



LANCO
Global Systems

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.

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. MadhusudhanRao as a Wholetime 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 Wholetime 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

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, Wagganer Brighten 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.

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.

During the current year, the Company has generated total revenue of Rs.278.07 lakhs as against Rs.68.15 lakhs in the previous year. The profit after interest tax during the current year is Rs. 2.85 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 contribution of operations in US and UK branches were not economical as the revenues were not matching to the expenditure. So, the operations in US and UK branches have been

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.

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 Wholetime 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:

Name	Number of meetings attended
Sri L. Rajagopal	3
Sri L. Madhusudhan Rao	3
Sri Suresh Chukkapalli	5
Sri Y. Harish Chandra Prasad *	NIL
Sri M.N. Nambiar	4
Sri V.K. Srinivasan	1
Dr Prasada Rao VDM Ravella	1
Dr Kilaru Hanumantha Rao	NIL

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

B. Company further agrees that a director shall not be a member in more than 10 committees or act as chairman of more than five committees across all companies in which he is a director.

None of the Directors of our Company was member in more than 10 committees nor acted as chairman of more than five committees across all companies in which they were directors. Details of Board memberships positions occupied by the Directors, across all companies, have been given at the beginning of the section.

V. MANAGEMENT

A. Management discussion and analysis report shall form part of the Annual Report to the shareholders

IT SCENARIO

Despite an economically challenging environment that characterized global markets, the export-oriented software and services sector logged in 26 percent growth during 2002-03. It was a creditable performance marked by a hike in software and services exports and a major jump in IT-enabled services/BPO activity.

IT software and services exports accounted for the bulk of revenues generated by the sector, with

revenues increasing from Rs. 36,500 crore in 2001-02 to Rs. 47,500 crore during 2002-03.

The economic downturn that has been sweeping the worldwide markets contributed in large part to the overall reduction in momentum of the Indian software and services sector. While it substantially slowed down the IT services segment within software exports, it interestingly beefed up the growth of the IT-enabled services/BPO market. Increased outsourcing by US companies to cut costs and improve bottom lines, improved India's prospects in the export market.

Some of the major trends in global IT spending during 2002-03 were as follows:

- stepped up offshore spending. Global companies increased their software development outsourcing to low cost offshore centres such as India.
- strategic outsourcing. A number of leading international companies began opting for long term strategic outsourcing rather than small, medium-term projects.
- enhanced focus on ROI. With Return on Investment issues bagging centre stage global companies have been focusing on maintenance and enhancement of existing applications rather than new projects.
- vendor consolidation. Customers are preferring to deal with a smaller number of vendors to simplify project management.

Trends in Indian software and services exports : Indian software and services export witnessed the following trends:

- Indian companies increased their share of global IT spend. The software industry's software exports share of the overall global market rose to 1.9 percent in 2001-02, up from 1.5 percent in 2000-01.
- While Indian software and services companies began looking at ways to increase penetration in new geographies such as Europe and Asia Pacific, the country's share of software exports to Europe actually declined during 2002-03 on account of lowered IT spend by companies in this market.

- ICT multinationals operating in the Indian market hiked their share within the software exports segment—both in the areas of IT services and IT-enabled services/BPO.
- Indian IT vendors expanded their verticals focus to include verticals such as healthcare, retailing and utilities.
- Indian companies entered into high value segments such as systems integration, package implementation, IT outsourcing and IT consulting in an effort to scale up.

Future opportunities for Indian IT software and services companies :

A fresh wave of opportunities is sweeping the Indian software industry and key players are gearing up to tap into this emerging potential. The outlook for the Indian software services industry is bright on account of the following reasons:

- Offshoring: Owing to a successfully offshore delivery model, a major offshoring opportunity is likely to open up for Indian software and services vendors. While currently, around 40 companies have offshored amounts of more than US\$ 20 million to India, the figures are expected to rise significantly.
- Work relocation: Large global systems integration majors such as IBM Global services are expanding their presence in India to take advantage of the country's cost and manpower strengths.
- Traditional service lines: There is significant opportunity for Indian companies in existing services lines such as application outsourcing and custom application development where the country has a 14-16 percent market share.
- New service lines: Non traditional service lines such as packaged software installation and support, IS/R&D outsourcing, etc. are now being offshored to India.

