



## VISION STATEMENT

TO BE INDIA'S PREMIER TECHNOLOGY COMPANY  
IN THE NETWORKING FIELD, THROUGH  
CONSTANT FOCUS ON R&D, MANUFACTURING  
AND AN UNPARALLELED SERVICE NETWORK



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**D-Link**<sup>®</sup>  
Building Networks for People



WE ARE SIMPLIFYING BUSY  
LIVES ACROSS THE WORLD.

In this day and age, distances across the globe are pulled closer and closer. With the complete gamut of active and passive networking products in our offerings, we are transcending all barriers to help connect lives across the world, everyday.

Today, the networking marketplace has miles of growth ahead of itself. At D-Link, we foster an uncompromising zeal to succeed in this fast paced world. This passion is leading us to connect many more lives, delivering superior stakeholder value in times to come!



**CONNECTING  
LIVES EVERYDAY**





# LETTER TO OUR SHAREHOLDERS

WE ARE WELL POISED FOR AN EXPANDING GLOBAL MARKETPLACE, FOR BOTH, ACTIVE AND PASSIVE NETWORKING PRODUCTS.

**K. R. Naik**  
Chairman & Managing Director



Dear Shareholders,

We live in exciting times. Today, the changing pace of technology is having an indelible impact on our lives. This tempo has in turn unleashed challenging demands of the marketplace. As the world commands increasingly more efficient solutions at the most reasonable prices, D-Link is at the center of this exciting and compelling industry. With our products finding their way into homes and offices across the globe, we are providing the basic tools that help to connect lives everyday.

## FINANCIAL REVIEW

During the year, we took a conscious decision to move towards our forte of networking products. Despite the considerable effect of reduction in the non core products contribution to our topline, I am pleased to report that our core business grew handsomely by 19%. This ensured that, we were still able to maintain our revenues at Rs.3051.99 million for the current year, marginally more than Rs.3014.77 million, recorded for the previous year.

In particular, our income from services grew to Rs.24.79 million during the year, against Rs.4.02 million in the previous year. Going forward, I expect the service component of the business to be a strong bottom-line contributor in the long run. Other income during the period grew to Rs.89.48 million as compared to Rs. 54.62 million, led by hefty forex gains of Rs. 16.85 million, in comparison with Rs.2.64 million in the previous year.

### CONVERTING VISION INTO ACTIONS

Today, we are already witnessing a marketplace brimming with opportunities. However, it is the ability to tap this market to the fullest of its potential that sets a leader apart. At D-Link, we are sensitive to the vast opportunity that lies ahead of us. More importantly, we are well-poised to take commercial advantage of a favourable marketplace.

In many ways, the bygone fiscal was a year of introspection for the Company. We have realigned our actions to our vision, to convert prospects into profitable business. I believe that, an astute marketing approach is going to be imperative to our growth. True to this belief, we have engaged highly competitive marketing strategies. We have also organised ourselves to serve our channel partners and direct customers most efficaciously. Within our channel sales group, we have further appointed dedicated System Integrators to promote our high end products directly to our customers. These measures enable us to feel the pulse of our clients and incessantly deliver to their expectations.

A comprehensive basket of offerings comprising active and passive components is one of the key success factors that are increasingly shaping our business. You will be pleased to learn that, during the year under consideration, our passive products business exceeded Rs.1000 million. Independent of our active products, we've introduced the 'Digi-Link' brand of passive products range, in our domestic as well as international markets. **Digi-Link** has already found acceptance in key markets throughout India and the world. Additionally, **Digi-Link** passive products are also gaining popularity with users of prominent active product brands, other than D-Link. The establishment of an independent brand within a short span of time and the appointment of separate retail distributors in some cases, surely augurs well for our passive products business. I am hopeful that it will eventually emerge as a globally recognised brand in the passive product range.

During FY2006-07, we pinned our focus on developing a business model with a ubiquitous presence across the entire horizontal value chain. By partnering with the new breed of speciality electronics retail stores, we're also getting as close as possible to the customer.

### THE JOURNEY AHEAD

"Innovation is the future that you do yourself having chosen the right technology".

I advocate the above philosophy. At D-Link, our success invigorates us to identify and achieve new milestones in our journey towards excellence. Today, we have all the growth enablers already in place and we have embarked on a journey with confident strides.

The Company has already streamlined its business model to participate in the entire value chain.

Leveraging on our strengths in the SOHO space, we have ambitious plans to cater to the needs of the fast growing SMBs and Enterprises.

We have also instilled emphasis on strengthening our R&D bedrock and thereby on developing our own Intellectual Property rights. Three years ago, we developed and manufactured Routers and the entire range of VoIP products from our in-house facility in Goa. Through this mindset, I expect your Company to come out with highly competitive and technologically advanced products and solutions. This marks the beginning of a trend that will record many more successful years in the future. Through our parent company, D-Link Corporation, we already have a global platform to reach out to global markets for our existing and new solutions. We enjoy a distinct competitive advantage in being able to cater to the global market dynamics through a readymade marketing infrastructure. Furthermore, I expect our strong brand recall to be an added fillip in driving our growth.

### THE MENTORS

The experience of our eminent board members are an invaluable asset to the organisation. Under the active circumspection of a highly efficient board, D-Link is well poised to take on the opportunities that the future may hold.

I express my regret to announce that due to exigencies of work, Mr.Chandrashekhar Koppurapu was constrained to resign from the board. While accepting his resignation, the board puts on record, the valuable contribution made by him during his tenure as a director of your Company.

### THE PILLARS OF GROWTH

The talent, skills and passion of our workforce are indispensable to reach our goals. During FY2006-07, we continued to focus on training our employees across all planes to elevate their level of performance. Our employee-friendly work environment is fashioning a group of leaders to take the Company forward.

### APPRECIATION

I take this opportunity to put on record my sincere appreciation of all the stake holders of this company, shareholders, customers for their continued faith and patronage and employee's and channel partners for their dedication. Last but not the least, I would like to convey my sincere thanks to M/s D-Link Corporation Taiwan, for their continued and unstinting support and guidance

Sincerely,



**K. R. Naik**  
Chairman & Managing Director



WE ARE NOT STANDING STILL.





## OUR MANUFACTURING PROWESS HAS PRIMED US TO TAKE ON A NEW WAVE OF GROWTH.

As the demand for a greater variety and volume of networking products is on the rise, manufacturing products in India is becoming increasingly viable. In line with this changing trend, we have consolidated our facilities by supplanting obsolete machines with modern, efficient equipment. Our prudent investments in building world-class capabilities, coupled with our adherence to six sigma practices in manufacturing, have led to optimal productivity. The versatility of our RoHS compliant Surface Mount Technology (SMT) lines allows us to manufacture a wide variety of IT products. Backed by our manufacturing and research expertise, we are able to offer low-cost, customised solutions under one umbrella.

With globally-compliant facilities to our credit, we are well geared to meet the growing demands of a growing market.





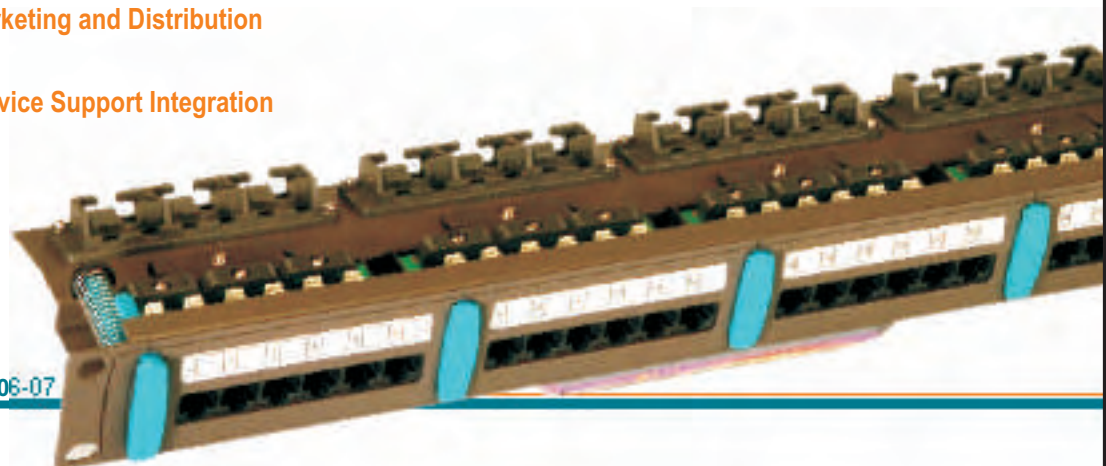
# NETWORKS ARE NOT JUST ABOUT CONNECTING INDIVIDUALS.

We have ambitious plans to move up the value pyramid: from connecting people and SMBs, to also building multifaceted networks for large enterprises. The fast growing SMB sector is investing heavily to meet its networking requirements, presenting a multitude of opportunities in this arena. Our experience in serving the SOHO market has positioned us well to cater to the needs of the SMB and Enterprise segments.

In line with our goals, we have restructured our business model to encompass a robust R&D base; globally-compliant manufacturing facilities; excellent marketing and distribution network; a reliable support system and a strong intellectual property base.

## ○ PRESENCE ACROSS THE ENTIRE VALUE CHAIN

- Research & Development
- Intellectual Property Rights
- Manufacturing
- Marketing and Distribution
- Service Support Integration





IT IS ALSO ABOUT BEING THE VITAL  
NERVOUS SYSTEM ON  
WHICH COMPLEX ENTERPRISES  
SUBSIST ON.



IT'S NOT JUST ABOUT HAVING  
END TO END SOLUTIONS.





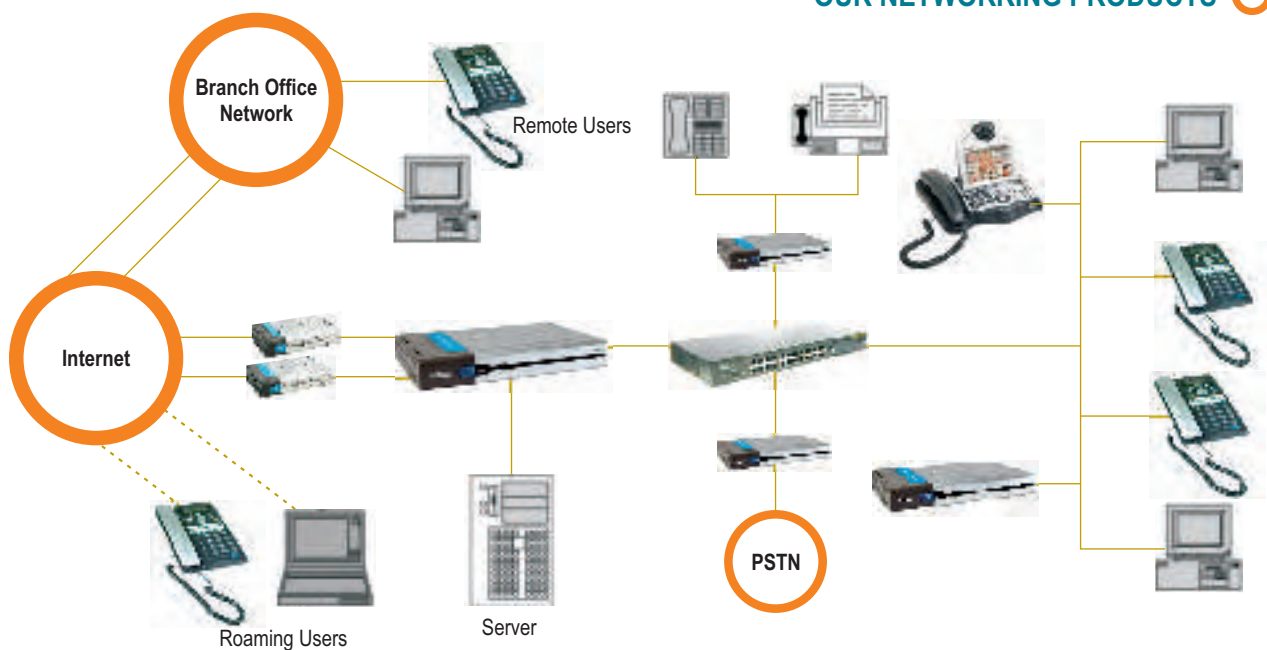
IT'S ALSO ABOUT SATISFYING ALL CLASSES OF CUSTOMERS WITH RELIABLE AND ROBUST PRODUCTS THAT WITHSTAND TOUGH CONDITIONS.

Through rigorous efforts steered by our keen business acumen, we have developed a comprehensive product portfolio, comprising both, active and passive networking products. Our Network Interface cards (NICs), Switches, Routers, VoIP Phones, IP Surveillance Cameras, NAS (Network Attached Storage) and Broadband Solutions are all finding their way into homes and offices throughout India. We have enhanced our presence in the SMB segment through our Structured Cabling components, including an entire range of 10G Fiber and Copper Intelligent Physical Layer Management System (IPLMS).

Our ADSL Modems epitomise our ability to provide customised broadband solutions to the Enterprise and SOHO segments. With IP Telephones, Station Gateways, Trunk Gateways, IPPBX and Gatekeepers, we are on our way to capitalize on potential of the VoIP market.

A burgeoning marketplace and a robust product pipeline – we have all the necessary ingredients for building success!

## OUR NETWORKING PRODUCTS





WITH A  
TECHNOLOGICAL  
WAVE SWEEPING  
ACROSS THE GLOBE,  
THE NEED FOR  
DIFFERENTIATED  
PRODUCTS IS  
INCREASING.

Our experience in serving the networking industry has enabled us to develop a strong technical base, with a concentrated focus on product development. Our strength lies in customisation, response time, product differentiation and derivative products. Our well-implemented engineering processes for on-time, high quality deliverables and our R&D efforts for developing cutting edge products have earned us a distinct reputation in the marketplace. Having riveted our focus on embedded systems, we are evolving to become the eminent players in the VOIP and Networking arena.

With our products finding global acceptance, we are reaping the rewards of our investments into R&D. Our world-wide presence provides us with a competitive advantage in identifying global technological trends that are adapted to suit the Indian market. Supported by a well-oiled R&D foundation, we are poised to develop customised convergence solutions at affordable prices.

### ○ SOME OF OUR R&D PRODUCTS

Business Gateways	DRO-210 DRO-250	Broadband Business Gateway in Desk-Top / 19" Rack Business Gateway with V.35, ISDN and Ethernet WAN
IPPBX	DVX-1000 DVX-2500 DVX-3500	Small Office , Desktop SMB, 19" Rack mount SMB/E, 19" Rack with RPS
VOIP Gateways	DIV-1xx GLV-2xx	4 Port Gateways 4FXO /4FXS/ 2FXO+2FXS 2 Port VOIP Gateways
PHONE	DPH-70x DIP-110x DIP-2xx DVC-3000	Dial-Up Two-in-one Phone One Ethernet port IP Phone New design IP-Phones (Under Development) SIP Video Phone with H.264 (Under Development)
Modems	GLB-502T DLM-G2100X	ADSL Modem Leased Line Modems



WITH R&D AS OUR FORTE, WE  
ARE CREATING THE BUILDING  
BLOCKS THAT WILL DELIVER OUR  
GROWTH TOMORROW.



