



**Lanco Global Systems Limited**  
**FIFTH ANNUAL REPORT**  
**2 0 0 3 - 2 0 0 4**



**BOARD OF DIRECTORS**

Sri L. Madhusudhan Rao	Chairman & Whole-time 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

**GENERAL MANAGER**  
(Finance & Accounts)

Sri Y. Srinivasa Rao

**AUDITORS**

M/s Mogili Sridhar & Co.,  
Chartered Accountants,  
6-3-655/2/3, 1<sup>st</sup> Floor,  
Somajiguda,  
Hyderabad-500 082.  
Andhra Pradesh, India.

**REGISTERED OFFICE**

"LANCO HOUSE",  
141, Avenue # 8, Road # 2,  
Banjara Hills, Hyderabad-500 034.  
Andhra Pradesh, India.

**SOFTWARE DEVELOPMENT  
CENTRE & CORPORATE OFFICE**

"Lanco Towers", 8-3-993,  
Srinagar Colony,  
Hyderabad-500 073.  
Andhra Pradesh, India.

**BANKERS TO THE COMPANY**

1. Bank of Baroda, M.G. Road, Secunderabad.
2. Global Trust Bank Limited, S.D. Road, Secunderabad.

**REGISTRARS &  
SHARE TRANSFER AGENTS**

M/s. Aarhi Consultants Private Limited  
1-2-285, Domalguda,  
Hyderabad-500 029.  
Andhra Pradesh, India.

## 5th Annual Report 2003-2004

### NOTICE

Notice is hereby given that the Fifth Annual General Meeting of the Members of Lanco Global Systems Limited will be held at 3.00 P.M on Tuesday, the 28<sup>th</sup> September, 2004, 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 31<sup>st</sup> March, 2004 and the 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 Dr Prasada Rao VDM Ravella, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri M.N. Nambiar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri V.K. Srinivasan, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:

"WHEREAS a Special Notice has been received pursuant to Section 225(1) of the Companies Act, 1956 from a Shareholder for the appointment of M/s. P.Murali & Co., Chartered Accountants, in place of the retiring Auditors, namely M/s. Mogili Sridhar & Co., Chartered Accountants.

NOW THEREFORE IT IS RESOLVED THAT M/s. P.Murali & Co., Chartered Accountants, Hyderabad be and are hereby appointed as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at remuneration as may be decided by the Board of Directors of the Company."

### SPECIAL BUSINESS

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 Section 269 and Schedule XIII to the Companies Act, 1956, the Re-appointment of Sri L. Madhusudhan Rao as a Whole-time Director of the Company for a period of 1 year, with effect from 27<sup>th</sup> January, 2004, on remuneration of Rs.10,000/- per month be and is hereby approved."

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 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging / charging in favour of Bank(s) / Financial Institution(s) / other lender(s) all the immovable and movable properties of the Company both the present and future and the whole of the undertaking of the Company or such of them as may be agreed to between the Board of Directors and the said lender(s) to secure the Loans borrowed or to be borrowed from the said lender(s)."

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalize the terms and conditions for creating the aforesaid mortgages and / or charges and to do all such acts, things and deeds as may necessary in this regard."

By Order of the Board  
For LANCO GLOBAL SYSTEMS LIMITED

Place : Hyderabad,  
Date : 29.07.2004.

C. KRISHNAKUMAR  
COMPANY SECRETARY.

### 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 Saturday, the 25<sup>th</sup> September, 2004 to Tuesday, the 28<sup>th</sup> September, 2004 (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 Private 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.
6. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Special Business is annexed hereto.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**

**Item No. 6**

The Board of Directors at the Meeting held on 16<sup>th</sup> January, 2004, re-appointed Sri L. Madhusudhan Rao as Whole-time Director of the Company u/s 269 of the Companies Act, 1956 and Schedule XIII to the Companies Act, 1956, with effect from 27-01-2004 for a period of 1 year with remuneration of Rs.10,000/- per month, subject to the approval of Members in the 5<sup>th</sup> Annual General Meeting.

Except Sri L. Madhusudhan Rao none of the Directors is interested or concerned in the said resolution.

**Item No. 7**

The Company has plans to expand the business activity substantially. The activity planned, requires, investments in creating and strengthening the infrastructure and other facilities and also Working Capital facilities.

In that context, the Company may need to approach Banks and Financial Institutions for obtaining Term Loans and Working Capital facilities. To securitize the loans granted, the Company will be required to mortgage / charge its Assets / undertaking in favour of the lender(s). To enable the Board of Directors to do so the approval of the Members in a General Meeting under Section 293(1)(a) of the Companies Act, 1956 is required.

None of the Directors is interested or concerned in the resolution.

**ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT/RE-APPOINTMENT AT THE ENSUING ANNUAL GENERAL MEETING**

**Dr Prasada Rao VDM Ravella**

Dr Prasada Rao VDM Ravella (54) is an NRI Director. He took his Medical Degree from Guntur Medical College and General Practice Residency from Ravenswood Hospital, Chicago, IL, USA. He is a Member of American Medical Association, Chicago Medical Society. He holds State of Illinois Medical Licence and Drug Enforcement Agency Licence. From 1980 to 1995, he worked in different capacities in Lincoln West Hospital, Chicago, IL, USA.

**Sri M.N. Nambiar**

Sri M.N. Nambiar (64) as a Member of the Indian Revenue Service, served with distinction in the Income Tax department. He rose from the post of Asst./Dy. Commissioner of Income Tax, Mumbai to the positions of Under Secretary, Central Board of Taxes, New Delhi, Joint Commissioner - Income Tax, Regional Director - Staff Selection Commission - Western Zone. Additional Commissioner of Income Tax, Mumbai, Commissioner of

Income Tax culminating in his becoming the Chief Commissioner of Income Tax, Andhra Pradesh, Hyderabad. During his career in the Income Tax department, he was associated with various functions at different levels.

**Sri V.K. Srinivasan**

Sri V.K. Srinivasan (64) obtained his Master's Degree in Economics with specialization in "Structure and Problems of Indian Industry", and Labour Problems and Industrial Relations. He was awarded a Gold medal for performance in M.A. examinations.