PERCEIVED THREATS

The global phenomenon by the major customers to consolidate the vendors to a select few is one

of the threats. The company is trying to ward off these threats by developing niche strengths in verticals like finance and logistics and in technology like web.

Customers are becoming more conscious about quality and are looking for international quality certifications like ISO and CMM. Though the Company is an ISO 9001 company, it is yet to receive CMM certification. The Company has already made significant progress towards CMM certification and expects to receive the CMM Level 5 certification.

STRATEGIES OF THE COMPANY

The Company would continue to develop as quality niche player. Because of the focus on quality and timely delivery, the Company has been able to get fortune 500 clients like BASF and GE.

Instead of spreading thin, the Company would continue to focus on marketing effort towards select few, clients where chances of success are high.

B. Disclosures must be made by the management to the Board relating to all material financial and commercial transactions, where they have personal interest, that may have a potential conflict with the interest of the Company at large.

During 2002-03, no transactions of material nature had been entered into by the Company with the Management or their relatives that may have a potential conflict with interests of the Company.

VI. SHAREHOLDERS

A In the case of appointment of a new director or re-appointment of a director, the shareholders must be provided with the following information :

- a brief resume of the director
- nature of his expertise in specific functional areas
- names of companies in which the person also holds the directorship

The notice for the Annual General Meeting complied with this requirement.

- B. A Board committee under the chairmanship of a non-executive director shall be formed to specifically look into the redressing of shareholders and complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividends, etc. This committee shall be designated as 'shareholders/ investors grievance committee.'**

The administrative and Shareholders/Investors Grievance Committee administered the following:

- redress shareholder and investor's complaints etc. relating to transfer of shares, non receipt of balance sheet, non receipt of declared dividends
- consolidate and sub-divide share certificates
- approve transmission and issue of duplicate/ fresh share certificate

The composition of the Shareholders/ Investors Grievances Committee is as follows :

Sri L. Madhusudhan Rao - Member

Sri Suresh Chikkapalli - Member

- C. The Board of the Company shall delegate the power of share transfer to an officer or a committee or to the registrar and share transfer agents so as to expedite the process of share transfers.**

The Board has delegated the power of share transfer to Registrars and Share Transfer Agents who processes share transfers.

VII. COMPLIANCE

A certification shall be obtained from the auditors of the Company regarding compliance of conditions of corporate governance as stipulated and the same sent to the shareholders along with the directors' report which is sent annually to all the shareholders of the Company.

The certificate obtained from our statutory Auditors M/s Mogili Sridhar & Co., Chartered Accountants appears in the Annual Report.

VIII. GENERAL MEETINGS

Details on Annual General Meetings (AGM) :

1.1. Location and time, where last three AGMs held:

Year	Location	Date	Time
1999-00	Registered Office of the Company at 141, Avenue # 8, L.V.Prasad Marg, Banjara Hills, Hyderabad.	July 19, 2000	11.30 A.M.
2000-01	Hotel Green Park, Greenlands, Begumpet, Hyderabad.	September 28, 2001	3.00 P.M.
2001-02	K.L.N. Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B.14, Hyderabad.	September 27, 2002	4.00 P.M.

1.2. Whether Special Resolutions were put through Post Ballot last year.

No.

1.3. Persons who conducted the Postal Ballot exercise.

Not Applicable.

1.4. Are Polls proposed to be conducted through Postal Ballot this year.

No resolutions requiring postal ballot for matters as required under Clause 4 of the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 have been placed for Shareholders' approval at the Meeting.