# GLOBALISATION IS NOT JUST ABOUT SETTING UP SHOP.



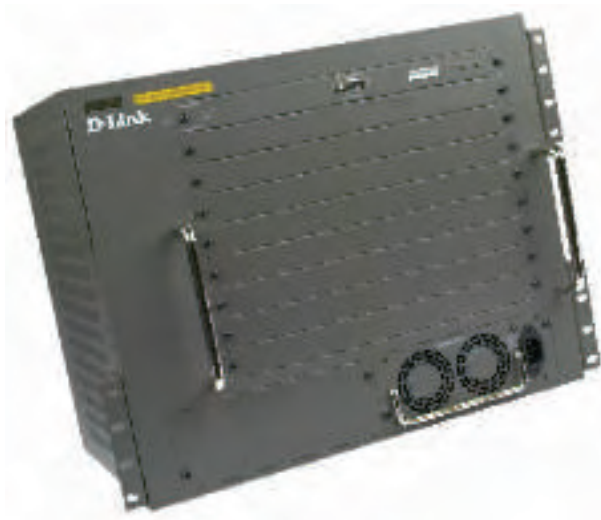


IT'S ALSO ABOUT  
HAVING RELIABLE  
PARTNERS TO KEEP  
THEIR BUSINESSES  
RUNNING FLAWLESSLY.

Happy customers are imperative to our growth. Spearheaded by our zeal to cater to every need of our customers, our prompt after-sales service is a unique feature of our business model. Today, we have 16 efficient service centre outlets, offering repairing services right down to the chip level, considerably reducing the lead time in response to our customers. Apart from our domestic customers, our technical support centre provides voice and e-mail based tech support to our International clients. We have channelised significant Investments towards the development of D-TAC (D-Link Technical Assistance), our state of the art contact centre. With such facilities we are just a call away from our customers.

We are closer to our customers than ever before, in terms of understanding and instilling confidence in them for using our products. With our strong brand recall, complemented by our outstanding service, we are indeed building long lasting relationships with our customers.





## EFFICIENT MANPOWER IS CHARACTERISTIC OF EVERY SUCCESSFUL ORGANISATION.

Our people strength is one of the cardinal pillars supporting our growth. Our team comprises of efficient individuals, who strive for personal and professional excellence, generating superior results for the company on the whole. Every member of the D-Link family is motivated to perform and deliver to the fullest of his ability. We constantly upgrade the skill-set of our employees to suit our long-term goals.

With a pool of skilled manpower at our service, we are set out to build an enterprise that is anything but ordinary.





AT D-LINK, WE HAVE  
THE RIGHT BLEND OF HUMAN  
ASSETS WORKING TOWARDS  
SUCCESS.



# BOARD OF DIRECTORS



1

**K. R. NAIK**  
Chairman & Managing Director

Mr. K. R. Naik, is the promoter of D-Link (India) Ltd. Mr. Naik brings along with him 30 years experience in the networking industry with him. He holds a Post Graduate Degree in Industrial Engg. from Jhunjunwala College, Bombay. He started his career with IBM, India and worked in the product design and development of parts and products at IBM.

2

**DATTARAJ V. SALGAOCAR**

Mr. Dattaraj V. Salgaocar holds a Bachelor of Production Engineering, V.J.T.I., University of Bombay, 1978 and MBA (Finance) from Wharton Business School, University of Pennsylvania, U.S.A. Mr. Dattaraj V. Salgaocar is a leading Industrialist.

3

**TONY TSAO**

Mr. Tony Tsao, possesses Masters Degree in Business Administration from Illinois Institute of Technology, Chicago USA and he has vast experience of 24 years in the IT Industry. Mr. Tony Tsao holds the position of President of D-Link International Ltd., Singapore and also holds the position of VP at D-Link Corp, Taiwan.

4

**A.P. CHEN**

Mr. An-Ping Chen, possesses a Bachelors degree in Electronics Engg. and a Masters Degree in Business Administration from National Chiao-Tung University in Taiwan. He has over 30 years of industry experience and has held a number of senior positions in Citi Bank, Bank of Boston's Taiwan Branch. Mr. A.P. Chen is presently Director & CFO of D-link Corporation, Taiwan.



6

**R.T. KRISHNAN**

Prof. R. T Krishnan, possesses Masters degree in Science, IIT, Kanpur Masters Degree in Engineering – Economic Systems, Stanford University and obtained Doctorate from IIM, Ahmedabad. He is presently professor – Corporate Strategy & Policy Area at Indian Institute of Management, Bangalore. His research interests are in the areas of Strategy, Innovation and competitiveness

7

**PANKAJ BALIGA**

Mr. Pankaj Baliga, possesses Bachelor's Degree in Engineering, NIT, Durgapur & Master's degree in Business Administration; IIM, Ahmedabad and SPURS fellow from Massachusetts Institute of Technology, Cambridge, USA. Mr. Pankaj Baliga has 28 years of rich experience in the field of Sales and Marketing. Presently, he is an advisor to Tata Consultancy Services Ltd.

8

**K.M. GAONKAR**

Mr. Gaonkar possesses a Masters Degree in Science from UDC Mumbai and has 30 years of experience in the petrochemical and fibre industry. He started his career with M/s Colour Chem Ltd as a research chemist where he worked for a period of 7 years before shifting to M/s Reliance Industries Ltd. He worked for 23 years in various positions in Reliance Industries Ltd with last six years as a Vice President in their Fibres Marketing Division

5

**PRADEEP RANE**


Mr. Pradeep Rane is a Science graduate and has nearly about thirty years of experience in Sales and Marketing and overall Business Management in the Pharmaceuticals industry. Presently he is working with M/s Alembic Limited as President – Formulations Business.



# CORPORATE INFORMATION



## SENIOR MANAGEMENT TEAM

- Bhushan Prabhu  Director - Finance
- C. M. Gaonkar  Director - Corporate Affairs
- J. V. Avadhanulu  Director - R&D
- Sandra Vijayendran  Vice President - Human Resources
- Milind Tamhane  Vice President - Manufacturing
- Vijay Rane  Vice President - Manufacturing (Active)
- Aravindan S.  Vice President - R&D
- Deepak Chodankar  Vice President - R&D
- Nitin Kunkolienker  Vice President - Commercial & Administration
- Shridhar Kadam  Vice President - Product Engineering
- Jayesh H Kotak  Vice President - Marketing
- Tushar Sighat  Vice President - Channel Business
- Venkatesh Kamath  Regional Head - South
- Debraj Dam  Regional Head - East
- Rajesh Sahore  Regional Head - West
- Yogesh Sharma  Regional Head - North

### ○ CORPORATE OFFICE

D-Link House  
Bandra Kurla Complex Road  
Plot No. 5  
Off C.S.T Road  
Santacruz (E)  
Mumbai 400098

### ○ REGISTERED OFFICE

L-5, Verna Electronic City  
Verna Plateau  
Goa 403722

### ○ SOFTWARE & R&D CENTRE

#65, 35th Main, 100 Ft. Ring Road  
2nd Stage, BTM Layout  
Bangalore 560076

# FINANCIAL SECTION

## DIRECTORS' REPORT

To

The Members,

The Directors of your Company have pleasure in presenting their 14th Annual Report together with Audited Accounts for the financial year ended 31st March 2007.

### 1. FINANCIAL RESULTS AND APPROPRIATIONS

(Rs. in million)

	2006-07	2005-06
Turnover (Gross)	3051.99	3014.77
Profit Before Depreciation and Tax	343.86	343.74
<b>Less:</b> Depreciation for the year	76.33	60.67
Profit Before Tax (PBT)	<b>267.53</b>	<b>283.07</b>
<b>Less:</b> Provision for Tax		
a) Current Tax	52.50	40.50
b) Deferred Tax	(0.1)	6.40
c) Fringe Benefit Tax	3.19	3.36
Profit After Tax	<b>211.94</b>	<b>232.81</b>
<b>Add/(Less):</b> Tax adjustment of Previous Year	7.33	(0.75)
Net Profit	<b>219.27</b>	<b>232.06</b>
Balance of profit brought forward	996.68	858.04
Amount available for Appropriations	1215.94	1090.10
Transfer to General Reserve	22.00	25.00
Dividend	60.00	60.00
Tax on Dividend	10.20	8.42
Balance carried forward to Balance Sheet	1123.73	996.68

### 2. PERFORMANCE

In the financial year 2006-07 your Company achieved a turnover of Rs.3051.99 million as compared to Rs. 3014.77 million in the previous year. The Net Profit of the Company stood at Rs.219.27 million as compared to Rs. 232.06 million in the previous year. The company has during the past 2 years transferred a major portion of its motherboard business to its subsidiary, Gigabyte Technology (India) Limited. This has resulted in the low revenue growth as compared to the previous year. The profits were also lower as compared to the previous year primarily due to increase in depreciation and manpower costs.

Your company's core business of networking and cabling products grew at a healthy rate of 19.24 % as compared to the previous year. This growth was primarily led by increase in sales from switches, wireless products, broadband modems and passive networking products comprising of copper and fiber products.

### 3. SIGNIFICANT DEVELOPMENTS

During the year your Company has completed the transfer of major portion of its motherboard business to its subsidiary Gigabyte Technology (India) Limited ("Gigabyte"). This has helped the company to improve its product mix by bringing focus to the core business of networking and cabling. The company has entered into various agreements with Gigabyte for carrying out the contract manufacturing of motherboards for them, providing service, repair & back office support. This will lead to substantial increase in income from services during the next financial year onwards.

Your Company has entered into a tie up with Aptec Distribution LLC as distributor for entire passive networking products under the Digi-Link range of products in the territories of UAE, Oman, Qatar, Bahrain and Kuwait. The Digi-Link brand of passive products include the end to end range of copper and fiber structured cabling products to support network infrastructure requirements.

Your Company during the year has disposed off some of the old Surface Mount Technology (SMT) lines and replaced it with High Speed modern and efficient RoHS compliant SMT Line which will allow your company to manufacture a wide variety of IT Products.

Your Company has tied up with various consumer durables and information technology (CDIT) retail chains which will help your company to tap the opportunities available through the Retail revolution which is happening throughout the country.

### 4. DIVIDEND

Your Directors have recommended for your consideration the payment of a final dividend for the year 2006-07 @ 100 % on the paid up equity Capital, i.e., Re.2/- per share, to be paid, if approved by Members at the forthcoming Annual General Meeting.

### 5. EMPLOYEE STOCK OPTION PLAN

The Company has an ongoing Employee Stock Option Scheme, which is being administered by the D-Link (India) Ltd. ESOP Trust and Compensation Committee of Directors Constituted as per SEBI Regulations.

During the year under the said Scheme D-LINK (INDIA) LIMITED - ESOP Trust granted 92000 options to its eligible employees at Rs.60/-per share.

The Information and details of options granted under D-Link (India) Limited ESOP plan for the year ended 31st March 2007 is given in the Annexure I to this Report.

## DIRECTORS' REPORT (contd.)

### 6. MANAGEMENT DISCUSSION & ANALYSIS REPORT

In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion & Analysis Report is appended to this report.

### 7. CORPORATE GOVERNANCE

A separate section on corporate governance as well as Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the stock exchanges forms part of the Annual Report. During the period from 5th October, 2006 to 25th December, 2006, your company had a shortfall of one Independent Director due to resignation of Mr. Chandrasekhar Koppurapu. The same was filled up by appointing Mr. Pradeep Rane as an Additional Director w.e.f. 26th December, 2006.

### 8. AWARDS & RECOGNITION

Your Company has received several awards and recognitions during the year under review such as :

- a) Channels Choice Award 2007 for Networking LAN and Wireless LAN.
- b) 360 Magazine - Golden Rhino Award - 2007 for Networking Cables, Routers and Switches.
- c) Voice & Data 100 award for Top Modern Company year 2006.
- d) DQ Channel - Channel Choice Award - 2006 for Networking Products.

NASSCOM - The National Association of Software and Services Companies, has included D-Link India Ltd. in its 'Showcase of Innovation Book 2006' for its work on IPPBX and Routers.

### 9. DIRECTORS

Mr. A P Chen, Director and Mr. Tony Tsao Directors of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Your Company during the year has inducted Mr. Pradeep Rane as Additional Director on the Board, w. e. f. 26th December 2006. The Board has also proposed to appoint Mr. Pradeep Rane who retires at the forthcoming Annual General Meeting, as the Director of the Company liable to retire by rotation.

Due to exigencies of work Mr. Chandrasekhar Koppurapu was constrained to resign from the board. While accepting his resignation the board puts on record

the valuable contribution made by Mr. Chandrasekhar Koppurapu during his tenure. Mr. Chandrasekhar Koppurapu has ceased to be member of the Board of Directors of the Company w.e.f. 4th October 2006 and thus also ceased to be a member of Audit Committee from the said date.

### 10. FIXED DEPOSITS

Your Company has not accepted any fixed deposits during the year under review and, as such, no amount of principal or interest was outstanding as on the date of Balance Sheet.

### 11. AUDITORS

M/s. Deloitte Haskins & Sells, Chartered Accountants, who are the statutory auditors of the Company hold office, in accordance with the provisions of the Companies Act, 1956, upto the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

### 12. CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

#### 1. Conservation of Energy and Technology Absorption:

Your Company's manufacturing facilities at Goa are certified under ISO 14001: 2004 for Environmental Management System. Your company is constantly making efforts to improve the energy conservation and has taken several initiatives to save and conserve energy.

#### 2. Technology Absorption:

Your Company is, always, on the look out for ways and means to improve quality & productivity by introducing/adopting new technology and constantly improving the existing methods and improving various processes of manufacturing.

#### 3. Foreign Exchange Earnings and Outgo:

Total foreign exchange earnings and outgo is stated in Notes forming part of the Accounts.

### 13. PARTICULARS OF EMPLOYEES

Particulars of employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. However, in pursuance of section 219(1) (b) (iv) of the Companies Act, 1956, this report is being sent to all the members of the Company excluding the aforesaid information and the said



## DIRECTORS' REPORT (contd.)

particulars are made available at the registered office of the Company. The members desirous of obtaining such particulars may write to the Company Secretary at the registered office of the Company.

### 14. DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors hereby state and confirm that

- a) In the preparation of annual accounts, the applicable accounting standards have been followed.
- b) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2007 and the profit of the Company for the financial year ending on March 31, 2007.
- c) 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.
- d) The annual accounts have been prepared on a 'going concern' basis.

### 15. SUBSIDIARY COMPANIES

Gigabyte Technology (India) Limited, during the year under review, achieved a turnover of Rs.716.78 million as compared to Rs. 611.87 million in the previous year. It has made a net profit of Rs. 1.33 million as compared to a net loss of Rs.8.32 million in the previous year.

M/s. Intercorridor Systems Limited, during the year, achieved a turnover of Rs. 3.87 million as compared to Rs. 2.37 million in the previous year. It has earned a Profit of Rs. 0.87 million in the current year as compared to profit after Tax of Rs.0.40 million earned in the previous year.

As required by Section 212 of the Companies Act, 1956 the audited accounts of the Subsidiaries, M/s. Gigabyte Technology (India) Limited and M/s. Intercorridor Systems Limited and the reports thereon of the Directors and the Auditors are attached and forms part of the Annual Report.