As a Member of Indian Administrative Service, Sri Srinivasan, mainly served in the Finance and Planning and Industry departments in the initial years, before moving to Education and General Administration Departments of Andhra Pradesh Government in the later part of his career. As a Director in the Plan Finance Division, Ministry of Finance, Government of India he was mainly responsible for Plan Schemes, Capital Budgeting and Investment Appraisals of major projects in the Steel, Petroleum, Power and Heavy Engineering Industries in the Central Public Sector.

He has been a regular contributor to the Hindu and the Indian Express for over three decades and to the Economic Times (1965-85) and the Hindu Businessline (1990s). In his capacity as an Economist, Sri Srinivasan has been a regular invitee to the Union Finance Minister's Pre-Budget consultations.

**Sri L. Madhusudhan Rao**

Sri L. Madhusudhan Rao (38) did his M.Tech. (Mech. Design) and M.S. (Indl.Engg.) in U.S.A. He worked in Meadours Products of Michigan, Waggoner Brighten Corporation, Exotic Rubber & Plastics in U.S.A. He is the Chairman of Lanco Group of Companies. He is on the Board of Directors of 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., Aban Power Company Ltd., and Lanco Amarkantak Power Pvt. Ltd. He is a Member of prominent Industry and Business Associations.

By Order of the Board  
**For LANCO GLOBAL SYSTEMS LIMITED**

**C. KRISHNAKUMAR**  
**COMPANY SECRETARY.**

Place : Hyderabad,  
Date : 29.07.2004.

## 5th Annual Report 2003-2004

### DIRECTORS' REPORT

To  
The Members,

Your Directors have pleasure in presenting the Fifth Annual report on the business and operations of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2004.

(Rupees in lakhs)

FINANCIAL RESULTS	2003-2004	2002-2003
Income from Operations	287.73	278.07
Other Income	5.43	0.56
Gross Profit before Interest, Depreciation & Tax	79.01	91.69
<b>Less:</b> Interest	6.92	13.17
Depreciation	51.34	50.83
Provision for Tax	1.36	1.46
Profit after Tax	19.39	26.23
<b>Less:</b>		
Provision for Deferred Tax Liability	-	4.37
<b>Add:</b>		
Provision for Deferred Tax Asset	2.11	-
Profit after Deferred Tax	21.50	21.86
Balance Brought forward	64.07	43.15
Adjustment pertaining to earlier year	-	0.94
Profit Carried to Balance Sheet	85.57	64.07

During the current year, the Company has generated total revenue of Rs.287.73 Lakhs as against Rs.278.07 Lakhs in the previous year. The profit after deferred tax during the current year is Rs.21.50 Lakhs as against Rs.21.86 Lakhs in the previous year.

### DEVELOPMENTS DURING THE YEAR

#### Voluntary Delisting of the Equity Shares of the Company on the Ahmedabad Stock Exchange.

Consequent to the Special Resolution passed in the last Annual General Meeting, the Company applied to the Stock Exchange, Ahmedabad for Voluntary Delisting the Equity Shares of the Company on that Exchange.

The Ahmedabad Stock Exchange vide their Letter Ref. No.ASE/2004/4044, dated 04.03.2004 approved the Voluntary Delisting of the Equity Shares of the Company on the Stock Exchange, Ahmedabad with effect from 18.03.2004.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Dr Prasada Rao VDM Ravella, Sri M.N. Nambiar and Sri V.K. Srinivasan, 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

The retiring auditors, namely, M/s. Mogili Sridhar & Co., have given a notice in writing of their unwillingness to be re-appointed and a Special Notice in terms of Section 190 of the Companies Act, 1956 read with Section 225 of the Companies Act, 1956 has been received from a Shareholder proposing the appointment of M/s. P. Murali & Co., as the Auditors in place of the retiring auditors. The Company has forthwith communicated to the retiring auditors the Special Notice and the retiring auditors have made no representations in the matter. A written certificate has been obtained from M/s P.Murali & Co., Chartered Accountants to the effect that in case of their appointment as Auditors of the Company, the appointment will be in accordance with the limits prescribed under Section 224 (1B) 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. 259.30 Lakhs

Foreign Exchange outgo : Rs. 0.90 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 31<sup>st</sup> March 2004 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, 1956, 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 cooperation 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 the all employees of the Company.

**FOR AND ON BEHALF OF THE BOARD**

**L. MADHUSUDHAN RAO**  
CHAIRMAN &  
WHOLE-TIME DIRECTOR

**G. BHASKARA RAO**  
DIRECTOR

Place : Hyderabad,  
Date : 29.07.2004.

**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**

(i) *The details of the Directors on the Board of the Company for the year 2003-2004 are given below:*

Name	Category	Designation	Number of membership in Boards of other Public Companies	Only Chairmanship in Committees of Boards of Other Companies	Only Membership in Committees of Boards of Other Companies
Sri L. Madhusudhan Rao	Executive	Chairman & Whole-time Director	10	NIL	2
Sri Suresh Chukkapalli	Non-Executive Independent	Vice Chairman	4	NIL	NIL
Sri G. Bhaskara Rao	Non-Executive	Director	10	5	5
Sri Y. Harish Chandra Prasad	Non-Executive	Director	5	2	5
Sri M.N. Nambiar	Non-Executive Independent	Director	NIL	NIL	NIL
Sri V.K. Srinivasan	Non-Executive Independent	Director	NIL	NIL	NIL
Dr Prasada Rao VDM Ravella	Non-Executive Independent	Director	2	NIL	NIL
Dr Kilaru Hanumantha Rao	Non-Executive Independent	Director	NIL	NIL	NIL

**(II) Meetings & Attendance during the year**

5 Board Meetings were held during the year 2003-2004. The dates on which the Meetings were held are as follows:

16.04.2003, 30.07.2003, 18.10.2003, 16.01.2004 and 25.03.2004.