Attendance of Directors at AGMs during the last financial year:

Name	AGM during the last financial year
Sri L. Rajagopal	No
Sri L. Madhusudhan Rao	No
Sri Suresh Chukkapalli	Yes
Sri Y. Harish Chandra Prasad *	—
Sri M.N. Nambiar	Yes
Sri V.K. Srinivasan	Yes
Dr Prasada Rao VDM Ravella	No
Dr Kilaru Hanumantha Rao	No

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

IX. GENERAL SHAREHOLDERS INFORMATION

The following information would be useful to our shareholders :

Sl.No.	Information	
1.	Annual General Meeting - Date and Time - Venue	September 27, 2003 at 3.00 P.M. Surana Udyog Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B. No.14, Hyderabad – 500 004.
2.	Financial Calender - Financial reporting for the quarter ended June 30, 2003 - Financial reporting for the half year ending September 30, 2003 - Financial reporting for the quarter ending December 31, 2003 - Financial reporting for the year ending March 31, 2004 - Annual General Meeting for the year ending March 31, 2004	(Tentative schedule) Before end July, 2003 Before end October, 2003 Before end January, 2004 Before end April, 2004 Before end September, 2004

3.	Book Closure Date (both days inclusive)	25-09-2003 to 27-09-2003
4.	Dividend Payment Date	Not Applicable
5.	Listing on Stock Exchanges at :	Hyderabad, Mumbai and Ahmedabad. The Company has paid the listing fee for the period ending 31 st March, 2004
6.	Stock Code :	Stock Code—HSE -LAGLOB Scrip Code No.6426 Stock Code – BSE - LANGLSY Scrip Code No.32368 Stock Code – ASE – LANCOGLO Scrip Code No.32161
7.	Demat ISIN Number - for NSDL & CDSL	INE 425B 01019.

8. Stock Market Data : (In Rs.)

The Stock Exchange, Mumbai		
Month	High	Low
April' 02	22.45	13.25
May' 02	18.40	12.55
June' 02	19.80	11.50
July' 02	17.70	10.50
August' 02	13.50	13.00
September' 02	12.50	9.50
October' 02	11.00	9.20
November' 02	—	—
December' 02	15.00	11.00
January' 03	13.50	8.50
February' 03	13.90	11.00
March' 03	10.65	7.25

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

9.	Stock Performance in comparison to broad-based indices such as BSE Sensex, BSE 200, Nifty	The Price of the Equity Share of the Company broadly moved in tandem with the said indices.
10.	Registrars & Share Transfer Agents	Aarhi Consultants Pvt. Ltd 1-2-285, Domalguda, Hyderabad – 500 029.
11.	Share Transfer System	The shareholders are advised to contact the Registrars and Share Transfer Agents at their address for effecting transfer of shares both in physical and electronic form.

12. Details of queries/complaints received and resolved during the year 2002-2003.

Nature of Complaint	Received	Resolved
Change of Address	5	5
Name Correction	1	1
I/B for Duplicate share certificate	2	2
Other Complaints	3	3
Total:	11	11

The complaints had been attended to within 7 days from the date of receipt of the complaint, as communicated by our Share Transfer Agents & Registrars, M/s Aarhi Consultants Pvt., Ltd.

13. Distribution of Shareholding as of March 31, 2003 :

Nominal Value of Shareholding (in Rs.)	No. of Shareholders	Percentage	No. of shares	Percentage
Up to 5,000	1382	83.66	278266	2.61
5,001 - 10,000	130	7.84	90417	0.85
10,001 - 20,000	39	2.36	67510	0.63
20,001 - 30,000	16	0.97	37100	0.35
30,001 - 40,000	3	0.18	10850	0.10
40,001 - 50,000	3	0.18	14078	0.13
50,001 - 1,00,000	24	1.45	196451	1.84
1,00,001 and above	55	3.33	9962328	93.49
TOTAL	1652	100.00	10657000	100.00

14. Categories of Shareholding as on March 31, 2003 :

Sl. No.	Category	No. of Shares held	% of shareholding
A.	Promoter's holding		
1.	Promoters		
	- Indian Promoters	422900	3.97
	- Foreign Promoters	4795650	45.00
2	Persons acting in Concert		
	Friends & Associates	1459500	13.70
	Sub-Total	6678050	62.66