### 16. ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the wholehearted support received from clients, vendors, dealers, distributors, investors and bankers throughout the year.

Your Directors thank all the employees who have shown remarkable dedication and sincerity.

**For and on behalf of the Board**

Mumbai  
Dated: 16th May, 2007

**K.R. NAIK**  
Chairman & Managing Director

## ANNEXURE TO AUDITORS' REPORT

### ANNEXURE – I TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2007

Information to be provided under the Securities and Exchange Board of India (Employee Stock Options Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 :

Particulars	
a. Options Granted	535,000
b. Exercise Price	Of the above, 92,000 options were granted at an exercise price of Rs.60/- per share during the year 2006-07. 405,000 options were granted at an exercise price of Rs.2/- per share. 38,000 shares were granted at an exercise price of Rs.60/- per share.
c. Options vested	195,000
d. Options Exercised	187,750
e. Total Number of Equity shares transferred as a result of exercise of options	187,750
f. Options lapsed upto 31st March 2007	132,875
g. Variation in terms of options	None
h. Money realised by exercise of options	Rs. 410,250 /-. The amount has been received by the Trust.
i. Total Number of options in force	214,375
j. Person-wise details of Options granted to	
i) Senior Managerial Personnel	As per Statement attached
ii) any other employee who receives a grant in any year amounting to 5% or more of the Option granted during the year	Options granted during the year ended 31st March, 2007 Santha Rami Reddy                      8,000 Srinivasa Naik                              8,000 Shirish Kumar                                8,000 Hareesh N S                                  9,000 P Lakshmichand                              5,000 P Dharmanandan Reddy                      6,000 Keerthana Parthasarathy                      6,000 Sunil George                                  6,000
iii) Identified Employees who have been granted options during any one year exceeding 1% of the issued capital	Nil
k. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options	Not applicable since the shares will be transferred by the ESOP trust upon exercise of the option and the company will not be require to issue any new shares
l. Vesting Schedule	Vesting in equal instalments over a period of 4 years
m. Lock-in	No Lock in period, subject to a minimum Vesting period of one year
n. Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed	The Company has calculated the employee compensation cost using the intrinsic value of stock options. If the fair value method had been used, the employee compensation cost would have been lower by Rs. 0.41 million, and Profit after tax higher by Rs. 0.41 million and the basic and diluted earnings per share would have been lower by Re. 0.01
o. Weighted-average exercise prices and weighted average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Date of options grant :                      27th November 2006 Exercise Price :                                Rs. 60/- Fair Value :                                      Rs. 42/-

## ANNEXURE TO AUDITORS' REPORT (contd.)

Particulars (contd.)	
P. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	The fair-value of the stock options granted on 27th November 2006 has been calculated using Black-Scholes Options pricing Formula and the significant assumptions made in this regard are as follows:
Date of options granted	27th November 2006
(i) risk free interest rate,	6.95%
(ii) expected life,	4 Years
(iii) expected volatility,	46.44%
(iv) expected dividends	Rs.100%
(v) the price of the underlying share in market at the time of option grant.	84.85

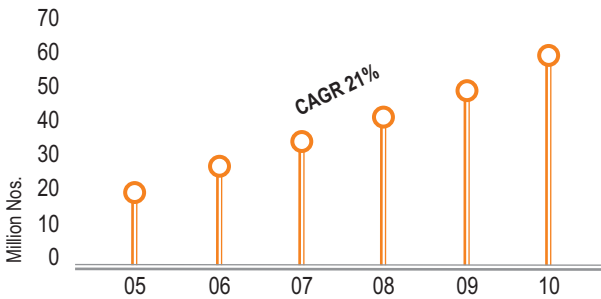
### STATEMENT ATTACHED TO ANNEXURE – I TO THE DIRECTOS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2007

Sl. No.	Names of Senior Managerial Persons to whom Stock options have been granted	No of Options Granted till 31st March, 07	No. of options Exercised till 31st March, 07
1.	Mr. J V Avadhanulu	73,000 Shares	36,000 Shares
2.	Mr. C M Gaonkar	15,000 Shares	10,000 Shares
3.	Mr. Nitin Kunkolienker	20,000 Shares	12,500 Shares
4.	Mr. Vijay Rane	20,000 Shares	12,500 Shares
5.	Mr. S Aravindan	50,000 Shares	28,250 Shares
6.	Mr Shridhar Kadam	20,000 Shares	12,500 Shares
7.	Mr. Tushar Sighat	5,000 Shares	2,500 Shares

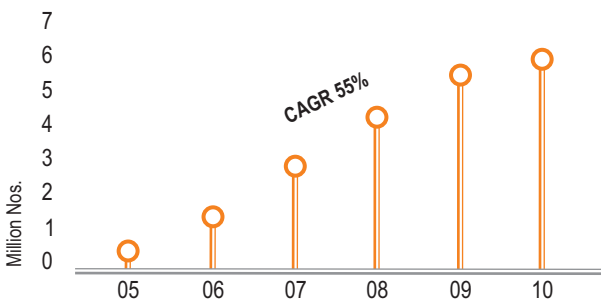
# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

### UNIQUE BRAND USERS



### BROADBAND HOUSEHOLD



### On the Move

The fast paced Indian economy enjoys the status of having one of the highest growth rates in the world. Having registered a growth of 8.4% in 2006, the economy is projected to stay steady at the existing levels in 2007. The IT industry's contribution to the GDP has increased from 1.2% in 1999-2000 to an estimated 4.8% in 2005-06 and is expected to rise to 7% by 2007-08.

### The IT Wave

In the backdrop of such a scenario, the Indian economy has emerged as a lucrative window of opportunity across all industries. It has succeeded in enticing global giants to set up businesses in the domestic market. This advent of international players has put immense competitive pressure on the domestic companies in terms of upgrading their IT infrastructure. Consequently, there is a wave of IT investments across banks, financial service institutions, telecoms, manufacturing, government, human resource, education and other industries.

Industry sources predict that technological investments by the Indian SMBs are expected to increase in excess of 10% in 2007. Demand for lifestyle and entertainment IT products such as broadband connections for the Home and SOHO customers, is also slated to rise. Moreover, the Government of India has undertaken several initiatives in a bid to promote India as a preferred destination for the IT hardware sector.

### Unveiling the Wi-Fi Potential

With the government turning its attention towards 'unwiring' India, the relatively unexplored Wi-Fi market is envisaged as the next wave of growth. Moreover, the impending launch of 3G will open doors to a community of data-capable, multi-band smart phones and mobile devices being manufactured by D-Link, into the domestic marketplace. The Indian Ministry of Communications and Information Technology has declared the year 2007 as the 'Year of Broadband', indicating that this transformation tops the agenda. The Indian Wi-Fi marketplace is projected to grow from US\$ 41.5 mn during 2005-06 to US\$ 744 mn by 2012. With the necessary enablers already in place, the growth, development and deployment of Wi-Fi, a familiar wireless broadband technology, across the country is no longer a distant dream. According to V&D 100, owing to a drop in the price of wireless access routers, the complete low price routers are expected to be out of market latest by 2008.

Going forward, IP telephony is identified as the foundation to unify communication applications. According to a Gartner survey, voice and data convergence based on IP telephony and VoIP is expected to be implemented in more than 95% of the Indian enterprises by 2010. Apart from SMB, Consumer VoIP also known as VoBB is also envisioned as a potential lucrative market.

With winds of change sweeping across the country, a digital India with ubiquitous broadband connectivity is in the making.

## THE D-LINK ADVANTAGE

### A Comprehensive Product Basket

Equipped with a basket of active and passive networking products, D-Link (India) Ltd. is at the right place, at the right time to benefit from the opportunities unveiled by the vibrant domestic market. A complete product range, under one umbrella, has placed the Company in competition with other brands. With a strong brand recall, it has chiseled a distinct reputation for itself.

Switch	Share %
Cisco	71.8
D-Link	7.4
Nortel	6.3
3Com	4.2
Others	10.3
<b>Market Size</b>	<b>Rs 1587 cr</b>

Others include Dax, Enterasys, Accent Net Technologies, Linquest Telecom, MRO-Tek, Raychem RPG

## MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

WLAN	Share %
<b>Cisco</b>	<b>43.3</b>
<b>D-Link</b>	<b>25</b>
Netgear	8.7
Dax	3.8
Others	8.8
<b>Market Size</b>	<b>Rs 104 cr</b>

Others include 3Com, Brovis, Compex, Multitech, Allied Telesyn and Proxim

Modem	Share %
<b>Atrie</b>	<b>28.1</b>
Mro-Tek	27.4
<b>D-Link</b>	<b>25</b>
Bharti Teletech	13.3
Others	13.4
<b>Market Size</b>	<b>Rs 270 cr</b>

Others include Artek Enterprises, Dax Networks, Gemini Communication, Linquest TelecomRPG

Structured Cabling	Share %
<b>Tyco</b>	<b>28.6</b>
Systemax	27.2
<b>D-Link</b>	<b>13.9</b>
Krone	6.1
Others	24.2
<b>Market Size</b>	<b>Rs 574 cr</b>

Others include Molex, Panduit, Belden, TVSICS, Dax, Siemens, Finolex, BNA Technology, Legrand, R&M

Dial Up Modems	Share %
<b>D-Link</b>	<b>60</b>
Dax	40
Mrotek	13

Broadband Modems	Share %
<b>Atrie</b>	<b>28</b>
Mrotek	27
<b>D-Link</b>	<b>25</b>

\* All the charts and graphs are based on data comprised from sources including IDC, Voice & Data, Dataquest, Global information Inc. & Tonse Telecom.

### Strides into the SMB Segment

With a variety of globally accepted products to its credit, the Company is traditionally strong in the SOHO market. Leveraging on this experience, it has stepped up the value chain by catering to the demands of the Small and Medium Business (SMB) segment. D-Link's foray into the SMB marketplace is marked by internationally accepted switches and cabling products.

### The Forte

D-Link's technical strength is instrumental in driving its growth. The Company's métier is defined by research and development of innovative products. Certain products such as IPPBX and routers, developed locally at its R&D Center, were selected by NASSCOM amongst the top 100 innovations. In a bid to deliver quality par excellence, its technical expertise is further complemented by its state-of-the-art manufacturing facilities.

### Global Compliance

Over the past three years, D-Link has upgraded its manufacturing capability by installing one new highly automated SMT line. The Company has RoHS compliant facilities at Goa. Today, customers in the United States and Europe insist on lead-free manufacturing. Subsequently, this trend is expected to spread to India. RoHS compliance is expected to empower D-Link to meet such future demands of the Indian market. All its manufacturing capabilities adhere to the ISO 14000 environmental management standards.

### Refurbishing the Business Model

Moving along its growth path, D-Link has developed a resilient, self sustaining business model. The Company has riveted its focus in establishing a strong presence across the entire horizontal value chain. It has in place, research and development for cutting edge products; manufacturing; the best marketing infrastructure in the business and a pan-India presence in terms of sales and support. In a bid to understand its customers better, the Company has regional distribution partners to provide a local touch. Overall, the Company channels its products through 22 regional distributors, who further operate through dealers and value added resellers.

Having set up a well-oiled customer service and technical support set-up, D-Link is well positioned to be the vendor of choice.

## MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

### R&D

#### R&D Driven Product Pipeline

D-Link has developed its own unique routers such as DRO 250, which have a good market. The Company has also developed the entire range of IPPBX, IP-Phone and Gateways. It is in the process of developing Video Phones, which will be launched in the market during the current year.

The ADSL Router, which was locally developed in the Company's facility in Goa, has gained wide market acceptance during the very first year of its launch.

### FINANCIAL REVIEW

During FY2006-07, D-Link reported a marginal revenue growth at Rs.3051.99 million, as compared to Rs.3014.77 million during the previous year. The Company has grown by more than 19% in its core business of networking and cabling, as compared to the previous year.

Income from services has recorded a notable increase from Rs.4.02 million, in the preceding year, to Rs.24.79 million, during the fiscal under consideration. D-Link's other income escalated to Rs.89.48 million as compared to Rs.54.62 million in the previous year. This is primarily attributed to robust Forex gains of Rs. 16.85 million, as compared to only Rs.2.64 million in the previous year.

The operating profits, comprising of profit before depreciation, interest and tax, were marginally higher at Rs.348.60 million during FY2006-07, as compared to Rs.346.89 million in the previous year. Depreciation stood at Rs. 76.33 million, in comparison with Rs. 60.67 million in the preceding year. Additions of fixed assets, mainly, plant and machinery as part of normal business operations, are accountable for higher depreciation. During FY2006-07, the Company also revised the useful life of motor vehicles to 5 years from the earlier rate of 9.5% p.a. as per Schedule XIV, resulting in an increased depreciation of Rs.7.32 million.

D-Link recorded a cash profit of Rs.343.86 million, in comparison with Rs.343.73 million in the previous year. Profit before tax stood at Rs.267.53 million, as compared to Rs.283.07 million during FY2005-06.

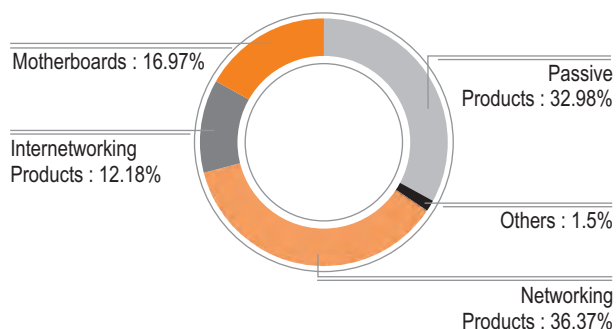
The net profit for the year under consideration is lower at

	2006-07		2005-06	
Product Category	Amount	%	Amount	%
Networking Products	1109.90	36.37	903.50	29.97
Internetworking Products	371.70	12.18	409.50	13.58
Motherboards	517.90	16.97	893.10	29.63
Passive Products	1006.70	32.98	732.60	24.30
Others	45.90	1.50	76.07	2.40
<b>TOTAL</b>	<b>3052.10</b>	<b>100.00</b>	<b>3014.77</b>	<b>100.00</b>

Rs. 219.27 million, as compared to Rs.232.06 million in the preceding year.

### SEGMENT- WISE / PRODUCT-WISE PERFORMANCE

#### PRODUCT-WISE SHARE OF REVENUE 2006-07



#### Networking Products

The revenues from networking products increased from Rs. 903.50 million in the previous year to Rs. 1109.90 million for the year ended 31st March, 2007, registering a healthy growth of 22.85%. Consequently, networking products now account for a hefty 36.37% of the overall revenues as compared to 29.97 % in the previous year. This is also attributed to the fact that, high-end Foundry switches recorded a growth of 27% and the wireless products witnessed an increase of 56%, in value terms. The Company also bagged significant orders from large enterprises for Foundry Switches.

#### Internetworking Products

During FY2006-07, D-Link recorded lower revenues from internetworking products as compared to the previous year, primarily due to the fact that dial-up modems are getting phased out as more and more people are switching over to broadband products. However, the Company has made significant progress in broadband products, where the growth was in excess of 50%, as compared to the previous year.