The attendance of each Director at Board Meetings during the year 2003-2004 and the last AGM is given below:

Name	Number of Board Meetings attended	Attendance at the last A.G.M.
Sri L. Madhusudhan Rao	3	Yes
Sri Suresh Chukkapalli	5	Yes
Sri G. Bhaskara Rao	5	Yes
Sri Y. Harish Chandra Prasad	2	Yes
Sri M.N. Nambiar	4	No
Sri V.K. Srinivasan	4	Yes
Dr Prasada Rao VDM Ravella	1	No
Dr Kilaru Hanumantha Rao	NIL	No

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.

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

**3. AUDIT COMMITTEE**

**(I) Brief descriptions of terms of reference**

The Audit Committee consists of only Non-Executive Independent 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 statement is 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.



## 5th Annual Report 2003-2004

### (II) Composition

The Audit Committee comprises of the following Four Non-Executive Independent Directors.

Sri M.N. Nambiar	-	Chairman
Sri Suresh Chukkapalli	-	Member
Dr Prasada Rao VDM Ravella	-	Member
Sri V.K. Srinivasan *	-	Member

\* Sri V.K. Srinivasan has been appointed as a Member of Audit Committee effective April 16, 2003.

### (III) Meetings & Attendance during the year

5 Audit Committee Meetings were held during the year 2003-2004. The dates on which the Meetings were held are as follows:

16.04.2003, 30.07.2003, 18.10.2003, 16.01.2004 and 25.03.2004.

The attendance record of the Directors during the year 2003-2004 is given below:

Name	No. of Meetings held during the year	Number of Meetings attended during the year
Sri M.N. Nambiar	5	4
Sri Suresh Chukkapalli	5	5
Dr Prasada Rao VDM Ravella	5	1
Sri V.K. Srinivasan *	5	3

\* Appointed as Member with effect from 16.04.2003.

The Meetings of the Audit Committee were attended by the Head of Finance and Internal Auditors and Statutory 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 Internal Audit Reports and the various compliances.

## 4. REMUNERATION COMMITTEE

### (I) Composition and terms of reference

The Remuneration Committee consists of the following three Non-Executive Independent Directors. Remuneration Committee determines Compensation and Benefits for Executive Directors.

Sri V.K. Srinivasan	-	Chairman
Sri M.N. Nambiar	-	Member
Sri Suresh Chukkapalli	-	Member

### (II) Attendance

The Remuneration Committee met once on 16.01.2004 and all the Members of the Remuneration Committee attended the same.

**(iii) Details of Remuneration**

On the expiry on the contract term of one year, the Whole-time Director was reappointed 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.

**5. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE**

**(i) The composition of the Shareholders/ Investors Grievances Committee is as follows:**

The Committee is headed by a Non-Executive Independent Director.

Sri Suresh Chukkapalli - Chairman

Sri L. Madhusudhan Rao - Member

**(ii) The Name and Designation of Compliance Officer**

The Name and Designation of the Compliance Officer of the Company is Sri C. Krishnakumar, Company Secretary.

**(iii) Details of requests/complaints received, resolved and pending during the year 2003-2004**

Nature of Complaint	Received	Resolved	Pending
Change of Address	5	5	0
Non Receipt of Share Certificate for endorsement	1	1	0
Loss of Share Certificate	1	1	0
Other Complaints	1	1	0
<b>Total:</b>	<b>8</b>	<b>8</b>	<b>0</b>

**6. GENERAL BODY MEETINGS**

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

Year	Location	Date	Time
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.
2002-03	Surana Udyog Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry, Federation House, 11-6-841, Red Hills, P.B.14, Hyderabad.	September 27, 2003	3.00 P.M.

**(II) Whether Special Resolutions were passed through Post Ballot last year.**

No.

**(III) Persons who conducted the Postal Ballot exercise.**

Not Applicable.

**(iv) Whether any Special Resolution is proposed to be conducted through postal ballot.**

No

**(v) Procedure for postal ballot.**

Not Applicable

**7. DISCLOSURES**

There are no materially significant related party transactions having potential conflict with the interests of the Company at large.

There is no Accounting treatment different from the prescribed Accounting standards.

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.

**8. MEANS OF COMMUNICATION**

The Company's Quarterly, Half Yearly and Annual financial results are up loaded on the EDIFAR website maintained by National Informatics Center (NIC).

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

As required by the Listing Agreement, the Management Discussion and Analysis Report is provided elsewhere in the Annual Report.

**9. GENERAL SHAREHOLDERS INFORMATION**

**(I) Annual General Meeting**

- Date and Time      September 28, 2004 at 3.00 P.M.
- Venue                      Surana Udyog Auditorium,  
The Federation of Andhra Pradesh Chambers of Commerce and Industry,  
Federation House, 11-6-841, Red Hills, P.B.14, Hyderabad-500 004.

**(II) Financial Calendar for the Year 2004-05 (tentative)**

<b>Tentative Schedule</b>		
1.	- Financial reporting for the quarter ended June 30, 2004	Before end July, 2004
2.	- Financial reporting for the half year ending September 30, 2004	Before end October, 2004
3.	- Financial reporting for the quarter ending December 31, 2004	Before end January, 2005
4.	- Financial reporting for the year ending March 31, 2005	Before end April, 2005
5.	- Annual General Meeting for the year ending March 31, 2005	Before end September, 2005

- (iii) **Book Closure Dates** : 25.09.2004 to 28.09.2004 (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 31<sup>st</sup> March, 2005

(vi) **Stock Code:**

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

- (vii) **Stock Market Price Data relating to Equity Shares listed in the Hyderabad Stock Exchange & The Stock Exchange, Mumbai.**

(In Rs.)

The Stock Exchange, Mumbai		
Month	High	Low
April '03	-	-
May '03	8.80	8.50
June '03	10.54	7.00
July '03	11.00	6.01
August '03	10.00	7.01
September '03	9.63	7.23
October '03	11.88	7.21
November '03	10.10	9.10
December '03	9.27	6.05
January '04	9.00	4.62
February '04	10.50	4.90
March '04	7.20	3.63

**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) **Stock Performance in comparison to broad-based indices such as BSE Sensex, CRISIL Index etc.**

The Price of the Equity Share of the Company broadly moved in tandem with the said indices.