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

Sl. No.	Category	No. of Shares held	% of shareholding
B.	Non-Promoters Holding		
3	Institutional Investors	NIL	NIL
4	Others		
	- Private Corporate Bodies	483931	4.54
	- Indian Public	2179915	20.46
	- NRIs / OCBs	324454	3.04
	- Any other (Trusts)	990650	9.30
	Sub-Total	3978950	37.34
	Grand Total	10657000	100.00

15.	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 any depository participant.
16.	Outstanding convertible instruments	As of March 31, 2003, there are no outstanding convertible instruments.
17.	Members can contact us at our registered office and corporate office:	<p>Registered Office: Lanco House, 141, Avenue # 8, L.V. Prasad Marg, Banjara Hills, HYDERABAD – 500 034. Phone # +91-40-2354 0697, 701 Fax # +91-40-2354 0699</p> <p>Corporate Office: 8-3-993, Lanco Towers, Srinagar Colony, Hyderabad – 500 073. Phone # +91-40-55511161-62 Fax # +91-40-2375 5413 Website: www.lancoglobal.com</p>

DATE: 30.07.2003

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members,
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, 2003 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.

For MOGILI SRIDHAR & CO.,
CHARTERED ACCOUNTANTS

P. MURAL MOHAN RAO
PARTNER

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

AUDITORS' REPORT

To
The Members,
LANCO GLOBAL SYSTEMS LIMITED
HYDERABAD

We have audited the attached Balance Sheet of **LANCO GLOBAL SYSTEMS LIMITED** as at 31st March, 2003 and also the Profit & Loss Account for the year ended on the date annexed thereto and the cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure, a Statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that :

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit ;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books ;

- (iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account ;
- (iv) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956 ;
- (v) On the basis of written representations received from the Directors, as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2003 from being appointed as Director in terms of clause(g) of sub-section(1) of section 274 of the Companies Act, 1956 ;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003
 - (b) In the case of Profit & Loss Account of the Profit for the year ended on that date ;
And
 - (c) In the case of cash flow statement, of the cash flows for the year ended on that date.

For MOGILI SRIDHAR & CO.,
CHARTERED ACCOUNTANTS

P.MURALI MOHANA RAO
PARTNER

PLACE : HYDERABAD,
DATE : 30-07-2003.

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 3 of our report of even date to the members of **LANCO GLOBAL SYSTEMS LIMITED** on the accounts for the year ended 31st March, 2003

- 1 The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies have been noticed on such verification.
- 2 None of the fixed assets have been revalued during the current year.
- 3 The company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained U/s.301 of the Companies Act, 1956.
- 4 The company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the register maintained U/s.301 of the Companies Act, 1956.
- 5 On the basis of our checking and according to the information and explanations given to us, during the course of our audit no loans or advances in the nature of loans have been given by the company.
- 6 In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to plant and machinery, equipment and other assets and also for sale of goods.
- 7 In our opinion and according to the information and explanation given to us, the transactions of purchase of materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the current year

to Rs. 50,000/- or more in respect of each party have not been made by the company.

- 8 The Company has not accepted any deposit from the Public.
- 9 In our opinion, the company is having internal audit system commensurate with its size and nature of its business.
- 10 The Central Government has not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956.
11. Company does not have arrears of Provident Fund dues. The Company has regularly deposited, during the year provident fund dues with Appropriate Authorities.
- 12 At the last day of the financial year there were no amount outstanding in respect of undisputed Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which were due for more than six months from the date they became payable.
- 13 In our opinion and according to the information and explanation given to us, no personal expenses have been charged to revenue account.
- 14 The Company is not a Sick Industrial Company within the meaning of clause(o) of sub-section(1) of Section 3 of Sick Industrial Companies(Special Provisions) Act,1985.
- 15 In our opinion, the clauses of Manufacturing and other Companies (Auditors' Report) Order,1988 numbering (iii),(iv),(v),(vi),(xii),(xiv), are not applicable for the current year.