#### Motherboards

Over the past 2 years, D-Link has transferred a substantial portion of its motherboard business to the subsidiary M/s Gigabyte Technology (India) Limited. As a result, the revenues from the motherboard segment were significantly lower during FY2006-07, as compared to the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

### Passive Products

The Company's passive product segment, comprising of copper and fiber products, continued to maintain its impressive growth rates. Revenues from the Structured cabling products for the year ended 31st March, 2007, were recorded at Rs. 1006.70 million, witnessing an increase of 37.41%, as compared to the previous year.

### OUTLOOK

#### The Big Indian Opportunity

The burgeoning Indian economy unveils an array of opportunities for companies with strong credentials such as D-Link. The Government has instilled emphasis on a strong broadband penetration into the country. India is poised to witness a phenomenal growth in the wireless broadband segment due to several macroeconomic and social factors. Furthermore, the rapid increase in the usage of laptops is the key driver for Wi-Fi products in developing countries. Similarly, the Indian laptop market is slated to grow by 100%, creating an environment conducive for the use of Wi-Fi. Industry sources reveal that India is the second largest market for VoIP services in Asia after China. Projections reveal that 40% of enterprises are expected to have completed the convergence of all their voice and data networks to a single network by 2010. 95% of the large and midsize companies are expected to have started the process by then. The Indian IP telephony is expected to register an average of 60% (CAGR) over the next 3-5 years. According to a Frost & Sullivan report, the Indian IP PBX market is expected to grow from 2005 to 2012 at a CAGR of 21.5%. With years of deliberate efforts behind it, the Company is well-poised to benefit from these business prospects.

#### Going Strong in the SOHO Segment

Today, the home user category is witnessing a crying need for computing and affordable communication infrastructure. As an eminent player in the SOHO segment, the Company is geared to satiate the increasing demands of this marketplace, with its world class products in switching, routing, wireless, VOIP and the broadband space among others.

#### Widening Horizons

Leveraging its strength in the SOHO segment, D-Link has ambitious plans to move up the value chain, to serve the SMB and Enterprise markets. The Company has entered into strategic joint ventures to extend its horizons in terms of both, its market presence as well as its product portfolio. With its alliance with Foundry Network, USA, D-Link aims to explore new markets, while catering to the needs of the Enterprise segment.

### Exploring the SMB Arena

There is a growing demand for convergence network in the emergent SMB sector. In a bid to tap the potential of this segment in an organised manner, the Company is focussing on new models that represent total solutions. It has strategically developed products to suit the needs of the market. To combat cost constraints within the SMB segment, D-Link (India) has successfully developed routers with in-built security features. DRO 250 and DRO 210 are the products that also include the basic firewall features for the SOHO and SMB segments.

#### Manufacturing Proficiency – A Growth Enabler

In addition to a robust technological base, D-Link is set apart as a leading player in the industry through its world-class manufacturing infrastructure. An efficient manufacturing set-up in Goa has empowered the Company to cater to the design requirements and the rigorous operating conditions of its customers, features unique to D-Link. With its products finding very good adaptability and low rejection rates, the Company is in a position to utilise its expertise in electronic manufacturing and tap huge opportunities in the Electronic Manufacturing Services (EMS) and the contract manufacturing space.

### RISKS, THREATS AND CONCERNS

#### Penetrating the SMB Segment

While opportunities abound in the Indian and global networking space, challenges are not far behind. Unlike the SOHO segment, the approachability of SMBs is low. Moreover, the SMB marketplace is price sensitive. This poses a challenge in terms of penetrating the segment and creating a market share, commensurate with the strength of being the only company to provide convergence solutions. Armed with exceptional technical expertise and world-class manufacturing capabilities to develop customised total solutions for the SMB segment, D-Link is well placed to address this concern. In a bid to add more SMBs to its list of satisfied customers, the Company is also consolidating its marketing team to instill a focused approach. Such measures enable it to intimately understand the requirements of the market.

#### Extending Reach to the Enterprise Segment

Today, D-Link enjoys a distinct reputation of developing 'value-for-money' technology products. However, the concern lies in the acceptability of the high technology products. To address this challenge, the Company has adopted a holistic approach through branding and positioning. It imparts rigorous training to its sales and

## MANAGEMENT DISCUSSION AND ANALYSIS (contd.)

channel partners. It is also exploring innovative ideas to reach out to the Enterprise market through its channel partners and distributors.

### Developing Products Cost-effectively

In the IT industry, margins are always under pressure. The onus is to bring down the manufacturing and development costs of the products. With modern, efficient equipment and a proficient technical base, the Company is at a vantage point to develop and manufacture products at competitive prices.

### Technical Concerns

Constant product innovation to cater to the changing demands of the market is a major concern. The global backing of D-Link Corporation, Taiwan places it at a competitive advantage in adapting the technological changes across the world, to suit the Indian marketplace. The Company also manages its products across their life cycles, aggressively.

D-Link's status as an innovator in the industry is accompanied by a unique challenge. Since embedded systems development is not very advanced in India, there is a dearth of skilled manpower in this arena. Furthermore, retaining the right talent is also difficult. The Company overcomes this challenge through aggressive hiring and training at the entry level.

### On the Forex Front

Considering the fact that more than 90% of the payments for components are from imports, where payment is in US dollars, D-Link is exposed to Forex risks. The Company has benefited from an appreciating rupee in the current financial year.

### HUMAN RESOURCES

In line with its strategic intent, D-Link has identified certain imperatives in the guise of key organisational capabilities and employee abilities. The Company fosters a value system that accents employee growth. Consequently, it motivates its employees by constantly upgrading their skill-sets, enabling them to perform to the best of their potential. Through incentive schemes and recognitions such as periodic awards, D-Link acknowledges the commitment and dedication shown by its employees in their respective areas of operation. Rewards are more of a token of appreciation, rather than monetary recognition. The Company has always maintained straightforward and harmonious industrial relations, creating an environment propitious for a concentrated focus on its long-term goals.

It recorded a total number of 563 employees as on 31<sup>st</sup> March 2007.

This dedicated employee force is indeed an aide to the Company in its quest for growth.

### INTERNAL CONTROL SYSTEM

D-Link's internal control systems and procedures adhere to industry standards in terms of effective resource utilisation, operational efficiency and financial reporting. They also comply with various relevant laws and regulations.

The Company has appointed independent Chartered Accountants to look into the Internal Audit functions of the organisation. They conduct extensive internal audits, which are then presented to the management at regular intervals. These auditors also report to the Audit Committee, periodically.

To further reinforce the objective of improving internal control systems and procedures within the Company, D Link is in the process of implementing an Oracle ERP system.

**For and on behalf of the Board**

Mumbai  
Dated: 16th May, 2007

**K.R. NAIK**  
Chairman & Managing Director



# REPORT ON CORPORATE GOVERNANCE

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in Clause 49 of the Listing Agreement is set out below:

## 1. STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's philosophy on Corporate Governance is to attain high level of transparency and accountability in the functioning of the Company and in its relationship with employees, shareholders, creditors, consumers, dealers, lenders and ensuring high degree of regulatory compliances.

The Company also believes that its systems and procedures will enhance corporate performance and maximize shareholder's value in the long term.

## 2. BOARD OF DIRECTORS

### a) Composition and Category of Directors

The present Board comprises of 8 members consisting of 1 Executive Director and 7 Non-Executive Directors of which 4 are Independent Directors. The name and category of each Director is given below:

Names of the Director	Category
Mr. K.R. Naik	Executive Director and Promoter
Mr. K.M. Gaonkar	Non-Executive
Mr. Tony Tsao	Non-Executive
Mr. A.P. Chen	Non-Executive
Mr. Dattaraj Salgaocar	Non-Executive and Independent
Mr. Pankaj Baliga	Non-Executive and Independent
Prof. R. T. Krishnan	Non-Executive and Independent
Mr. Pradeep Rane *	Non-Executive and Independent

\* Mr. Pradeep Rane has been appointed as an Additional Director w. e. f., December 26, 2006. Mr. Chandrasekhar Kopparapu has ceased to be a Director w. e. f., October 4, 2006.

### b) Attendance of each Director at the Board Meetings and the last Annual General Meeting (AGM)

Name of the Director	No. of Board Meetings Held	No. of Board Meetings attended	Attendance at last AGM
Mr. K.R. Naik	4	4	Present
Mr. K.M. Gaonkar	4	4	Present
Mr. A.P. Chen	4	3	Absent
Mr. Tony Tsao	4	1	Absent
Mr. Dattaraj Salgaocar	4	Nil	Absent
Mr. Pankaj Baliga	4	4	Present
Prof. R. T. Krishnan	4	4	Present
Mr. Pradeep Rane*	4	Nil	NA
Mr. Chandrasekhar Kopparapu**	4	2	Present

\* Mr. Pradeep Rane has been appointed as an Additional Director w. e. f., December 26, 2006.

\*\* Mr. Chandrasekhar Kopparapu has ceased to be a Director w.e.f., October 4, 2006 and had attended two Board Meetings held during the term of his directorship.

### c) Number of other Directorship and Chairmanship / Membership of Committees of each Director

Name of Director	No. of other Directorships in other Companies (excluding private / foreign Companies)	No. of Chairmanship / Membership in other Board Committees
Mr. K.R. Naik	4	Nil
Mr. K.M. Gaonkar	2	Nil
Mr. A.P. Chen	Nil	Nil
Mr. Tony Tsao	Nil	Nil
Mr. Dattaraj Salgaocar	1	Nil
Mr. Pankaj Baliga	Nil	Nil
Prof. R. T. Krishnan	Nil	Nil
Mr. Pradeep Rane	Nil	Nil

### d) Number of Board Meetings held and the dates of the Board Meeting

The gap between two Board Meetings did not exceed four months. 4 Board Meetings were held during the Financial Year 2006-07 on the following dates:

May 29&30, 2006	October 26, 2006
July 28, 2006	January 24, 2007

## 3. AUDIT COMMITTEE

### a) Terms of Reference

The terms of reference stipulated by the Board to the Audit Committee and as contained under Clause 49 of the Listing Agreement, are as follows:

#### A. Powers of Audit Committee

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

#### B. Role of Audit Committee

- 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, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees.

## REPORT ON CORPORATE GOVERNANCE (contd.)

3. Approval of payment to Statutory Auditors for payment of any other services rendered by the Statutory Auditors.
4. Reviewing, with the management, the Annual Financial Statements before submission to the Board for approval, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Boards report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956.
  - b) Changes, if any, in accounting policies and practices and the reasons for the same.
  - c) Major accounting entries involving estimates based on exercise of judgement by management.
  - d) Significant adjustments made in the financial statements arising out of audit findings.
  - e) Compliance with Listing and other Legal Requirements relating to financial statements.
  - f) Disclosure of any related party transactions.
  - g) Qualifications in draft Audit Report.
5. Reviewing, with the Management, the quarterly financial statements before submission to the board approval.
6. Reviewing, with the Management, performance of the Statutory and internal auditors, and the adequacy of internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure and frequency of the internal audit.
8. Discussion with internal auditors any significant findings and follow up thereon.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with Statutory Auditors before the audit commences, on the nature and scope of audit as well as, have post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

### b) Composition

The Composition of the Audit Committee is as under:

Prof. R. T. Krishnan - **Chairman**  
Mr. Pankaj Baliga  
Mr. K. M. Gaonkar

The Company Secretary of the Company acts as the Secretary to the Audit Committee. All the Directors on the Committee are financially literate and Mr. K. M. Gaonkar has expertise in Finance. Mr. Chandrasekhar Kopparapu, has ceased to be the member of the Audit Committee during the year.

### c) Meetings and Attendance during the year

Members	Meetings held	Meetings attended
Prof. R. T. Krishnan	4	4
Mr. Pankaj Baliga	4	4
Mr. K. M. Gaonkar	4	4
Mr. Chandrasekhar Kopparapu*	4	2

\* Mr. Chandrasekhar Kopparapu has ceased to be member of Audit Committee w.e.f., October 4, 2006 and had attended two Audit Committee Meetings held during the term of his Directorship.

The Chairman of the Audit Committee Prof. R. T. Krishnan was present at the previous Annual General Meeting of the Company.

## 4. REMUNERATION COMMITTEE

The Company has not set up any Remuneration Committee till date. The remuneration paid to the Directors for the year ended 31st March 2007 is given below:

### A) Remuneration to Directors

#### a) Executive Director:

Executive Director	Salary, contribution to P.F, perquisites & Commission	Sitting Fees	Total
Mr. K.R. Naik	Rs.48,35,265/-	Rs.55,000/-	Rs. 48,90,265/-

Note: The term of the Managing Director is for a period of five years with effect from December 26, 2006; He was reappointed at the previous Annual General Meeting.

#### b) Non-Executive Directors (as decided by the Board of Directors):

In accordance with the resolution passed at the Annual General Meeting held on 1st September 2006, the shareholders approved payment of commission not exceeding 0.5% of the net profits of

## REPORT ON CORPORATE GOVERNANCE (contd.)

the Company to Non Executive Directors. For the financial year 2006-07 the Board has approved the payment of commission of Rs.13,45,331/- to the eligible Non Executive Directors based on their contribution and guidance of each Director as determined by the Board of Directors.

Details of commission and sitting fees paid to the Non Executive Directors for the period under review are as under;

Non-Executive Directors	Sitting Fees	Commission
Mr. K.M. Gaonkar	Rs. 90,000 /-	Nil
Mr. Dattaraj Salgaocar	Nil	Nil
Mr. Pankaj Baliga	Rs. 75,000 /-	Rs.6,72,665/-
Prof. R. T. Krishnan	Rs. 70,000 /-	Rs. 6,72,666/-
Mr. Pradeep Rane *	Nil	Nil
Mr. Chandrasekhar Kopparapu**	Rs. 20,000 /-	Nil

\* Mr. Pradeep Rane appointed as an Additional Director w. e. f., December 26, 2006.

\*\* Mr. Chandrasekhar Kopparapu ceased to be Director w. e. f., October 4, 2006.

### B) Details of other pecuniary relationship/ transactions of Non-Executive Directors vis-à-vis the Company:

The Company has paid dividend to the following Non-Executive Directors

Name of the Non-Executive Director	Number of Shares held	Amount of Dividend Paid during the year 2006 - 2007 (Amt in Rs.)
Mr. K. M. Gaonkar	1,01,500	Rs.2,03,000/-
Mr. Tony Tsao	50,000	Rs.1,00,000/-
Mr. A. P. Chen	50,000	Rs.1,00,000/-
Mr. Dattaraj Salgaocar	30,000	Rs. 60,000/-
Mr. Pankaj Baliga	Nil	Nil
Prof. R.T. Krishnan	Nil	Nil
Mr. Pradeep Rane	Nil	Nil

### 5. SHAREHOLDER'S /INVESTORS GRIEVANCE COMMITTEE

#### Terms of Reference

The Investor's Grievance Committee has been constituted to deal with the redressal of investor complaints relating to transfer of shares, non-receipt of balance sheet, etc.,

#### Composition

Mr. Pankaj Baliga - **Chairman**  
 Mr. K. R. Naik  
 Mr. K. M. Gaonkar

Meetings and attendance during the year

Members	Meetings held	Meetings attended
Mr. Pankaj Baliga	2	Nil
Mr. K. M. Gaonkar	2	2
Mr. K. R. Naik	2	2

Name and Designation of Compliance Officer - **K. G. Prabhu, Company Secretary**

- During the year Company had received 45 complaints from the shareholders and the same were attended and resolved to the satisfaction of the shareholders.