- (ix) **Registrars & Share Transfer Agents**

Aarhi Consultants Private Limited,  
1-2-285, Domalguda, Hyderabad – 500 029. A.P. India.  
Phone : +91-40-27634445, 27638111, 55611921  
Fax : +91-40-27632184  
Email : hyd2\_aarcons@sancharnet.in

**(x) Share Transfer System**

The shareholders are advised to contact the Registrar and Share Transfer Agents at their address for effecting transfer of shares.

**(xi) (a). Distribution of Shareholding by size class as of March 31, 2004 :**

Nominal Value of Shareholding (In Rs.)	No. of Shareholders	Percentage	No. of Shares	Percentage
Up to 5,000	1345	83.59	2691100	2.53
5,001 - 10,000	124	7.71	863930	0.81
10,001 - 20,000	39	2.42	662950	0.62
20,001 - 30,000	17	1.06	395500	0.37
30,001 - 40,000	4	0.25	139500	0.13
40,001 - 50,000	2	0.12	90780	0.09
50,001 - 1,00,000	23	1.43	1879730	1.76
1,00,001 and above	55	3.42	99846510	93.69
<b>TOTAL</b>	<b>1609</b>	<b>100.00</b>	<b>10657000</b>	<b>100.00</b>

**(b). Distribution of Shareholding by Ownership as on March 31, 2004 :**

S.No.	Category	No. of Shares held	% of shareholding
<b>A.</b>	<b>Promoter's holding</b>		
1.	Promoters		
	- Indian Promoters	172900	1.62
	- Foreign Promoters	4795650	45.00
2.	Persons acting in Concert		
	- Friends & Associates	NIL	NIL
	<b>Sub-Total</b>	<b>4968550</b>	<b>46.62</b>
<b>B.</b>	<b>Non-Promoters Holding</b>		
3.	Institutional Investors	NIL	NIL
4.	Others		
	- Private Corporate Bodies	2170446	20.37
	- Indian Public	2202900	20.67
	- NRIs / OCBs	324454	3.04
	- Any other (Trusts)	990650	9.30
	<b>Sub-Total</b>	<b>5688450</b>	<b>53.38</b>
	<b>Grand Total</b>	<b>10657000</b>	<b>100.00</b>

**(xii) 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.

**(xiii) Outstanding convertible Instruments**

As of March 31, 2004, there are no outstanding convertible instruments.

**(xiv) Address for Correspondence**

**Registered Office:**

"Lanco House", 141, Avenue # 8, Road # 2,  
Banjara Hills, Hyderabad- 500 034. A.P. India.  
Phone: +91-40-23540695, 701  
Fax : +91-40-23540699

**Corporate Office:**

"Lanco Towers", 8-3-993, Srinagar Colony,  
Hyderabad – 500 073. A.P. India.  
Phone: +91-40-23755403, 55511161, 62  
Fax : +91-40-23755413  
Website: www.lancoglobal.com

**II. NON-MANDATORY REQUIREMENTS**

**1. CHAIRMAN OF THE BOARD**

The Chairman of the Company is a Whole-time Director of the Company and hence this provision is not applicable.

**2. REMUNERATION COMMITTEE**

All the requirements of the Remuneration Committee have been complied with and the details are included in item 4 of the report.

**3. SHAREHOLDER RIGHTS**

The Quarterly, Half Yearly and Annual Results were displayed on the EDIFAR website maintained by National Informatics Center (NIC).

**4. POSTAL BALLOT**

There are no items requiring approval through postal ballot and hence this item is not applicable.

**MANAGEMENT DISCUSSION AND ANALYSIS**

**IT SCENARIO**

IT software and services market in India continued to be driven by exports, which exhibited robust growth during the 2003-04 period. The export segment, which had logged in Revenues of Rs.461 billion (US\$9.55 billion) in 2002-03, accounted for around 60 percent of the total Revenues of the IT Industry that year. Software and services exports meanwhile are expected to cross the Rs.555.1 billion mark (US \$12.2 billion) in 2003-04, a jump of 20.4 percent in rupee terms and 28 percent in dollar terms.

**THE GLOBAL SCENARIO**

Business intelligence majors such as IDC state that the IT services market will grow at a CAGR of 5.4 percent over the next five years. Some of the other developments defining this segment include the following:

- a high growth IT outsourcing industry which will maintain a momentum of five percent in 2003-04. Application outsourcing will remain the focus within this segment.
- a high growth Application Service Providers segment which is forecast to grow at a healthy five year CAGR of 25.3 percent.
- a return to moderate growth of the custom applications development segment.
- a mild recovery by the US IT services market which is expected to achieve growth of around two percent during 2003-04 and around six percent by 2005.
- a healthy growth of around 8.6 percent in the IT services market within the Asia Pac region, and a five year CAGR of 12.6 percent.
- high growth rates of IT services in the rest of the world (including central and Eastern Europe, Middle East and Africa).

### **IT SOFTWARE AND SERVICES EXPORTS**

Software and services exports continued to remain on top of the IT industry's revenue table. The export-driven software sector saw major long term projects come to Indian Companies bagging a larger and larger share of the global outsourced business. The software export sector logged in a Revenue of Rs. 47.500 Crore during 2002-03, a jump of around 30 percent, as compared to the previous year.

In terms of software services delivery, offshore project revenues grew by a blazing 49 percent as compared to on-site revenues, growth of which was pegged as 12 percent during 2002-03. In terms of geographies, Indian Companies began tapping regions outside the US market, even though the country remained the largest user of software solutions from India. The revenue contributions by the US market continued to rise on account of the large number of ITES/BPO projects getting outsourced to India.

### **EMERGING OPPORTUNITIES**

According to NASSCOM, Offshore Product Development' is one of the emerging sectors for Indian IT software and services companies.

### **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 Business Intelligence, ERP, Corporate Governance, and Web Technologies.

Customers are becoming more conscious about quality and are looking for international quality certifications like ISO and CMM. Though the Company is already an ISO 9001 company, it is in the process of getting assessed as CMMI Level 5 Company. The Company has already made significant progress towards the same and expects to achieve this by the end of the September, 2004.