**For MOGILI SRIDHAR & CO.,
CHARTERED ACCOUNTANTS**

**P. MURALI MOHANA RAO
PARTNER**

PLACE : HYDERABAD,
DATE : 30-07-2003.

BALANCE SHEET AS ON 31ST MARCH 2003

	Schedule	As on 31.03.2003 (Rupees)	As on 31.03.2002 (Rupees)
I SOURCES OF FUNDS			
1. Share Holders Funds			
(a) Share Capital	1	10,64,94,200	10,64,90,689
(b) Reserves & Surplus	2	74,07,175	43,15,623
2. Loan funds			
(a) Secured Loans	3	60,07,827	93,39,251
3. Deferred Tax Liability		37,82,455	33,45,528
TOTAL		12,36,91,657	12,34,91,091
II APPLICATION OF FUNDS			
1. Fixed Assets			
(a) Gross Block	4	4,74,87,115	4,82,37,282
(b) Less Depreciation		1,25,47,038	76,33,522
(c) Net Block		3,49,40,077	4,06,03,760
(d) Capital Work in progress including Advances		4,80,11,037	4,04,07,329
2. Investments		2,00,00,000	2,00,00,000
3. Current Assets, Loans & Advances			
(a) Sundry Debtors	5	1,58,32,463	95,71,084
(b) Cash and Bank Balances	6	2,23,162	16,24,085
(c) Loans & Advances	7	1,49,77,660	2,07,68,481
Less: Current Liabilities & Provisions	8	1,18,23,606	1,08,36,922
Net Current Assets		1,92,09,679	2,11,26,728
4. Miscellaneous Expenditure	9	15,30,864	13,53,274
(to the extent not written off or adjusted)			
TOTAL		12,36,91,657	12,34,91,091
Notes on Balance Sheet and Profit & Loss Account	12		

As per our Report Attached
For **MOGILI SRIDHAR & CO.,**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
For **LANCO GLOBAL SYSTEMS LIMITED**

P. MURALI MOHANA RAO
PARTNER

SURESH CHUKKAPALLI
VICE-CHAIRMAN

G. BHASKARA RAO
DIRECTOR

PLACE: HYDERABAD,
DATE : 30-07-2003.

Y. SRINIVASA RAO
D.G.M-F&A

C. KRISHNAKUMAR
COMPANY SECRETARY

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2003

	Schedule	As on 31.03.2003 (Rupees)	As on 31.03.2002 (Rupees)
INCOME			
Export		2,74,36,732	5,92,57,381
Domestic		3,70,496	15,54,649
Other Income		55,955	11,100
TOTAL		2,78,63,183	6,08,23,130
EXPENDITURE			
Personnel Cost		1,06,10,336	3,68,60,925
Interest & Financial Charges	10	13,17,208	21,58,948
Operating & Administration Expenses	11	74,72,445	95,55,473
Depreciation		50,83,100	51,29,904
Written off Expenses		6,11,456	4,53,647
TOTAL		2,50,94,545	5,41,58,897
Profit / (Loss) before tax		27,68,638	66,64,233
Provision for Tax		1,45,963	60,822
Profit / (Loss) after tax		26,22,675	66,03,411
Provision for Deferred Tax		4,36,927	25,00,614
Profit After deferred Tax		21,85,748	41,02,797
Balance Brought forward		43,15,623	10,57,740
Cumulative Transactional deferred Tax		-	8,44,914
Adjustments pertaining to earlier years		94,196	-
Profit Carried to Balance Sheet		64,07,175	43,15,623
Notes on Balance Sheet and Profit & Loss Account	12		
Earnings Per Share Basic & Diluted		0.21	0.62

As per our Report Attached
For MOGILI SRIDHAR & CO.,
 CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
 For **LANCO GLOBAL SYSTEMS LIMITED**

P. MURALI MOHANA RAO
 PARTNER

SURESH CHUKKAPALLI
 VICE-CHAIRMAN

G. BHASKARA RAO
 DIRECTOR

PLACE: HYDERABAD,
 DATE : 30-07-2003.

