Trusts	1	881624	881624	3.47	3.47
f.	Employees	0	0	0	0	0
g.	Clearing Members	15	8342	8342	0.03	0.03
	Sub Total (B)(2)	2012	4131095	3988315	16.25	16.25
	Total Public Shareholding (B)=(B)(1)+(B)(2)	2012	4131095	3988315	16.25	16.25
	Total (A)+(B)	2033	25423667	5688170	100.00	100.00
(C)	Shares held by Custodians and against Depository Receipts have been issued	0	0	0	0	0
	Grand Total (A)+(B)+(C)	2033	25423667	5688170	100.00	100.00

(xi) Dematerialization of Shares and Liquidity

Since the Company has entered into an agreement with both the depositories namely NSDL and CDSL for dematerialization of its shares, the shareholders of the company have the choice to dematerialize their shares and keep them in dematerialized form with either of the depository participants.

As on 31st March, 2007, 56,88,170 equity shares representing 22.37 %age of paid up capital of the Company have been dematerialized.

(xii) Outstanding convertible instruments

As of March 31, 2007, there are no outstanding convertible instruments.

(xiii) Address for Correspondence

Registered Office:

"Lanco House", 141, Avenue # 8,
Road # 2, Banjara Hills,
Hyderabad- 500 034. A.P. India.
Phone : +91-40-4009 0400, Fax : +91-40-23540699

Corporate Office:

8-2-293/82/A/796/B
Road No.36, Jubilee Hills
Hyderabad 500 033, A P
Phone No.040-6699 0000
Fax No. 040-6699 4444
Email : investor.services@lgsglobal.com
Website: www.lgsglobal.com

II. NON-MANDATORY REQUIREMENTS

CHAIRMAN OF THE BOARD

The Chairman of the Company was not paid any amount towards the maintenance of his office or reimbursement of any expenses incurred in performance of his duties.

FOR AND ON BEHALF OF THE BOARD

Place : Hyderabad,
Date : 01.12.2007

L MADHUSUDHANA RAO
CHAIRMAN



Declaration on Code of Conduct

This is to confirm that the Board has laid down a code of conduct for all Board members and senior management personnel of the company. The code of conduct has also been posted on the website of the company. It is further confirmed that all directors and senior management personnel of the company have affirmed compliance with the Code of Conduct of the company for the financial year ended on March 31, 2007, as envisaged in clause 49 of the listing agreement with stock exchanges.

Place : Hyderabad,
Date : 01.12.2007

Y. Anand Swaroop
Director & CEO

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Lanco Global Systems Limited
Hyderabad

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance condition of corporate governance of Lanco Global Systems Limited ("the company") for the year ended 31st March, 2007 as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchanges.

The compliance of the conditions of the corporate governance is the responsibility of the management. Our examination, conducted in the manner described in the Guidance note on "Certification of Corporate Governance" issued by the Institute of Chartered Accountants of India was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, the company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

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.

PLACE : HYDERABAD
DATE : 01.12.2007

For P MURALI & CO.
CHARTERED ACCOUNTANTS

P MURALI MOHANA RAO
PARTNER