### **STRATEGIES OF THE COMPANY**

The Company would continue to develop as quality niche player in solutions space. The company is expected to get CMMI Certification by end of September, 2004 and plans to implement Six Sigma. Because of the focus on quality and timely delivery, the Company has been able to get fortune 500 clients like BASF and other large global clients. It is also envisaged to increase the present infrastructure and also the resource base by the last quarter of 2004.

Instead of spreading thin, the Company would continue to focus on marketing effort towards select few clients where chances of success are high. It is envisaged to add at least one large customer a quarter while increasing business opportunities with the existing clients.

Today the clients are more interested in forming a partnership and signing multiple-year deals with major players, especially in the areas of Enterprise Applications. There have also been cases where Indian companies are collaborating with global vendors for system integration to offer best solutions to the customers.

The company is striving to achieve a significant strength in customer relationship to address the above concerns.

The company is also adopting multiple strategies to build world-class competencies through internal trainings, lateral recruitments and employee retention practices.

### **INTERNAL CONTROL SYSTEMS AND ADEQUACY**

The company, with regard to internal control systems and their adequacy, has put in place effective systems and their strict implementation to ensure that assets and interests of the company are safeguarded. Checks and balances are in place to determine the accuracy and reliability of accounting data.

The company has internal audit, an independent appraisal function to examine and evaluate the adequacy and effectiveness of the company's internal control system. It appraises, periodically, its activities and audit findings to the audit committee, statutory auditors and the management.

Internal audit ensures that systems are designed and implemented with adequate internal controls, commensurate with the size and operations; transactions are executed in accordance with the company's policies and authorizations; assets are safeguarded and deployed in accordance with company's policies and authorizations; adequacy of internal controls in all existing policies and procedures of the company.

**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 M/s Lanco Global Systems Limited ("the company") for the year ended 31<sup>st</sup> March, 2004 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.MURALI MOHANA RAO  
PARTNER**

PLACE : HYDERABAD  
DATE : 29.07.2004



**AUDITORS' REPORT**

To  
The Members,  
**LANCO GLOBAL SYSTEMS LIMITED**

We have audited the attached Balance Sheet of LANCO GLOBAL SYSTEMS LIMITED as at 31st March , 2004 and also the Profit & Loss Account for the period 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 Companies (Auditors Report) Order 2003, issued by the Central Government of India in terms of the 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 & Profit & Loss Account dealt with by this report are in agreement with the books of account ;
  - (iv) In our opinion, the Balance Sheet & 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 , 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March , 2004 from being appointed 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 , 2004;
    - (b) In the case of the Profit & Loss Account, of the Profit for the period ended on that date;
- And**
- (c) In the case of the Cash Flow, of the cash flows for the period ended on that date ;

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

PLACE : HYDERABAD  
DATE : 29-07-2004.

**P.MURALI MOHANA RAO**  
PARTNER

**ANNEXURE TO THE AUDITORS' REPORT**

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.
- (c) The Company has not disposed off substantial part of the Fixed Assets during the year.
- II. The Company has no Inventory. Hence this clause is not applicable.
- III. (a) The Company has not either granted or taken any loans, secured or unsecured to / from Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.
- (b) As the Company has not either granted or taken any loans covered in the register maintained U/s.301 of the Companies Act 1956, the applicability of the clause regarding interest and other terms and conditions for secured and unsecured Loans and the prima facie prejudicial to the interest of the Company does not arise.
- (c) 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 hence the applicability of the clause regarding regular payment of principal amount and interest does not arise.
- (d) No loans have been taken from or granted to Companies, Firms & other parties listed in the register U/s.301 of the Companies Act, 1956, hence overdue amount of more than rupees one lac does not arise and the clause is not applicable.
- IV. 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 purchase of fixed assets and for sale of goods. There is no continuing failure by the company to correct any major weaknesses in internal control.
- V. (a) In our opinion and according to the information and explanation given to us, since no such transactions have been made by the company exceeding the value of Five Lacs Rupees in respect of any party in the financial year, the entry in the register U/s.301 of the Companies Act, 1956 does not arise.
- (b) According to the information and explanations given to us, as no such transactions made by the applicability of the clause of charging the reasonable price having regard to the prevailing market prices at the relevant time does not arise.
- VI. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A and 58AA of the Companies Act, 1956 and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board has not been received by the Company.
- VII. In our opinion, the company is having internal audit system, commensurate with its size and nature of its business.
- VIII. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section(1) of section 209 of the Companies Act, 1956.
- IX. (a) The Company is regular in depositing statutory dues including PF, Income Tax, and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.
- (b) According to the information and explanations given to us, no undisputed amounts are payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty, Excise Duty and Cess as at the end of the period, for a period more than six months from the date they became payable.

- X. Since the Company has been registered for a period less than five years, this clause is not applicable.
- XI. According to information and explanations given to us, the Company has not defaulted in repayment of dues to financial Institutions or banks or debenture holders.
- XII. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
- XIII. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies.
- XIV. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, Debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the company does not arise.
- XVI. According to the information and explanations given to us, the Term Loans were applied by the company for the purpose for which the loans were obtained.
- XVII. According to the information given to us and on an overall examination of the Balance Sheet of the Company, we report that the funds raised on short-term basis have not been used for long term investment and vice-versa during the year under audit.
- XVIII. According to the information and explanations given to us, the Company has not made any preferential allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.
- XIX. According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of securities in respect of debentures issued does not arise.
- XX. According to information and explanations given to us, the company has not raised money by way of public issues during the year, hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

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

PLACE : HYDERABAD  
DATE : 29-07-2004.