Y. SRINIVASA RAO
 D.G.M-F&A

C. KRISHNAKUMAR
 COMPANY SECRETARY

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS

	As at 31-03-2003 Rs.	As at 31-03-2002 Rs.
SCHEDULE - I		
SHARE CAPITAL		
Authorised Capital 2,60,00,000 Equity Shares of Rs. 10/- each	<u>26,00,00,000</u>	
Previous Year 1,10,00,000 Equity Shares of Rs. 10/- each		<u>11,00,00,000</u>
Issued & Subscribed Capital 1,06,57,000 Equity Shares of Rs. 10/- each	<u>10,65,70,000</u>	10,65,70,000
Less: Allotment Money Arrears	<u>75,800</u>	79,311
TOTAL	<u><u>10,64,94,200</u></u>	<u><u>10,64,90,689</u></u>
SCHEDULE - 2		
RESERVES & SURPLUS		
Investment Subsidy	<u>10,00,000</u>	-
Surplus in Profit & Loss Account	<u>64,07,175</u>	43,15,623
TOTAL	<u><u>74,07,175</u></u>	<u><u>43,15,623</u></u>
SCHEDULE - 3		
SECURED LOANS		
Term Loan with Bank	<u>59,41,143</u>	90,00,000
Vehicle Finance	<u>66,684</u>	3,39,251
TOTAL	<u><u>60,07,827</u></u>	<u><u>93,39,251</u></u>

**SCHEDULE - 4
FIXED ASSETS**

SL. No.	DESCRIPTION OF ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost As at 01-04-02	Additions During the Year	Deletions During the Year	Total Cost as at 31-03-03	up to 01-04-02	For the Year	Deletion of Depreciation for the year	Total as at 31-03-03	as at 31-03-03	as at 31-03-02
1.	Computers	2,17,73,545	8,800	46,500	2,17,35,845	52,35,124	35,29,852	18,352	87,46,624	1,29,89,221	1,65,38,421
2.	Furniture & Fixtures	1,66,75,226	-	15,343	1,66,59,883	14,98,471	10,55,541	2,839	25,51,173	1,41,08,710	1,51,76,755
3.	Airconditioners	13,38,000	-	-	13,38,000	1,22,567	63,556	-	1,86,123	11,51,877	12,15,433
4.	Electricals	47,84,237	-	-	47,84,237	3,26,094	2,27,252	-	5,53,346	42,30,891	44,58,143
5.	Office Equipments	19,83,813	14,100	49,245	19,48,668	1,63,754	94,231	6,464	2,51,521	16,97,147	18,20,059
6.	Vehicles	16,82,461	6,693	6,68,672	10,20,482	2,87,512	1,12,668	1,41,929	2,58,251	7,62,231	13,94,949
	TOTAL	4,82,37,282	29,593	7,79,760	4,74,87,115	76,33,522	50,83,100	1,69,584	1,25,47,038	3,49,40,077	4,06,03,760

	As at 31-03-2003 Rs.	As at 31-03-2002 Rs.
SCHEDULE - 5		
SUNDRY DEBTORS		
(Unsecured and Considered good)		
a) Over six months old		2,20,500
(b) Other Debts	1,58,32,463	93,50,584
TOTAL	1,58,32,463	95,71,084
SCHEDULE - 6		
CASH & BANK BALANCES		
Cash in hand	8,529	1,554
Cash at Bank	2,14,633	16,22,531
TOTAL	2,23,162	16,24,085
SCHEDULE - 7		
LOANS & ADVANCES		
Staff Advances	400	7,336
Pre-paid Expenses	20,000	1,16,750
Advance for Expenses & Recoverable	26,90,104	81,53,522
Deposits	23,55,656	25,79,373
LGSL Foundation (Trust)	99,11,500	99,11,500
TOTAL	1,49,77,660	2,07,68,481
SCHEDULE - 8		
CURRENT LIABILITIES & PROVISIONS		
Outstanding Expenses & Provisions	21,73,461	24,99,733
Other Liabilities	96,50,145	83,37,189
TOTAL	1,18,23,606	1,08,36,922