### 6. GENERAL BODY MEETINGS

Location and time, where last three AGMs were held

Location	Date	Time
L-7, Verna Electronic City, Verna Plateau, Verna, Goa-403722	September 28, 2004	11.00 a.m.
L-7, Verna Electronic City, Verna Plateau, Verna, Goa-403722	August 06, 2005	11.00 a.m.
L-7, Verna Electronic City, Verna Plateau, Verna, Goa-403722	September 01, 2006	04.00 p.m.

Whether Special Resolutions passed:	Yes
Two Special Resolutions were passed by the company at the last Annual General Meeting approving the payment of Remuneration to Non Executive Directors by way of Commission and alteration of Articles of Association for increase in payment of sitting fees. During the earlier two years no special resolutions were passed.	
a) Were put through postal ballot last year Details of Voting pattern Voting Votes cast in favour Votes cast against <b>Total</b> Result Person who conducted the postal ballot Exercise	No - NA -
b) Are proposed to be conducted through postal ballot Brief Procedure for Postal Ballot:	No - NA -

## REPORT ON CORPORATE GOVERNANCE (contd.)

### 7. DISCLOSURES

- a. Disclosure on materially significant related party transactions, i.e., transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the Company at large.

**NONE**

- b. Details of non-compliance by the Company, penalties, and 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.

**NONE**

- c. The Company has complied with all mandatory requirements as stated in Clause 49 of the Listing Agreement.

### 8. MEANS OF COMMUNICATION

- Quarterly Results	Published in Newspapers
- Newspapers normally published in	The Economic Times / Business Standard, The Navhind Times, The Gomantak / Tarun Bharat (Marathi)
- Whether it also displays official News releases	Yes
- Any website, where displayed	www.dlink.co.in SEBI website EDIFAR
- The presentations made to Institutional Investors or to the Analysts	N. A.
- Whether MD & A is a part of Annual report or not	Yes

### 9. GENERAL SHAREHOLDER INFORMATION

#### 1. Annual General Meeting

Date: **20th August 2007**

Time: **5.00 P.M**

Venue: **L-7, Verna Electronic City, Verna Plateau, Verna, Goa.**

#### 2. Financial Year

Particulars	Date
First Quarter Results	On or before July 31, 2007
Second Quarter Results	On or before October 31, 2007
Third Quarter Results	On or before January 31, 2008
Audited Annual Results	On or before June 30, 2008

#### 3. Dates of Book Closure

Friday, 20th July 2007 to Thursday, 26th July, 2007 (both days inclusive)

#### 4. Dividend Payment Date

The Dividend warrants will be sent to all shareholders on or after 27th August 2007.

#### 5. Market Price Data:

Stock High/Low price during each month in the last financial year 2006-2007 and Performance in comparison to broad-based indices viz., BSE Sensex and NSE Nifty :

Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)		NSE Nifty		BSE Sensex	
	High Rs.	Low Rs.	High	Low	High	Low	High	Low
April, 06	127.55	112.60	130.00	110.00	3,598.95	3,290.35	12,102.00	11,008.43
May, 06	125.00	83.55	121.00	80.80	3,774.15	2,896.40	12,671.11	9,826.91
June, 06	94.70	64.00	96.00	62.00	3,134.15	2,595.65	10,626.84	8,799.01
July, 06	97.25	68.20	97.65	65.00	3,208.85	2,878.25	10,940.45	9,875.35
August, 06	92.90	75.15	92.85	74.50	3,452.30	3,113.60	11,794.43	10,645.99
September, 06	92.00	80.15	91.20	80.05	3,603.70	3,328.45	12,485.17	11,444.18
October, 06	105.20	85.00	105.40	84.00	3,782.85	3,508.65	13,075.85	12,178.83
November, 06	96.25	78.00	96.20	82.40	3,976.80	3,737.00	13,799.08	12,937.30
December, 06	96.70	75.10	97.30	75.00	4,046.85	3,657.65	14,035.30	12,801.65
January, 07	103.90	87.35	104.00	85.55	4,167.15	3,833.60	14,325.92	13,303.22
February, 07	95.90	75.00	95.70	73.00	4,245.30	3,674.85	14,723.88	12,800.91
March, 07	79.70	69.50	80.00	69.50	3,901.75	3,576.65	13,386.95	12,316.10

## REPORT ON CORPORATE GOVERNANCE (contd.)

### 6. Listing on Stock Exchanges

The shares of the Company have been listed on The Stock Exchange, Mumbai, The National Stock Exchange and The Bangalore Stock Exchange w.e.f. April 11, 2001. The listing fees for FY 2007-08 to all these Stock Exchanges have been paid.

### 7. Stock Code

The Stock Exchange	Stock Code
Bombay Stock Exchange Limited	532419
National Stock Exchange of India Limited	D-LINK
ISIN Number for NSDL/CDSL	INE 178C01020

### 8. Registrar and Share Transfer Agents

Karvy Computershare Private Limited  
 Plot No.17 To 24 Vittalrao Nagar  
 Madhapur, Hyderabad - 500 081  
 Phone No. 040-23420818 To 820  
 Fax No. 040-23420814

### 9. Share Transfer System

Trading in equity shares of the Company is permitted only in dematerialized form.

Shares sent for transfer in physical form are returned within a period of 30 days of receipt of the documents, provided all documents are valid and complete in all respects.

### 10. Distribution of Shareholding

#### Distribution of Shareholding As on 31.03.2007

No of Shares		Number of Shareholders	Number of Shares	% to Total Capital
From	To			
1	500	22,486	29,88,538	9.96%
501	1000	1172	9,37,337	3.12%
1001	2000	504	7,62,069	2.54%
2001	3000	166	4,27,234	1.42%
3001	4000	50	1,79,180	0.60%
4001	5000	57	2,66,226	0.89%
5001	10000	82	5,94,474	1.98%
10001 and above		87	2,38,49,792	79.49%
<b>TOTAL</b>		<b>24,604</b>	<b>3,00,04,850</b>	<b>100.00</b>

### 11. Category of Shareholders As on 31.03.2007

Category Code	Category of Shareholder	Total Number Shares	% to Total Shares
<b>A.</b>	<b>Shareholding of Promoter and Promoter Group</b>		
<b>(1)</b>	<b>INDIAN</b>		
(a)	Individuals/ HUF	7,815,528	26.05
(b)	Central Government/ State Government	-	-
(c)	Bodies Corporate	-	-
(d)	Financial Institutions/ Banks	-	-
(e)	Any Other (Specify)	-	-
	<b>Sub-Total (A)(1)</b>	<b>7,815,528</b>	<b>26.05</b>
<b>(2)</b>	<b>FOREIGN</b>		
(a)	Individuals (Non-Resident Individuals)/ Foreign Individuals	-	-
(b)	Bodies Corporate *	10,898,497	36.32
(c)	Institutions	-	-
(d)	Any Other (Specify)	-	-
	<b>Sub-Total (A)(2)</b>	<b>10,898,497</b>	<b>36.32</b>
	<b>Total Shareholding of Promoter &amp; Promoter Group (A) = (A)(1)+(A)(2)</b>	<b>18,714,025</b>	<b>62.37</b>
<b>B.</b>	<b>Public Shareholding INSTITUTIONS</b>		
<b>(1)</b>			
(a)	Mutual Funds and UTI	-	-
(b)	Financial Institutions/ Banks	15,030	0.05
(c)	Central Government/ State Government(s)	-	-
(d)	Venture Capital Funds	-	-
(e)	Insurance Companies	-	-
(f)	Foreign Institutional Investors	2,266,531	7.55
(g)	Foreign Venture Capital Investors	-	-
(h)	Any Other (Specify)	-	-
	<b>Sub-Total (B)(1)</b>	<b>2,281,561</b>	<b>7.60</b>
<b>(2)</b>	<b>NON-INSTITUTIONS</b>		
(a)	Bodies Corporate	1,848,249	6.16
(b)	<b>Individuals</b>		
i.	Individual Shareholders holding nominal share capital up to Rs.1 lakh.	6,007,791	20.02
ii.	Individual Shareholders holding nominal share capital in excess of Rs.1 lakh.	297,666	1.0
(c)	Any Other (Specify)		
-	Clearing Members	72,472	0.24
-	Trusts	487,375	1.62
-	NRI's	295,711	0.99
	<b>Sub-Total (B)(2)</b>	<b>9,009,264</b>	<b>30.03</b>
	<b>Total Public Shareholding (B) = (B)(1)+(B)(2)</b>	<b>11,290,825</b>	<b>37.63</b>
	<b>TOTAL (A) + (B)</b>	<b>30,004,850</b>	<b>100.00</b>

\* Includes 1,08,98,497 (36.32%) Shares held by D-Link Holding Mauritius Inc a wholly owned subsidiary of D-Link Corporation, Taiwan.

## REPORT ON CORPORATE GOVERNANCE (contd.)

### 12. Dematerialization of Shares and Liquidity

The total number of shares in dematerialized form as on 31.03.2007 is 29,973,434 representing 99.90% of the total number of shares of the Company.

The equity shares of the Company are actively traded on BSE and NSE.

### 13. Plant Location

L-5 & L-7, Verna Electronic City  
Verna Plateau, Verna  
Goa-403722

### 14. Address for Correspondence

Shareholders Correspondence should be addressed to:

The Company Secretary D-LINK (INDIA) LTD. L-5 & L-7, Verna Electronic City, Verna Plateau, Verna, Goa - 403722 Phone Nos : 0832-2885400/451 Fax Nos : 0832-2783395/2885490 E-mail : comsec@dlink.co.in	Karvy Computershare Private Limited Registrars & Share Transfer Agents Plot No.17 To 24 Vittalrao Nagar Madhapur, Hyderabad - 500 081 Phone No. 040-23420818 To 820 Fax No. 040-23420814 Email : mailmanager@karvy.com
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### 15. Compliance with Mandatory & Non Mandatory requirements

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement relating to Corporate Governance. The company has not adopted the non-mandatory requirements as specified in Annexure – ID of the Clause 49 of the Listing Agreement.

**For and on behalf of the Board**

Mumbai  
Dated: 16th May 2007

**K.R. NAIK**  
Chairman & Managing Director

### Auditors' Certificate on Compliance of Conditions of Corporate Governance

To,  
**The Members of D-Link (India) Limited**

We have examined the compliance of conditions of Corporate Governance by D-Link (India) Limited for the year ended on 31st March, 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement *except that, during the period from 5th October 2006 to 25th December 2006 the number of independent directors were less than half of the total number of directors.*

We state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or effectiveness with which the management has conducted the state of affairs of the Company.

**For Deloitte Haskins & Sells**  
Chartered Accountants

Mumbai  
Dated : 16th May, 2007

**A. B. Jani**  
Partner  
Membership no. 46488

### Declaration regarding compliance by Board Members and Senior Management personnel with the Company's Code of Conduct

I confirm that the Company has in respect of the financial year ended 31st March, 2007, received from all the members of the Senior Management of the Company and of the Board, a declaration of compliance with the code of conduct as provided under clause 49 of the listing agreement.

Mumbai  
Dated 16th May, 2007

**For D-Link (India) Limited**  
  
**K.R. Naik**  
Chairman & Managing Director

# AUDITORS' REPORT

## TO, THE MEMBERS OF D-LINK (INDIA) LIMITED

1. We have audited the attached Balance sheet of D-Link (India) Limited, as at 31st March, 2007, the Profit and Loss account and also the Cash-flow statement for the year ended on that date, annexed thereto. 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.
2. We conducted our audit in accordance with the 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of section 227 (4A) 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.
4. 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 the books;
  - iii. the Balance sheet, Profit and Loss account and Cash-flow statement dealt with by this report are in agreement with the books of account;
  - iv. in our opinion, the Balance sheet, Profit and Loss account and Cash-flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v. on the basis of written representations received from the directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a 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, read with the significant accounting policies and notes thereon, 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, 2007;
    - b) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
    - c) in the case of the Cash-flow statement, of the cash-flows for the year ended on that date.

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Membership no. 46488

Mumbai  
Dated : 16th May, 2007

## ANNEXURE TO THE AUDITORS' REPORT

### Re: D-Link (India) Limited

*(referred to in paragraph 3 of our report of even date)*

- (i) The nature of the Company's activities during the year is such that the requirements of clauses (xiii) and (xiv) of paragraph 4 of the Order are not applicable.
- (ii)
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
  - (b) major items of fixed assets have been physically verified by the management during the year. We are informed that no material discrepancies were noticed by the management on such verification;
  - (c) the Company has not disposed off a substantial part of fixed assets during the year.
- (iii)
  - (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable;
  - (b) the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business;
  - (c) the Company is maintaining proper records of inventories and no material discrepancies were noticed on physical verification.
- (iv) The Company has not granted or taken any loans, to/ from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. Consequently, the requirements of clauses (iii) (a) to (iii) (g) of paragraph 4 of the Order are not applicable to the Company.
- (v) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for sale of goods/services. During the course of our audit, we have not observed any continuing failure, to correct major weakness in such internal control system.
- (vi)
  - (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vii) The Company has not accepted deposits from the public.
- (viii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (ix) We have broadly reviewed the books of account maintained by the Company pursuant to the Order made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 with regard to the networking products of the Company. We are of the opinion that prima facie, the prescribed accounts and records have generally been made and maintained/ are under preparation. We have not, however, made a detailed examination of the records.
- (x)
  - (a) In our opinion and according to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues including provident fund, Investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues, where applicable, with the appropriate authorities;



## ANNEXURE TO THE AUDITORS' REPORT (contd.)

(b) according to the information and explanations given to us, there are no dues of sales-tax/ income-tax/ wealth-tax/ service tax/ cess which have not been deposited with the appropriate authorities on account of any dispute, except in case of customs duty and excise duty which is as detailed below:

Name of the Statute	Nature of dues	Amount (Rs.)	Financial Year to which amount relates	Forum where dispute is pending
Customs Act, 1962	Customs Duty	2,414,221/-	2004-2005	Commissioner of Customs (Appeals)
Central Excise Act, 1944	Penalty (Excise Duty)	100,000/-	2004-2005	Customs, Excise and Service Tax Appellate Tribunal (CESTAT)
Central Excise Act, 1944	Penalty (Excise Duty)	702,041/-	2004-2005	Commissioner of Central Excise (Appeals)

- (xi) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the financial year under report and in the immediately preceding financial year.
- (xii) According to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company does not have borrowings from any financial institution and has not issued debentures.
- (xiii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) 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.
- (xv) According to the information and explanations given to us, the Company has not obtained any term loan during the year and hence the question of commenting on application thereof does not arise.
- (xvi) According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, funds raised on short term basis have, prima facie, not been used during the year for long term investment.
- (xvii) 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.
- (xviii) The Company has not issued debentures, hence the question of creating security or charge in respect thereof does not arise.
- (xix) During the year, the Company has not raised money by public issue(s).
- (xx) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company, was noticed or reported during the financial year.