**P. MURALI MOHANA RAO  
PARTNER**

**BALANCE SHEET AS ON 31ST MARCH, 2004**

PARTICULARS	Schedule	As on 31.03.2004 (Rupees)	As on 31.03.2003 (Rupees)
<b>I SOURCES OF FUNDS</b>			
<b>1. Share Holders Funds</b>			
(a) Share Capital	1	106,494,200	106,494,200
(b) Reserves & Surplus	2	9,557,264	7,407,175
<b>2. Loan funds</b>			
(a) Secured Loans	3	1,014,908	6,007,827
<b>3. Deferred Tax Liability</b>			
		3,571,394	3,782,455
<b>TOTAL</b>		<u>120,637,766</u>	<u>123,691,657</u>
<b>II APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
(a) Gross Block	4	49,590,252	47,487,115
(b) Less Depreciation		17,478,165	12,547,038
(c) Net Block		32,112,087	34,940,077
(d) Capital Work in progress including Advances		47,937,410	48,011,037
<b>2. Investments</b>			
		20,000,000	20,000,000
<b>3. Current Assets, Loans &amp; Advances</b>			
(a) Sundry Debtors	5	18,670,836	15,832,463
(b) Cash and Bank Balances	6	3,044,650	223,162
(c) Loans & Advances	7	14,567,296	14,977,660
Less: Current Liabilities & Provisions	8	16,613,921	11,823,606
Net Current Assets		19,668,861	19,209,679
<b>4. Miscellaneous Expenditure</b>			
(to the extent not written off or adjusted)	9	919,408	1,530,864
<b>TOTAL</b>		<u>120,637,766</u>	<u>123,691,657</u>
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

**P. MURALI MOHANA RAO**  
PARTNER

**L. MADHUSUDHAN RAO**  
CHAIRMAN & WHOLE-TIME DIRECTOR

**G. BHASKARA RAO**  
DIRECTOR

PLACE: HYDERABAD,  
DATE : 29-07-2004.

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

**C. KRISHNAKUMAR**  
COMPANY SECRETARY

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004**

PARTICULARS	Schedule	Year Ended 31.03.2004 (Rupees)	Year Ended 31.03.2003 (Rupees)
<b>INCOME</b>			
Export		28,773,343	27,436,732
Domestic		-	370,496
Other Income		543,175	55,955
<b>TOTAL</b>		<b>29,316,518</b>	<b>27,863,183</b>
<b>EXPENDITURE</b>			
Personnel Cost		12,732,629	10,610,336
Interest & Financial Charges	10	691,619	1,317,208
Operating & Administration Expenses	11	8,071,842	7,472,445
Depreciation		5,134,165	5,083,100
Written off Expenses		611,456	611,456
<b>TOTAL</b>		<b>27,241,711</b>	<b>25,094,545</b>
Profit / (Loss) before tax		2,074,807	2,768,638
Provision for Tax		135,779	145,963
Profit / (Loss) after tax		1,939,028	2,622,675
Provision for Deferred Income Tax Assets Provision		211,061	Nil
Provision for Deferred Income Tax Liability Provision		Nil	436,927
Profit After deferred Tax		2,150,089	2,185,748
Balance Brought forward		6,407,175	4,315,623
Adjustments pertaining to earlier years		-	94,196
Profit Carried to Balance Sheet		8,557,264	6,407,175
Notes on Balance Sheet and Profit & Loss Account	12		
Earnings Per Share Basic & Diluted		0.20	0.21

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

FOR AND ON BEHALF OF THE BOARD

**P. MURALI MOHANA RAO**  
PARTNER

**L. MADHUSUDHAN RAO**  
CHAIRMAN & WHOLE-TIME DIRECTOR

**G. BHASKARA RAO**  
DIRECTOR

PLACE: HYDERABAD,  
DATE : 29-07-2004.

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

**C. KRISHNAKUMAR**  
COMPANY SECRETARY

**SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS**

PARTICULARS	As at 31-03-2004 (Rupees)	As at 31-03-2003 (Rupees)
<b>SCHEDULE - I</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised Capital</b> 26,000,000 Equity Shares of Rs. 10/- each	<u>260,000,000</u>	<u>260,000,000</u>
<b>Issued &amp; Subscribed Capital</b> 10,657,000 Equity Shares of Rs. 10/- each	106,570,000	106,570,000
Less: Allotment Money Arrears	75,800	75,800
<b>TOTAL</b>	<u><u>106,494,200</u></u>	<u><u>106,494,200</u></u>
<b>SCHEDULE - 2</b>		
<b>RESERVES &amp; SURPLUS</b>		
Investment Subsidy	1,000,000	1,000,000
Surplus in Profit & Loss Account	8,557,264	6,407,175
<b>TOTAL</b>	<u><u>9,557,264</u></u>	<u><u>7,407,175</u></u>
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS</b>		
Term Loan with Bank	1,000,000	5,941,143
Interest accrued payable	14,908	-
Vehicle Finance	-	66,684
<b>TOTAL</b>	<u><u>1,014,908</u></u>	<u><u>6,007,827</u></u>

## SCHEDULE - 4

## FIXED ASSETS

(Rupees)

SL. No.	DESCRIPTION OF ASSET	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost As at 01-04-2003	Additions During the Year	Deletions During the Year	Total Cost as at 31-03-2004	up to 01-04-2003	For the Year	Deletion of Depreciation for the year	Total as at 31-03-2004	as at 31-03-2004	as at 31-03-2003
1.	Computers	21,735,845	2,362,356	252,316	23,845,885	8,746,624	3,598,786	182,126	12,163,284	11,682,601	12,989,221
2.	Furniture & Fixtures	16,659,883	-	42,650	16,617,233	2,551,173	1,054,209	8,862	3,596,520	13,020,713	14,108,710
3.	Airconditioners	1,338,000	-	-	1,338,000	186,123	63,555	-	249,678	1,088,322	1,151,877
4.	Electricals	4,784,237	-	-	4,784,237	553,346	227,253	-	780,599	4,003,638	4,230,891
5.	Office Equipments	1,948,668	94,030	58,283	1,984,415	251,521	93,419	12,050	332,890	1,651,525	1,697,147
6.	Vehicles	1,020,482	-	-	1,020,482	258,251	96,943	-	355,194	665,288	762,231
	<b>TOTAL</b>	<b>47,487,115</b>	<b>2,456,386</b>	<b>353,249</b>	<b>49,590,252</b>	<b>12,547,038</b>	<b>5,134,165</b>	<b>203,038</b>	<b>17,478,165</b>	<b>32,112,087</b>	<b>34,940,077</b>