	As at 31-03-2003 Rs.	As at 31-03-2002 Rs.
SCHEDULE - 9		
MISCELLANEOUS EXPENDITURE		
Preliminary Expenses	638,905	15,336
Public Issue Expenses	891,959	1,337,938
TOTAL	1,530,864	1,353,274

SCHEDULE - 10		
INTEREST & FINANCIAL CHARGES		
Interest on Term Loan	12,34,509	19,63,248
Interest on Vehicle Loans	55,872	1,38,621
Bank Charges	26,827	57,079
TOTAL	13,17,208	21,58,948

SCHEDULE - 11		
OPERATING & ADMINISTRATIVE EXPENSES		
Communication Expenses	9,04,321	6,16,681
Repairs and Office Maintenance	5,90,344	6,63,554
Rent	21,81,300	33,00,108
Rates, Taxes & Insurence	2,09,270	2,24,668
Business Development Exp	2,67,171	6,66,605
Electricity Charges	7,00,452	9,75,594
Travelling & Conveyance	17,66,944	20,00,663
Printing & Stationery	1,70,618	2,57,827
Loss on sale of Assets	2,50,050	4,87,611
Miscellaneous Expenses	3,04,438	3,22,162
Directors Remuneration	21,333	-
Project Related Expenses-Stam	64,205	-
Audit Fee	42,000	40,000
TOTAL	74,72,445	95,55,473

SCHEDULE - 12

NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS ON 31ST MARCH, 2003

1. Significant Accounting Policies

(a) The financial Statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentational requirements of the Companies Act, 1956.

(b) Fixed Assets are stated at cost less depreciation. Cost of acquisition is inclusive of freight, duties, installation expenses and other incidental expenses.

(c) Depreciation on Fixed Assets is provided on pro-rata basis at Straight Line Method at the rates specified in the schedule XIV of the Companies Act, 1956.

(d) Investments are valued at cost and all are unquoted Equity Shares

(e) Preliminary Expenses and Public Issue Expenses are charged to revenue over a period of five years.

(f) The provision for Gratuity and Leave Encashment is calculated as per Accrual Method, included in Current Liabilities & Provisions.

(g) Capital work in progress of Rs.480.11 lakhs (Previous Year Rs.404.07 lakhs) is in respect of product development and advances made to suppliers towards capital goods. This will be capitalized on completion of the project.

(h) Transactions in foreign currency are recorded at the rates of exchange prevailing on the date of the transaction. Current assets and liabilities denominated in foreign currency are translated at the rate of exchange as at balance sheet date.

*** Revenue Recognition :**

(i) The Company follows the mercantile system of Accounting and recognises income and expenditure on accrual basis.

(ii) Revenue is not recognised on the grounds of prudence, until realised in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.

Foreign Exchange Transaction :

(i) Realised gains & loss as in foreign exchange transactions are recognised in Profit & Loss Account.

(ii) **Taxation :-**The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax assets and liabilities are recognized for future tax consequences attributable to the timing differences that result between the profit offered for income tax and the profit as per the financial statements. Deferred tax assets and liabilities are measured as per the tax rates/laws that have been enacted or subsequently enacted to the Balance Sheet date.

2. Earnings in foreign exchange during the year (FOB Value) on account of software development services are Rs. 274.37 lakhs (Previous Year Rs. 592.57 lakhs including US and UK Branches)

3. The Company does not have any outstanding liability for a period of more than 30 days for sum of rupees exceeding one lakh in respect of Small Scale Industrial undertakings.

4. The Company is engaged in the development of Computer Software and services. The production and sale of such software and services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI to the Companies Act, 1956.