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner  
Membership no. 46488

Mumbai  
Dated : 16th May, 2007

## BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule No.	Rupees	Rupees	As at 31st March, 2006 Rupees
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' funds</b>				
Share capital	1	60,009,700		60,009,700
Employee stock options outstanding		11,418,006		7,275,337
Reserves and surplus	2	1,837,309,707		1,689,014,961
			1,908,737,413	1,756,299,998
<b>Loan funds</b>				
Secured loans	3		5,106,327	9,566,425
<b>Deferred tax liability (net)</b>			64,206,483	64,306,155
<b>Total</b>			<b>1,978,050,223</b>	<b>1,830,172,578</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed assets</b>				
Gross block	4	889,597,907		855,615,935
Less: Depreciation		295,667,094		244,765,911
Net block		593,930,813		610,850,024
Capital work-in-progress		52,928,285		38,855,796
			646,859,098	649,705,820
<b>Investments</b>				
	5		792,825,009	514,415,375
<b>Current assets, loans and advances</b>				
Inventories	6	328,766,509		447,599,589
Sundry debtors	7	492,953,947		635,935,942
Cash and bank balances	8	54,253,482		27,461,711
Loans and advances	9	102,870,195		133,865,057
		978,844,133		1,244,862,299
<b>Less: Current liabilities and provisions</b>				
Current liabilities	10	351,066,293		496,046,450
Provisions	11	89,411,724		82,764,466
		440,478,017		578,810,916
<b>Net current assets</b>			538,366,116	666,051,383
<b>Total</b>			<b>1,978,050,223</b>	<b>1,830,172,578</b>
Significant accounting policies and notes on accounts	16			

As per our attached report of even date

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Mumbai, dated : 16th May, 2007

**For and on behalf of the Board**

**K.R.Naik**  
Chairman & Managing director

**K.G. Prabhu**  
Company Secretary

Mumbai, dated : 16th May, 2007

**K.M. Gaonkar**  
Director

**Bhushan Prabhu**  
Director-Finance

# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule No.	Rupees	Rupees	Previous year Rupees
<b>INCOME</b>				
Turnover (gross)			3,051,986,913	3,014,765,017
Less: Excise duty			255,934,162	264,515,380
Turnover (net)			2,796,052,751	2,750,249,637
Sale of services			24,799,001	4,027,571
Other income	12		89,481,948	54,619,901
(Decrease)/Increase in stocks of finished goods and work-in-process	13		(35,469,492)	35,257,112
<b>Total</b>			<b>2,874,864,208</b>	<b>2,844,154,221</b>
<b>EXPENDITURE</b>				
Manufacturing and Other expenses	14		1,541,855,818	1,898,071,505
Purchase of traded goods			994,737,802	589,955,591
Excise duty			(10,325,698)	9,231,750
Depreciation (Refer note 16 of schedule 16)		77,100,750		61,439,452
Less: Transferred from revaluation reserve		769,228		769,228
Interest and finance charges	15		76,331,522	60,670,224
			4,731,410	3,155,896
<b>Total</b>			<b>2,607,330,854</b>	<b>2,561,084,966</b>
<b>PROFIT BEFORE TAX</b>			<b>267,533,354</b>	<b>283,069,255</b>
Provision for tax				
- Current tax [including Rs. 141,810/-; (previous year, Rs.240,333/-) for wealth tax]			52,500,000	40,500,000
- Deferred tax			(99,672)	6,399,969
- Fringe benefit tax			3,189,521	3,361,158
			55,589,849	50,261,127
<b>PROFIT AFTER TAX</b>			<b>211,943,505</b>	<b>232,808,128</b>
Excess / (Short) provision for taxes in respect of earlier years			7,328,818	(751,883)
			<b>219,272,323</b>	<b>232,056,245</b>
Balance brought forward from previous year			996,667,850	858,037,665
<b>Amount available for appropriation</b>			<b>1,215,940,173</b>	<b>1,090,093,910</b>
<b>APPROPRIATIONS</b>				
Proposed dividend			60,009,700	60,009,700
Corporate dividend tax			10,198,649	8,416,360
Transferred to General reserve			22,000,000	25,000,000
Balance carried to Balance sheet			1,123,731,824	996,667,850
			<b>1,215,940,173</b>	<b>1,090,093,910</b>
<b>Basic and Diluted Earnings per share</b> (Refer note 8 of schedule 16)			<b>7.31</b>	<b>7.73</b>
Significant accounting policies and notes on accounts 16				

As per our attached report of even date

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Mumbai, dated : 16th May, 2007

**For and on behalf of the Board**

**K.R.Naik**  
Chairman & Managing director

**K.G. Prabhu**  
Company Secretary

Mumbai, dated : 16th May, 2007

**K.M. Gaonkar**  
Director

**Bhushan Prabhu**  
Director-Finance

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	07 Rupees	06 Previous years Rupees
<b>A. Cash flows from operating activities</b>		
Profit before tax	267,533,354	283,069,255
Adjustments for:		
Depreciation	76,331,522	60,670,224
Loss on sale of fixed assets (net)	8,083,836	1,331,491
Provision for diminution in value of current investments (non-trade)	225,888	622,679
Provision for diminution in value of long term investments (trade)	4,799,900	3,499,400
Interest and finance charges	4,731,410	3,155,896
Provision for Gratuity	(1,166,198)	1,441,850
Provision for leave encashment	1,795,500	-
Unrealised exchange differences	(3,586,902)	(1,214,044)
Interest income	(3,101,276)	(7,839,638)
Dividend income	(20,058,782)	(13,882,060)
Provision for doubtful debts written back	(6,936,009)	(1,543,448)
Provision for diminution in value of current investments (non-trade) (written back)	(503,074)	(94,191)
Provision for doubtful debts	8,429,845	7,182,908
Bad debts written off	16,700,349	1,208,045
Sundry balances written back	(9,621,520)	-
Sundry balances written off	4,603,086	-
Profit on sale of current investment (non-trade) (net)	(10,954,406)	(22,897,831)
Stock obsolescence write off	87,799,116	22,523,953
<b>Operating profit before working capital changes</b>	<b>425,105,639</b>	<b>337,234,489</b>
Decrease in trade receivables	124,152,159	46,887,899
Decrease / (Increase) in inventories	31,033,964	(164,728,669)
Decrease / (Increase) in loans and advances	26,391,776	(37,169,739)
(Decrease) / Increase in trade and other payables	(126,993,415)	17,526,273
<b>Cash generated from Operations</b>	<b>479,690,123</b>	<b>199,750,253</b>
Direct taxes paid	(44,125,036)	(39,690,526)
<b>Net cash from operating activities</b>	<b>435,565,087</b>	<b>160,059,727</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(92,086,690)	(88,057,380)
Purchase of investments	(4,892,381,263)	(4,620,071,390)
Purchase of investment in subsidiary company	-	(64,500,000)
Sale of fixed assets	9,748,826	1,368,032
Sale of investments	4,620,403,321	4,626,269,433
Profit on settlement of futures	-	426,651
Dividend received	20,058,782	13,882,060
Interest received	3,032,285	7,945,745
<b>Net cash (used in) investing activities</b>	<b>(331,224,739)</b>	<b>(122,736,849)</b>
<b>C. Cash flows from financing activities</b>		
Repayment of long term borrowings	(4,460,098)	(5,836,140)
Proceeds from long term borrowings	-	2,213,933
Dividend paid	(68,426,060)	(54,740,848)
Interest paid	(4,731,410)	(3,155,896)
<b>Net cash (used in) financing activities</b>	<b>(77,617,568)</b>	<b>(61,518,951)</b>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007 (contd.)

07 06  
Rupees Previous years  
Rupees

<b>Net increase in cash and cash equivalents</b>	<b>26,722,780</b>	<b>(24,196,073)</b>
Cash and cash equivalents at the beginning of the year	27,264,537	51,460,610
Cash and cash equivalents at the end of the year	53,987,317	27,264,537
<b>Note :</b>		
1. Components of cash and cash equivalents include cash, bank balances in current and deposit accounts as disclosed under Schedule 8 of the accounts.		
2. Purchase of fixed assets are stated inclusive of movements of capital work in progress between the commencement and end of the period and are considered as part of investing activity.		
<b>Reconciliation of cash and cash equivalents</b>		
As per Balance sheet - schedule 8	54,253,482	27,461,711
Less : Interest accrued on bank deposits	(266,165)	(197,174)
As per Cash-flow statement	53,987,317	27,264,537

As per our attached report of even date

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Mumbai, dated : 16th May, 2007

**For and on behalf of the Board**

**K.R.Naik**  
Chairman & Managing director

**K.G. Prabhu**  
Company Secretary

Mumbai, dated : 16th May, 2007

**K.M. Gaonkar**  
Director

**Bhushan Prabhu**  
Director-Finance

## SCHEDULES FORMING PART OF THE ACCOUNTS

	Rupees	Rupees	As at 31st March, 2006 Rupees
<b>SCHEDULE 1</b>			
<b>SHARE CAPITAL</b>			
Authorised 35,000,000 Equity Shares of Rs.2/- each		70,000,000	70,000,000
<b>Issued, subscribed and paid-up</b> 30,004,850 Equity Shares of Rs.2/- each fully paid-up		60,009,700	60,009,700
<b>Total</b>		<b>60,009,700</b>	<b>60,009,700</b>
<b>SCHEDULE 2</b>			
<b>RESERVES AND SURPLUS</b>			
<b>Capital reserve - State government subsidy</b> As per last Balance sheet		2,500,000	2,500,000
<b>Share premium account</b> As per last Balance sheet		483,749,133	483,749,133
<b>General reserve</b> As per last Balance sheet 162,760,630 Add: Transferred from Profit and Loss account 22,000,000		184,760,630	137,760,630 25,000,000
<b>Revaluation reserve</b> As per last Balance sheet 43,337,348 Less: Transferred to Profit and Loss Account 769,228		42,568,120	44,106,576 769,228
Surplus in Profit and Loss account		1,123,731,824	996,667,850
<b>Total</b>		<b>1,837,309,707</b>	<b>1,689,014,961</b>
<b>SCHEDULE 3</b>			
<b>SECURED LOANS</b>			
<b>Other loans and advances</b> Dues under hire purchase agreements (Refer note below)		5,106,327	9,566,425
<b>Total</b>		<b>5,106,327</b>	<b>9,566,425</b>

**Note**

Secured by hypothecation of assets purchased under hire purchase agreements.

## SCHEDULES FORMING PART OF ACCOUNTS (contd.)

### SCHEDULE 4 FIXED ASSETS (Rupees)

Nature of assets	Gross block			Depreciation			Net block			
	As at 1st April, 2006	Additions	Deductions	As at 31st March, 2007	Upto 31st March, 2006	For the year	Deductions	As at 31st March, 2007	As at 31st March, 2006	
Leasehold land/ premises	24,513,538	-	-	24,513,538	2,487,467	1,636,236	-	4,123,703	20,389,835	22,026,071
Buildings	209,382,962	1,373,412	-	210,756,374	26,430,278	5,529,986	-	31,960,264	178,796,110	182,952,684
Plant and machinery	259,797,201	58,985,891	28,764,448	290,018,644	83,577,878	23,847,921	17,929,196	89,496,603	200,522,041	176,219,323
Electrical installations	27,996,659	117,167	-	28,113,826	7,031,111	1,291,349	-	8,322,460	19,791,366	20,965,548
Furniture, fittings and office equipment	50,142,657	4,180,001	47,450	54,275,208	16,636,202	3,380,479	34,718	19,981,963	34,293,245	33,506,455
Air conditioners	31,414,933	141,350	167,086	31,389,197	6,998,627	1,494,806	91,545	8,401,888	22,987,309	24,416,306
Motor vehicles	13,365,063	41,894	7,402,415	6,004,542	3,118,702	2,640,852	3,839,676	1,919,878	4,084,664	10,246,361
Computers	162,944,713	9,598,238	207,551	172,335,400	77,124,716	17,335,147	95,148	94,364,715	77,970,685	85,819,997
Assets acquired on hire purchase - Vehicles	779,557,726	74,437,953	36,588,950	817,406,729	223,404,981	57,156,776	21,990,283	258,571,474	558,835,255	556,152,745
Intangible assets - Computer Software	33,395,311	-	7,443,279	25,952,032	8,541,939	11,281,151	4,209,284	15,613,806	10,338,226	24,853,372
- Goodwill	14,764,793	3,576,248	-	18,341,041	1,659,754	3,083,207	-	4,742,961	13,598,080	13,105,039
	27,898,105	-	-	27,898,105	11,159,237	5,579,616	-	16,738,853	11,159,252	16,738,868
<b>Total</b>	<b>855,615,935</b>	<b>78,014,201</b>	<b>44,032,229</b>	<b>889,597,907</b>	<b>244,765,911</b>	<b>77,100,750</b>	<b>26,199,567</b>	<b>295,667,094</b>	<b>593,930,813</b>	<b>610,850,024</b>
<b>Previous year</b>	<b>807,200,831</b>	<b>54,459,053</b>	<b>6,043,949</b>	<b>855,615,935</b>	<b>186,670,885</b>	<b>61,439,452</b>	<b>3,344,426</b>	<b>244,765,911</b>	<b>52,928,285</b>	<b>38,855,796</b>
Capital work-in-progress [ including capital advances Rs.18,859,275/- (previous year Rs.37,428,907/-)]									<b>646,859,098</b>	<b>649,705,820</b>

#### Notes

- Leasehold land/premises include:
  - Plots of land taken on lease from the Goa Industrial Development Corporation (GIDC) for an initial period of thirty years with an option to extend the lease to ninety/ninety-five years.
  - Land and premises taken on lease from Maharashtra Industrial Development Corporation (MIDC) for an initial period of ten years with an option to extend the lease to ninety-five years.
  - Plot of land taken on lease cum sale basis from the Karnataka Industrial Areas Development Board (KIADB) for a period of six years. At the end of six years, the lease shall be converted into a sale subject to fulfilment of certain conditions and payment of additional amount to be finally fixed by KIADB.
 Title deeds in respect of the above are in the names of GIDC, MIDC and KIADB respectively.
- Gross block as at 31st March 2007 include fixed assets of Rs. 13,920,267/- (previous year, Rs.24,619,551/-) acquired on hire purchase basis on which the vendors have a lien.
- Goodwill represents the difference between the net assets of erstwhile Virtual Computers Private Limited taken over pursuant to scheme of amalgamation and the cost of shares held by D-Link (India) Limited in the erstwhile Virtual Computers Private Limited.