PARTICULARS	As at 31-03-2004 (Rupees)	As at 31-03-2003 (Rupees)
<b>SCHEDULE - 5</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured and Considered good)		
a) Over six months old	-	-
(b) Other Debts	18,670,836	15,832,463
<b>TOTAL</b>	<u>18,670,836</u>	<u>15,832,463</u>
<b>SCHEDULE - 6</b>		
<b>CASH &amp; BANK BALANCES</b>		
Cash in hand	7,462	8,529
Cash at Bank	3,037,188	214,633
<b>TOTAL</b>	<u>3,044,650</u>	<u>223,162</u>
<b>SCHEDULE - 7</b>		
<b>LOANS &amp; ADVANCES</b>		
Staff Advances	-	400
Pre-paid Expenses	107,098	20,000
Advance for Expenses & Recoverable	2,115,458	2,690,104
Deposits	2,433,240	2,355,656
LGSL Foundation (Trust)	9,911,500	9,911,500
<b>TOTAL</b>	<u>14,567,296</u>	<u>14,977,660</u>
<b>SCHEDULE - 8</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Outstanding Expenses & Provisions	1,710,388	2,173,461
Other Liabilities	14,903,533	9,650,145
<b>TOTAL</b>	<u>16,613,921</u>	<u>11,823,606</u>



## 5th Annual Report 2003-2004

PARTICULARS	As at 31-03-2004 (Rupees)	As at 31-03-2003 (Rupees)
<b>SCHEDULE - 9</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
Preliminary Expenses	473,429	638,905
Public Issue Expenses	445,979	891,959
<b>TOTAL</b>	<b>919,408</b>	<b>1,530,864</b>
<b>SCHEDULE - 10</b>		
<b>INTEREST &amp; FINANCIAL CHARGES</b>		
Interest on Term Loan	622,844	1,234,509
Interest on Vehicle Loans	15,426	55,872
Bank Charges	53,349	26,827
<b>TOTAL</b>	<b>691,619</b>	<b>1,317,208</b>
<b>SCHEDULE - 11</b>		
<b>OPERATING &amp; ADMINISTRATION EXPENSES</b>		
Communication Expenses	2,639,686	904,321
Repairs and Office Maintenance	548,799	590,344
Rent	2,083,200	2,181,300
Rates, Taxes & Insurance	172,901	209,270
Business Development Exp	362,203	267,171
Electricity Charges	971,641	700,452
Travelling & Conveyance	464,681	1,766,943
Printing & Stationery	123,743	170,618
Loss on sale of Assets	-	250,050
Miscellaneous Expenses	470,915	304,438
Directors Remuneration	120,000	21,333
Project Related Expenses-Stam	70,873	64,205
Audit Fee	43,200	42,000
<b>TOTAL</b>	<b>8,071,842</b>	<b>7,472,445</b>

## SCHEDULE - 12

### NOTES FORMING PART OF THE ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### General :

- (i) These accounts are prepared on the historical cost basis and on the accounting principles of a going concern.
- (ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

##### Revenue Recognition :

- (i) Income from software development is accounted for on the basis of Software developed and billed to clients on acceptance and/or on the basis of man days/man hours as per the terms of contract.
- (ii) Revenue from professional services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognised as and when the services are performed.
- (iii) Revenue from software development services includes revenue from time and material and fixed price contracts are recognised as related services are performed.
- (iv) Revenue on fixed price contracts is recognised in accordance with percentage of completion and method of account.
- (v) 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 in foreign exchange transactions are recognised in Profit & Loss Account.

Transactions in foreign currency will be recorded at the rates of exchange prevailing on the date of the transaction. Current assets and liabilities denominated in foreign currency will be translated at the rate of exchange as at Balance Sheet date.

**Investments :** Investments are stated at cost i.e. cost of acquisition, inclusive of expenses incidental to acquisition wherever applicable.

**Fixed Assets :** Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, duties, taxes and incidental expenses thereto.

##### Depreciation and Amortisation :

- (i) Depreciation is provided on straight line method on pro-rata basis and at the rates and manner specified in the Schedule XIV of the Companies Act, 1956.
- (ii) Preliminary Expenses are amortised over the period of 5 years.
- (iii) Public Issue Expenses are amortised over the period of 5 years.

**Capital Work-in-Progress :** The Capital Work-in-Progress includes cost of Fixed Assets under installation, advances for Capital Goods and unallocated expenditure.

**Taxation :** The current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax asset and liability is recognised 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 asset & liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date.

**Earning Per Share:** The earning considered in ascertaining the companies earning per share comprise net profit after tax. The number of shares used in computing basic earning per share is the weighed average number of shares outstanding during the year.

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**Gratuity :** The provision for Gratuity and leave Encashment is calculated as per accrual method and included in current liability & provision.

### B. NOTES ON ACCOUNTS

1. Particulars of Employees in accordance with Sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule 1975.

NIL

2. Director's Remuneration :	<u>Current Year (Rs.)</u>	<u>Previous Year (Rs.)</u>
	120,000/-	21,333/-

3. Auditor's Remuneration :	<u>Current Year (Rs.)</u>	<u>Previous Year (Rs.)</u>
Audit Fee	43,200/-	42,000/-

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. All Investments are unquoted Equity Shares.

6. Foreign Currency outgo on Capital expenditure is Rs.13,23,970/-.

7. Capital Work in Progress of Rs.479.37 lacs (previous year Rs.480.11 lacs) is in respect of Product development and advances made to suppliers towards capital goods. This will be capitalised on completion of the project.

8. Expenditure in Foreign Currency :	<u>Current Year (Rs.)</u>	<u>Previous Year (Rs.)</u>
Foreign Travelling	90,381/-	1,520,532/-

9. Earnings in Foreign Exchange as reported by the Company to Government of India and as certified by Management.

	<u>Current Year (Rs.)</u>	<u>Previous Year (Rs.)</u>
Foreign Exchange Inflow	25,930,140/-	27,618,188/-

10. There are no dues to SSI Units outstanding for more than 30 days.

11. Confirmations were obtained from debtors/creditors as to the balances receivable from/payable to them as at year end.