5. Expenditure in foreign currency :

	Rs. In lakhs	
	Year Ended 31 st March 2003	2002
Travelling Expenses	15.21	5.06

6. Auditor's Remuneration

	Amount in Rs	
	Year Ended 31 st March	
	2003	2002
Audit Fee	42,000	40,000
Expenses	NIL	NIL
	42,000	40,000

7. Managerial Remuneration

Remuneration to Wholetime Director	21,333	NIL
---------------------------------------	--------	-----

8 SECURED LOANS: The Term Loan is secured by Fixed Assets and Personal Guarantee of two Directors Sri. L. Rajgopal and Sri. L. Madhusudan Rao and Corporate Guarantee by Lanco Infratech Limited

9. In accordance with Accounting Standard 22 (AS 22) issued by the ICAI, the Company has accounted for deferred tax in the previous year for accumulated deferred tax Liability and for the previous year also. The deferred tax provision for the current year amounts to Rs.4,36,927/- is towards deferred tax Liability.

10. EARNING PER SHARE : The earnings considered in ascertaining the company's Earnings Per share comprise net profit after tax . The number of shares used in computing Basic Earnings per share is the weighted average number of shares outstanding during the year .

11. Figures for the corresponding year ended March 31, 2002 wherever necessary have been regrouped, recast, rearranged to conform to those of the current year.

Signatures to Schedules 1 to 12

As per our Report Attached
For MOGILI SRIDHAR & CO.,
CHARTERED ACCOUNTANTS

P. MURALI MOHANA RAO
PARTNER

PLACE: HYDERABAD,
DATE : 30-07-2003.

FOR AND ON BEHALF OF THE BOARD
For **LANCO GLOBAL SYSTEMS LIMITED**

SURESH CHUKKAPALLI
VICE-CHAIRMAN

G. BHASKARA RAO
DIRECTOR

Y. SRINIVASA RAO
D.G.M-F&A

C. KRISHNAKUMAR
COMPANY SECRETARY

	(Rs. in lakhs)	
CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2003.	Current Year	Previous Year
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before taxation and extraordinary items	27.69	66.64
Adjustments for:		
Depreciation	49.14	50.64
Interest Income	-	-
Interest expenses	13.17	21.59
Written off Expenses	6.11	4.54
Operating Profit before working capital changes	96.11	143.41
Trade and other receivables	(4.71)	(39.71)
Inventories	-	-
Trade payables	7.45	58.34
Cash generated from operations	98.85	162.04
Interest paid	13.17	21.59
Prior Period Adjustment for expenses	-	-
NET CASH FLOW OPERATING ACTIVITIES	85.68	140.45
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets including Capital Work-in-progress	(68.53)	(93.10)
Pre-operative & Project Expenses	(7.89)	-
Purchase of Investments	-	-
Interest Received	-	-
Cost of investments	-	-
NET CASH USED IN INVESTING ACTIVITIES	(76.42)	(93.10)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Issue of Share Capital	0.04	0.19
Public Issue Expenses	-	-
Investment Subsidy	10.00	-
Unsecured Loan	-	-
Proceeds from Term Loans	(33.31)	(41.92)
Net Proceeding from HP Loans	-	-
NET CASH USED IN FINANCING ACTIVITIES	(23.27)	(41.73)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(14.01)	5.61
Cash and Cash equivalents as at (Opening Balance)	16.24	10.63
Cash and Cash equivalents as at (Closing Balance)	2.23	16.24

for and on behalf of the Board

Place: Hyderabad.

Date : 30-07-2003

SURESH CHUKKAPALLI
VICE-CHAIRMAN

G. BHASKARA RAO
DIRECTOR

To
The Board of Directors
Lanco Global Systems Limited

We have examined the attached Cash Flow Statement of M/s Lanco Global Systems Limited for the year ended 31st March, 2003. The Statement has been prepared by the company in accordance with the requirement of Clause 32 of listing agreement with Stock Exchange and is based on and in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of 30th July, 2003 to the members of the company.

for **MOGILI SRIDHAR & CO.,**
CHARTERED ACCOUNTANTS

PLACE: HYDERABAD,
DATE : 30-07-2003.

(P.MURALI MOHANA RAO)
PARTNER

J

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LANCO GLOBAL SYSTEMS LIMITED

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Hyderabad - 500 034. Andhra Pradesh, INDIA.
website: www.lancoglobal.com