## SCHEDULES FORMING PART OF ACCOUNTS (contd.)

	07 Rupees	06 As at 31st March, 2006 Rupees
<b>SCHEDULE 5</b>		
<b>INVESTMENTS</b>		
<b>(a) Long-term investments (unquoted)</b>		
(i) Non-trade		
<u>In subsidiary companies</u>		
1,624,940 Equity Shares of Rs. 10/- each fully paid-up in Gigabyte Technology (India) Limited	69,999,400	69,999,400
49,940 Equity Shares of Rs. 10/- each fully paid-up in Intercorridor Systems Limited	499,400	499,400
<u>In other companies</u>		
1,000 Equity Shares of Rs.10/- each fully paid-up in Saraswat Co-operative Bank Limited	10,000	10,000
	70,508,800	70,508,800
(ii) Trade		
959,980 Equity Shares of Rs. 10/- each fully paid-up in Lanner Electronics India Limited	9,599,800	9,599,800
Less: Provision for diminution	4,799,900	-
(Refer note 19 of schedule16)	4,799,900	9,599,800
349,940 Equity Shares of Rs. 10/- each fully paid-up in Mercury Link Systems Limited	3,499,400	3,499,400
Less: Provision for diminution	3,499,400	3,499,400
	-	-
	4,799,900	9,599,800
<b>Total long-term investments (A)</b>	<b>75,308,700</b>	<b>80,108,600</b>
<b>(b) Current investments (non-trade)</b>		
(i) In Mutual funds Units (unquoted)		
Face value of all units, Rs.10/-		
3,583,311.3300 (previous year, 9,669,180.4820) units in HDFC Mutual Fund - Cash Management Fund - Saving Plan - Dividend	38,113,530	102,845,268
267,384.4400 (previous year, 250,000) units in HDFC Mutual Fund - Multiple Yield Plan	2,674,625	2,500,000
1,000,000 (previous year, 1,000,000) units in HDFC Mutual Fund - Fixed Maturity Plan	10,000,000	10,000,000
4,604,936.8400 (previous year, 3,434,807.7310) units in ICICI Prudential Mutual Fund - Prudential ICICI Super Institutional Plus - Dividend	46,049,370	34,348,077
NIL (previous year, 506,740) units in ICICI Prudential Mutual Fund - Prudential ICICI FMP	-	5,067,400
10,970,807.4254 (previous year, 2,201,248.7540) units in ICICI Prudential Mutual Fund - Sweep Option - Dividend	109,708,074	22,012,488
NIL (previous year, 4,145,420.4390) units in ICICI Prudential Mutual Fund - Floating Rate Fund - Dividend	-	41,553,540
1,340,908.6520 (Previous year,NIL) units in ICICI Prudential Mutual fund - Short Term Plan-Fortnightly Dividend Plan	14,788,155	-
1,000,000 (Previous year,NIL) units in ICICI Prudential Mutual Fund - Equity and Derivatives Fund Dividend Plan	10,000,000	-
509,034.6390 (Previous year,NIL) units in ICICI Prudential Mutual fund FMP Series 34-3 Months Plus A-Retail-Dividend Plan	5,090,350	-
9,089,594.0280 (Previous year,NIL) units in ICICI Prudential Mutual Fund - Sweep Cash Option-Daily Dividend Plan	90,895,940	-
1,000,000 (Previous year,NIL) units in ICICI Prudential Mutual Fund - FMP-Series 37-3 Months Plus PlanA-Retail Dividend Plan	10,000,000	-
2,000,000 (Previous year,NIL) units in ICICI Prudential Mutual Fund - FMP-Series 37-1 Months Plus PlanA-Retail Dividend Plan	20,000,000	-
5,497,854.9050 (previous year, 8,963,088.3140) units in Birla Sun Life Mutual Fund - Institutional Plan- Dividend	55,085,757	89,805,663
NIL (previous year, 500,000) units in Birla Sun Life Mutual Fund - Dividend plan	-	5,000,000
500,000 (Previous year,NIL) units in Birla Sun Life	-	-



## SCHEDULES FORMING PART OF ACCOUNTS (contd.)

	07 Rupees	06 As at 31st March, 2006 Rupees
Mutual Fund - FTP - Quarterly – Series 5 – Dividend- Payout 500,000 (Previous year,NIL) units in Birla Sun Life	5,000,000	-
Mutual Fund - FTP - Quarterly -Series 9-Dividend -Payout 2,444,059.6570 (Previous year,NIL) units in Birla Sun Life	5,000,000	-
Mutual Fund - Cash Plus-Retail-Dividend Reinvestment 500,000 (previous year, 3,059,072.5330) units in Kotak	40,007,790	-
Mutual Fund - Cash plus 5,479,548.1760 (previous year, 1,177,225.7750) units in Unit Trust of India	5,000,000	30,592,250
Mutual Fund - Money Market fund income option. 45,265.5889 (Previous year,NIL) units in Unit Trust of India	96,245,351	20,545,774
Mutual Fund - Liquid Cash Plan Institutional – Daily Dividend-Reinvestment 1,010,070.2400 (Previous year,NIL) units in Unit Trust of India	46,145,810	-
Mutual Fund - Qtly Series QFMP/02071/I- Daily Dividend-Reinvestment 1,000,000 (Previous year,NIL) units in Unit Trust of India	10,100,702	-
Mutual Fund - FMP Qtly Series QFMP/02071/I- Daily Dividend-Reinvestment 1,000,000 (Previous year,NIL) units in Unit Trust of India	10,000,000	-
Mutual fund - FMP Quarterly Series QFMP/0307/II- Daily Dividend-Reinvestment 608,856 (previous year, 4,943,717.5180) units in Standard Chartered	10,000,000	-
Mutual Fund - Liquidity manager Daily Dividend NIL (previous year, 1,005,325.7230) units in ABN Amro	6,088,560	49,442,119
Mutual Fund - Liquid fund Daily Dividend 1,000,000 (Previous year,NIL) units in Reliance	-	10,053,270
Mutual Fund - Fixed horizon fund I-Monthly Plan-Series I -Dividend Plan 500,000 (Previous year,NIL) units in Reliance	10,000,000	-
Mutual Fund - Fixed Horizon Fund II - Qtly Plan -Series IV-Retail Dividend 1,000,000 (Previous year,NIL) units in Reliance	5,000,000	-
Mutual Fund - Monthly Interval Fund-Series I-Retail-Dividend Plan 500,000 (Previous year,NIL) units in Reliance	10,000,000	-
Mutual Fund - Monthly Interval Fund-Series 2-Retail-Dividend Plan 2,109,615.8380 (Previous year,NIL) units in	5,000,000	-
JM Mutual Fund - Money ManagerFund Super Plus-Plan-Daily Dividend 657,312.4840 (Previous year,NIL) units in Principal Income Fund	21,096,580	-
STP-Weekly Dividend Reinvestment 250,000 (previous year, NIL ) units in ING Vysya	7,191,603	-
Mutual Fund - ING Dyanamic asset allocation fund - Dividend Plan	2,500,000	-
	<b>706,782,197</b>	<b>423,765,849</b>
(ii) In Debentures (unquoted) 10 (previous year, NIL ) units in Citicorp Finance (India) Limited	10,000,000	-
	10,000,000	-
(iii) In Bonds (quoted) 1 (previous year, 1 ) units in Housing and Urban Development Corporation Limited - 7.35% HUDCO 2013	1,079,605	1,079,605
NIL (previous year , 10) units in Food Corporation of India - 7.30% FCI 2015	-	10,084,000
	1,079,605	11,163,605
	717,861,802	434,929,454
Less: Provision	345,493	622,679
<b>Total current investments (B)</b>	<b>717,516,309</b>	<b>434,306,775</b>
<b>Total (A+B)</b>	<b>792,825,009</b>	<b>514,415,375</b>

**Notes**

1. Aggregate value of investments (net of provision)

Unquoted - cost/ fair value

791,945,009

503,805,375

Quoted - cost

1,079,605

11,163,605

market value

880,000

10,610,000

2. Investments purchased and sold during the year - Refer note 10 of schedule 16.

## SCHEDULES FORMING PART OF ACCOUNTS (contd.)

	07 Rupees	06 As at 31st March, 2006 Rupees
<b>SCHEDULE 6</b>		
<b>INVENTORIES</b>		
Stores, spares and packing materials	1,004,959	995,433
<b>Stock-in-trade</b>		
Raw materials and components	117,756,534	201,129,648
Work-in-process	32,392,729	15,648,771
Finished goods	177,612,287	229,825,737
	327,761,550	446,604,156
<b>Total</b>	<b>328,766,509</b>	<b>447,599,589</b>
<b>SCHEDULE 7</b>		
<b>SUNDRY DEBTORS (Unsecured)</b>		
Debts outstanding for a period exceeding six months	50,470,576	140,564,270
Other debts *	466,827,123	518,221,588
	517,297,699	658,785,858
Less: Provision	24,343,752	22,849,916
<b>Total</b>	<b>492,953,947</b>	<b>635,935,942</b>
<b>Notes</b>		
(a) Considered good	492,953,947	635,935,942
Considered doubtful	24,343,752	22,849,916
	517,297,699	658,785,858
(b) * Includes amounts in respect of which the Company holds deposits	27,099,053	26,618,077
<b>SCHEDULE 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	114,498	638,460
(including cheques on hand Rs.34,600/-; previous year, Rs.139,769/-)		
Balances with scheduled banks		
- in current / cash credit accounts (Refer note 17 of Schedule 16)	48,969,899	22,989,126
- in deposit accounts	5,169,085	3,834,125
(includes interest accrued Rs.266,165/-, previous year, Rs.197,174/-)	54,138,984	26,823,251
<b>Total</b>	<b>54,253,482</b>	<b>27,461,711</b>
<b>SCHEDULE 9</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
<u>Loans</u>		
- to a subsidiary company	96,973	1,210,998
- to others	2,319,026	5,080,490
	2,415,999	6,291,488
Advances recoverable in cash or in kind or for value to be received	78,924,247	103,360,660
Balance with Central Excise and Customs	1,059,297	4,616,880
Deposits	13,682,702	12,808,079
Advance tax (net)	6,787,950	6,787,950
<b>Total</b>	<b>102,870,195</b>	<b>133,865,057</b>

## SCHEDULES FORMING PART OF ACCOUNTS (contd.)

	07 Rupees	06 As at 31st March, 2006 Rupees
<b>Notes</b>		
1. Loans and advances in the nature of loans due from: (in accordance with clause 32 of Listing Agreement)		
Subsidiary companies		
Gigabyte Technology (India) Limited	-	-
Maximum balance outstanding at any time during the year	-	33,212,239
Intercorridor Systems Limited	96,973	1,210,998
Maximum balance outstanding at any time during the year	1,222,297	1,210,998
Others (interest-free loans with no repayment schedules)		
Employees	886,678	490,384
Maximum balance outstanding at any time during the year	1,325,220	1,231,194
<b>SCHEDULE 10</b>		
<b>CURRENT LIABILITIES</b>		
Sundry creditors		
- total outstanding dues to small scale industrial undertakings	4,403,319	3,962,233
- total outstanding dues to creditors other than small scale industrial undertakings	298,743,654	439,645,099
Temporary overdrawn bank balance	303,146,973	443,607,332
Dues to subsidiary companies	9,895,375	14,213,468
Other liabilities	-	1,002,304
	38,023,945	37,223,346
<b>Total</b>	<b>351,066,293</b>	<b>496,046,450</b>
<b>SCHEDULE 11</b>		
<b>PROVISIONS</b>		
For Income tax (net)	13,552,615	9,368,947
Fringe benefit tax (net)	219,456	167,457
Proposed dividend	60,009,700	60,009,700
Corporate dividend tax	10,198,649	8,416,360
For gratuity	3,635,804	4,802,002
For Leave encashment	1,795,500	-
<b>Total</b>	<b>89,411,724</b>	<b>82,764,466</b>
<b>SCHEDULE 12</b>		
<b>OTHER INCOME</b>		
Interest		
(Tax deducted at source Rs.1,732,444/-; previous year, Rs.1,455,270/-)		
- on fixed deposits with banks	234,018	85,339
- on bonds (current investments; non-trade)	657,299	778,560
- on delayed payments, etc.	2,209,959	6,975,739
	3,101,276	7,839,638
Duty drawback	6,629,625	48,940
Dividend on current investments (non-trade)	20,058,782	13,882,060
Profit on sale of current investments (non-trade)	10,954,406	22,897,831
Provision for doubtful debts written back	6,936,009	1,543,448

## SCHEDULES FORMING PART OF ACCOUNTS (contd.)

	07 Rupees	06 Previous year Rupees
Provision for diminution in value of current investments (non-trade) written back	503,074	94,191
Recovery of bad debts written off	-	1,121,259
Sundry balances written back	9,621,520	-
Provision for gratuity written back	1,166,198	-
Exchange differences (net)	16,845,095	2,640,723
Miscellaneous income	13,665,963	4,551,811
<b>Total</b>	<b>89,481,948</b>	<b>54,619,901</b>
<b>SCHEDULE 13</b>		
<b>(DECREASE) / INCREASE IN STOCKS OF FINISHED GOODS AND WORK-IN-PROCESS</b>		
Stock as at 31st March, 2007		
Finished goods	177,612,287	229,825,737
Work-in-process	32,392,729	15,648,771
	210,005,016	245,474,508
Less: Stock as at 1st April, 2006		
Finished goods	229,825,737	173,320,587
Work-in-process	15,648,771	36,896,809
	245,474,508	210,217,396
<b>(Decrease) / Increase</b>	<b>(35,469,492)</b>	<b>35,257,112</b>
<b>Note</b>		
Closing stock is valued after considering material obsolescence of Rs.61,177,873/- (previous year, Rs. 15,401,648/-) for finished goods.		
<b>SCHEDULE 14</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
Raw materials and components consumed	1,056,160,142	1,456,597,851
Payments to and provisions for employees :		
Salaries, wages and bonus	203,236,345	158,199,432
Contribution to provident and other funds	6,665,590	5,811,761
Staff welfare expenses	8,804,956	8,738,524
Provision for gratuity	-	1,441,850
Provision for leave encashment	1,795,500	-
	220,502,391	174,191,567
Stores, spares and packing material consumed	18,112,345	28,022,179
Power and fuel	24,180,625	26,828,085
Rent	12,167,002	7,159,482
Operating lease rentals	4,554,850	6,820,608
Rates and taxes	1,349,526	675,452
Insurance	8,488,984	7,983,062
Repairs and maintenance		
Buildings	1,652,714	3,856,174
Machinery	325,703	284,204
Others	6,754,866	8,721,065
	8,733,283	12,861,443

## SCHEDULES FORMING PART OF ACCOUNTS (contd.)

	07 Rupees	06 Previous year Rupees
Travelling and conveyance expenses	24,378,552	29,186,050
Communication expenses	11,821,295	10,175,256
Advertisement and sales development expenses	22,761,619	27,483,094
Commission on sales	9,304,989	13,866,531
Warranty servicing expenses	24,917,232	32,993,494
Loss on sale / discard of fixed assets (net)	8,083,836	1,331,491
Provision for diminution in value of current investments (non-trade)	225,888	622,679
Provision for diminution in value of long term investments (trade)	4,799,900	3,499,400
Provision for doubtful debts	8,429,845	7,182,908
Sundry balances written off	4,603,086	-
Donations	356,000	869,009
Directors sitting fees	290,000	170,500
Bad debts written off	16,700,349	1,208,045
Miscellaneous expenses	50,934,079	48,343,319
<b>Total</b>	<b>1,541,855,818</b>	<b>1,898,071,505</b>
<b>Note</b>		
Raw materials and components consumed and stores, spares and packing materials consumed include obsolete items written off Rs.26,293,774/- (previous year, Rs.6,894,275/-) and Rs.327,469/- (previous year, Rs.228,030/-) respectively.		
<b>SCHEDULE 15</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
On security deposits from dealers	4,602,569	3,137,067
On cash credit accounts, etc.	128,841	18,829
<b>Total</b>	<b>4,731,410</b>	<b>3,155,896</b>

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### A SIGNIFICANT ACCOUNTING POLICIES

###### Basis of preparation of financial statements

The financial statements are prepared under historical cost convention on the accrual basis of accounting and in accordance with the generally accepted accounting principles in India.