12. In accordance with Accounting Standard 22 (AS 22) issued by the ICAI, the Company has accounted for deferred income tax during the year. The deferred income tax provision for the current year amounts to Rs.211,061/- towards deferred income tax Asset (Previous year Rs. 436,927/- towards deferred income tax Liability).

13. The Term Loan is secured by Fixed Assets and Personal guarantee of Sri L. Rajagopal and Sri L. Madhusudhan Rao and Corporate Guarantee by Lanco Infratech Limited.

14. Previous years figures have been regrouped wherever necessary.

15. The figures have been rounded off to the nearest rupee.

### SIGNATURES TO SCHEDULES 1 TO 12

As per our Report of even date  
**For MOGILI SRIDHAR & CO.,**  
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD

**P. MURALI MOHANA RAO**  
PARTNER

**L. MADHUSUDHAN RAO**  
CHAIRMAN & WHOLE-TIME DIRECTOR

**G. BHASKARA RAO**  
DIRECTOR

PLACE: HYDERABAD,  
DATE : 29-07-2004.

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

**C. KRISHNAKUMAR**  
COMPANY SECRETARY

<b>CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-2004.</b>	(Rs. in lakhs)	
	Current Year	Previous Year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit before taxation and extraordinary Items	20.75	27.69
Adjustments for:		
Depreciation	51.34	49.14
Interest Income	6.92	-
Interest expenses	-	13.17
Written off Expenses	6.11	6.11
Operating Profit before working capital changes	85.12	96.11
Trade and other receivables	(24.28)	(4.71)
Trade payables	48.05	7.45
Cash generated from operations	108.89	98.85
Interest paid	(6.77)	13.17
<b>NET CASH FLOW OPERATING ACTIVITIES</b>	<b>102.12</b>	<b>85.68</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets including Capital Work-in-progress	(23.83)	(68.53)
Pre-operative & Project Expenses	-	(7.89)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(23.83)</b>	<b>(76.42)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from Issue of Share Capital	-	0.04
Investment Subsidy	-	10.00
Unsecured Loan	(50.08)	-
Proceeds from Term Loans	-	(33.31)
Net Proceeding from HP Loans	-	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(50.08)</b>	<b>(23.27)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>28.21</b>	<b>(14.01)</b>
Cash and Cash equivalents as at (Opening Balance)	2.23	16.24
Cash and Cash equivalents as at (Closing Balance)	30.45	2.23

for and on behalf of the Board

Place: Hyderabad.  
Date : 29-07-2004.

**L. MADHUSUDHAN RAO**  
CHAIRMAN & WHOLE-TIME DIRECTOR

**G. BHASKARA RAO**  
DIRECTOR

To  
The Board of Directors  
**M/s. 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, 2004. 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 29th July, 2004 to the members of the company.

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

PLACE: HYDERABAD.  
DATE : 29-07-2004.

(**P.MURALI MOHANA RAO**)  
PARTNER

**SCHEDULE - VI  
PART - IV**

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I. Registration Details :

Registration No.   
 State Code :   
 Balance Sheet Date   
 Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue   
 Right Issue   
 Bonus Issue   
 Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities   
 Total Assets

**SOURCES OF FUNDS**

Paid-Up Capital   
 Reserves & Surplus   
 Secured Loans   
 Un-secured Loans/Deferred Tax Liability

**APPLICATION OF FUNDS**

Net Fixed Assets   
 Investments   
 Net Current Assets   
 Misc. Expenditure   
 Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover   
 Total Expenditure   
 + - Profit/Loss before Tax   
 + - Profit/Loss after Tax   
 Earning per share in Rs.   
 Dividend Rate %

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code) :   
 Product Description

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**LANCO GLOBAL SYSTEMS LIMITED**

Regd. Office : "Lanco House", 141, Avenue # 8, Road # 2, Banjara Hills,  
Hyderabad - 500 034, Andhra Pradesh, INDIA.

**ATTENDANCE SLIP**

5th Annual General Meeting - 28th September, 2004

DP .Id*	
---------	--

Reg. Folio No.	
----------------	--

Client Id*	
------------	--

I certify that I am a member/proxy for the member of the Company. I hereby record my presence at the 5th Annual General Meeting of the Company 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 - 500 004 at 3.00 P.M. on Tuesday, the 28th day of September, 2004.

\*\* Member's/Proxy's Name in Block Letters

\*\* Member's/Proxy's Signature

Note : Member/Proxy must bring the Attendance Slip to the Meeting and hand it over signed, at the registration counter.

\* Applicable for investors holding shares in Electronic Form.

\*\* Strike out whichever is not applicable.



**LANCO GLOBAL SYSTEMS LIMITED**

Regd. Office : "Lanco House", 141, Avenue # 8, Road # 2, Banjara Hills,  
Hyderabad - 500 034, Andhra Pradesh, INDIA.

**PROXY SLIP**

5th Annual General Meeting - 28th September, 2004

DP .Id*	
---------	--

Reg. Folio No.	
----------------	--

Client Id*	
------------	--

I/We .....

of .....

being a member/members of **LANCO GLOBAL SYSTEMS LIMITED** hereby appoint .....

..... of .....

or failing him / her .....

of .....

as my/our proxy to vote for me/our on my/us behalf at the 5th Annual General Meeting of the Company to be held 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 - 500 004 at 3.00 P.M. on Tuesday, the 28th day of September, 2004.

Signed this ..... day of ..... 2004.

- Note : 1. Proxy need not be a member.  
2. Proxy Form, complete in all respects, should reach the Registered Office of the Company not later than 48 hours before the commencement of the meeting.

\* Applicable for Investors holding shares in Electronic form

Please  
Affix  
Re 1/-  
Revenue  
Stamp

Signature

**BOOK - POST**

To

*If Undelivered please return to :*



**LANCO GLOBAL SYSTEMS LIMITED**

"LANCO HOUSE", 141, Avenue # 8, Road # 2, Banjara Hills,  
Hyderabad - 500 034. Andhra Pradesh, INDIA.