###### Use of estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported year. Differences between the actual results and estimates are recognised in the year in which the results are known/materialised.

###### Fixed assets

###### i) Tangible assets

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and impairment loss if any.

###### ii) Intangible assets

Intangible assets are stated at cost less accumulated amortisation. These assets are amortised over a period of ten years except goodwill arising on amalgamation which is amortised over the period of five years.

###### Assets taken on Lease (Hire Purchase)

Assets taken on finance lease (including on hire purchase) on or after April 1, 2001 are accounted for as fixed assets in accordance with Accounting Standard 19 on "Leases", (AS 19) issued by The Institute of Chartered Accountants of India (ICAI). Accordingly, the assets have been accounted at fair value. Lease payments are apportioned between finance charge and reduction of outstanding liability.

## SCHEDULES FORMING PART OF ACCOUNTS (contd.)

### Depreciation

- i) Cost of leasehold land/ premises and structural improvements are amortized over the period of lease.
- ii) Depreciation on other assets is provided on the straight line basis at the rates and in the manner specified in schedule XIV to the Companies Act, 1956, except Motor vehicles which are depreciated over a period of five years.

### Impairment loss

At the end of each accounting period, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard 28 on "Impairment of Assets" issued by the ICAI. An impairment loss is charged to the Profit and Loss account in the period in which, an asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. The impairment loss recognised in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

### Investments

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost. However, when there is a decline, other than temporary, the carrying amount is reduced to recognize the decline.

### Inventories

Items of inventory are valued at lower of cost and net realizable value, on the following basis:

- i) raw materials, components, stores and spares - on FIFO basis;
- ii) work-in-process and finished goods - on the basis of absorption costing comprising of direct costs and overheads other than financial charges.

### Revenue recognition

Revenue (income) is recognized when no significant uncertainty as to determination/ realization exists.

### Retirement benefits

- i) Provident fund liability is determined on the basis of contribution as required under the statute/ rules.
- ii) Contribution to gratuity fund payable to the Trust is charged to revenue in accordance with the scheme framed by the Life Insurance Corporation of India. Provision is made for the shortfall in the contribution payable to the trust and the actuarial valuation obtained at the end of the year.
- iii) Provision for Leave Encashment is made on actuarial valuation done as at the year end.

### Foreign currency transactions

Transactions in foreign currencies are recorded at the original rates of exchange in force at the time the transactions are effected.

In case of forward exchange contracts or other financial instruments that is in substance a forward exchange contract, other than for trading or speculation purposes, the premium or discount arising at the inception of the contract is amortised as expense or income over the life of contract.

Gains / losses on settlement of transactions arising on cancellation / renewal of forward exchange contracts are recognised as income or expense.

At the year-end, monetary items denominated in foreign currency and the relevant foreign exchange contracts are reported using the closing rate of exchange. Exchange difference arising thereon and on realization / payments of foreign exchange are accounted as income or expenses in the relevant year. Except in respect of liabilities incurred for acquiring fixed assets from outside India in which case they are adjusted in the carrying amount of such assets.

### Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

### Government grants

Grants relating to specific fixed assets are disclosed as a deduction from the value of the concerned assets. Grants related to revenue are credited to the Profit and Loss account. Grants in the nature of promoter's contribution are treated as Capital reserve.

## SCHEDULES FORMING PART OF ACCOUNTS

### Taxes on income

Tax expense comprises of current tax, deferred tax and fringe benefit tax. Current tax and Deferred tax are accounted for in accordance with Accounting Standard 22 on "Accounting For Taxes on Income", (AS 22) issued by the ICAI. Current tax is measured at the amount expected to be paid to / recovered from the tax authorities, using the applicable tax rates. Deferred income taxes reflect the impact of the current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years / period.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available except that deferred tax assets arising on account of unabsorbed depreciation and losses are recognised if there is virtual certainty that sufficient future taxable income will be available to realise the same. (Refer Note no. 8 below).

Fringe benefits tax is recognized in accordance with the relevant provisions of the Income-tax Act, 1961 and the Guidance Note on Fringe Benefits Tax issued by the ICAI.

Tax on distributed profits payable in accordance with the provisions of the Income-tax Act, 1961 is disclosed in accordance with the Guidance Note on accounting for Corporate Dividend Tax issued by the ICAI.

### Contingent Liability

These, if any, are disclosed in the notes on accounts. Provision is made in the accounts if it becomes probable that an out flow of resources embodying economic benefits will be required to settle the obligation.

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts

	07 Rupees	06 Previous Year Rupees
1. Estimated amount of contracts remaining to be executed on capital account and not provided for	40,379,278	56,463,171
2. Contingent liabilities, in respect of		
a. Claims against the Company not acknowledged as debts		
- Claim filed by erstwhile distributors in various Metropolitan / Civil Courts. The Company is confident of defending the claims and expect no liability on above count.	1,091,241	197,176
b. Guarantee given on behalf of Mercury Link Systems Limited (MLSL). Amounts outstanding as at the year end	-	4,000,000 4,000,000
c. Show cause notices received from customs authorities relating to imports made in earlier years. The Company has filed replies to these notices and does not expect any demand to materialize	242,733,036	244,429,546
d. Disputed demands of custom duty pending before the Commissioner of Customs (Appeals)	2,414,221	-
e. Show cause notices received from excise authorities in connection with valuation of products manufactured by the Company for the purpose of calculation of excise duty. The Company has filed replies to these notices and does not expect any demand to materialize	38,423,002	36,504,358
f. Disputed penalty demands of Excise Authorities pending before the Commissioner of Excise (Appeals) / CESTAT	802,041	-
g. Custom duty paid under protest The raw material/trading material/software imported by the Company are subjected to different rates of customs duty based on classification under respective Tariff Head. The Customs department has objected to the classifications adopted by the Company for certain items and has demanded additional duty for the same. The Company has paid such differential duty under protest. The same is included under advances recoverable in cash or in kind in Schedule 9 pending resolution of the dispute.	8,649,626	-

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts -cont-

	Rupees	Previous Year Rupees
3. a. Managerial Remuneration under section 198 of the Companies Act, 1956, paid to the Managing director		
Salary	3,480,574	2,948,316
Contribution to Provident fund	9,360	9,360
Perquisites *	-	670,009
Commission	1,345,331	1,375,060
<b>Total</b>	<b>4,835,265</b>	<b>5,002,745</b>
<b>Note:</b>		
The above remuneration excludes:		
i) contribution to gratuity fund as the incremental liability has been accounted for the Company as a whole.		
ii) Sitting fees of Rs. 55,000/-		
* Does not include monetary value of non cash perquisites as per Income-tax Act, 1961.		
b. Commission payable to Independent Directors	1,345,331	-
c. <u>Computation of net profit as per section 349 read with section 309(5) and section 198 of the Companies Act, 1956</u>		
Profit before tax as per Profit and Loss account	267,533,354	283,069,255
Less: Profit on sale of current investments (non-trade) (net)	10,954,406	22,897,831
Provision for diminution in value of current investments (non-trade) written back	503,074	94,191
Provision for doubtful debts written back	6,936,009	1,543,448
	249,139,865	258,533,785
Add : Managerial remuneration	6,180,596	5,002,745
Directors sitting fees	290,000	170,500
Provision for doubtful debts	8,429,845	7,182,908
Provision for diminution in value of current investments (non-trade)	225,888	622,679
Provision for diminution in value of long term investments (trade)	4,799,900	3,499,400
<b>Profit for the year</b>	<b>269,066,094</b>	<b>275,012,017</b>
Commission on above	2,690,662	1,375,060
Percentage	1.00%	0.50%
4. Payment to auditors		
a. as auditors	500,000	500,000
b. as advisor or in any other capacity in respect of: for other services (certification, etc)	435,000	450,000
c. for expenses	23,254	38,933
<b>Total</b>	<b>958,254</b>	<b>988,933</b>



## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### B. Notes on accounts -cont-

5. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of schedule VI to the Companies Act, 1956:

	Quantity (nos.)	Value - Rs.	Previous year	
			Quantity (nos.)	Value - Rs.
<b>a. Turnover</b>				
Networking products	5,147,697	3,051,986,913	4,932,561	3,014,765,017
Sale of Services		24,799,001		4,027,571
<b>Total</b>		<b>3,076,785,914</b>		<b>3,018,792,588</b>
<b>b. Raw materials and components consumed</b>				
Integrated circuits	5,644,286	265,463,688	10,693,397	495,081,495
Cables	101,010,618	234,904,852	39,570,860	215,899,906
PCBs	1,911,953	66,069,622	2,685,063	113,032,666
Connectors	13,176,150	40,112,184	20,643,497	56,846,253
Diodes	9,010,695	39,979,412	19,545,751	72,497,687
Inductor/Beadcore/Transformer	5,418,936	14,558,639	9,074,575	11,195,726
Others		395,071,745		492,044,118
<b>Total</b>		<b>1,056,160,142</b>		<b>1,456,597,851</b>
<b>c. Manufactured goods (networking products)</b>				
Opening stock	536,693	161,503,222	314,173	90,852,503
Closing stock	570,841	53,944,230	536,693	161,503,222
<b>d. Traded goods (networking products)</b>				
Opening stock	126,997	68,322,515	52,674	82,468,084
Closing stock	82,596	123,668,057	126,997	68,322,515
Purchases	754,608	994,737,802	773,698	589,955,591
<b>e. Installed capacity (networking products) (on double shift basis; as certified by the management)</b>	5,313,100		5,313,100	
<b>f. Actual production (networking products)</b>	4,382,836		4,455,706	
<b>g. Raw materials consumed</b>				
imported	1,041,415,394	98.60	1,289,144,635	88.50
indigenous	14,744,748	1.40	167,453,216	11.50
<b>Total</b>	<b>1,056,160,142</b>	<b>100.00</b>	<b>1,456,597,851</b>	<b>100.00</b>
<b>h. Stores, spares and packing materials consumed</b>				
imported	742,803	4.10	3,398,996	12.13
indigenous	17,369,542	95.90	24,623,183	87.87
<b>Total</b>	<b>18,112,345</b>	<b>100.00</b>	<b>28,022,179</b>	<b>100.00</b>

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts -cont-

	07 Rupees	06 Previous Year Rupees
i. <u>C.I.F. value of goods imported</u>		
Raw materials and components	971,300,367	1,388,342,678
Stores, spares and packing materials	1,602,896	7,788,617
Capital goods	58,820,872	12,901,135
j. <u>Expenditure in foreign currency</u>		
Travelling expenses	1,819,207	1,129,487
Professional fees, Royalty, Subscription expenses, etc.	1,984,158	269,346
k. <u>Earnings in foreign exchange</u>		
F.O.B. value of exports	124,899,089	114,644,171
l. <u>Amount remitted during the year in foreign currency on account of dividend</u>		
Number of non-resident shareholders	4	4
Number of shares held by them on which dividend is due	11,048,497	11,048,497
Year to which dividend relates	2005-06	2004-05
Amount of dividend remitted Rupees	22,096,994	17,677,595
6. Names of the small scale industrial undertakings to whom the Company owed sums outstanding for more than thirty days as at 31st March, 2007: Churi Electromech, Dotline Graphics, Karlai Industries, Mulvir Industries, The company does not have information as to which of its creditors is registered under The Micro, Small and Medium Enterprises Development Act, 2006, hence, no disclosure as required by the said Act is given.		
7. The tax effect of significant timing differences that has resulted in deferred tax assets and liabilities are given below:		
a. <u>Deferred Tax Liability</u>		
Depreciation	(72,655,666)	(72,425,494)
Total	<b>(72,655,666)</b>	<b>(72,425,494)</b>
b. <u>Deferred Tax Asset</u>		
Provision for doubtful debts	7,213,119	6,502,985
Others	1,236,064	1,616,354
Total	<b>8,449,183</b>	<b>8,119,339</b>
Deferred Tax (net)	<b>(64,206,483)</b>	<b>(64,306,155)</b>
8. Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year, as under:		<b>Previous year</b>
Profit after tax (Rupees)	211,943,505	232,808,128
Excess / (Short) provision for tax in respect of earlier years	7,328,818	(751,883)
Profit after tax attributable to equity shareholders (Rupees)	219,272,323	232,056,245
Weighted average number of equity shares outstanding during the year	30,004,850	30,004,850
Basic/ diluted earnings per share (Rupees)	7.31	7.73
Nominal value per share (Rupees)	2.00	2.00

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### B. Notes on accounts -cont-

9. a) The Company enters into foreign exchange forward contracts to offset the foreign currency risk arising from the amounts denominated in currencies other than the Indian rupee. The counter party to the Company's foreign currency forward contracts is generally a bank. These contracts are entered into to hedge the foreign currency risks of firm commitments.

The following are the outstanding forward exchange contracts entered into by the company

Currency	Amount Outstanding at year	Amount Outstanding at year	Exposure to Buy / Sell
	end in Foreign currency	end in Rupees	
US Dollar	44,632 (-)	1,939,252 (-)	Sell

Figures in brackets are those of the previous year

- b) The year end foreign currency exposures that have not been specifically hedged by a derivative instrument or otherwise are given below:

Amount receivable in foreign currency on account of the following:

	In foreign Currency		In Rupees		Previous Year	
	In foreign Currency	In Rupees	In foreign Currency	In Rupees	In foreign Currency	In Rupees
Debtors	USD	713,735	31,011,792	USD	1,008,720	45,037,141
Loans and advances	USD	261,664	11,369,286		-	-

Amount payable in foreign currency on account of the following:

	In foreign Currency		In Rupees		Previous Year	
	In foreign Currency	In Rupees	In foreign Currency	In Rupees	In foreign Currency	In Rupees
Creditors	USD	4,593,768	200,005,152	USD	7,414,943	311,672,902
	EUR	49		JPY	865,301	
	JPY	844,445				

- c) Amount of exchange differences included in the Profit and Loss account

	Rupees	Previous year Rupees
Exchange gain	34,332,099	27,633,945
Exchange loss	17,487,004	24,993,222

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts -cont-

#### 10. Investments purchased and sold during the year

	Rupees		Previous year		Rupees		Previous year	
	Qty (nos.)	Value-Rs.	Qty (nos.)	Value-Rs.	Qty (nos.)	Value-Rs.	Qty (nos.)	Value-Rs.
<b>1 Bonds</b>								
<b>Units in Karnataka Financial Corporation</b>								
11.50% KFC 2008	-	-	14,000	1,533,467				
11.50% KFC 2009	-	-	5,000	562,576				
<b>Units in REC</b>								
7.20% REC 2012	-	-	4	4,031,655				
7.20% REC 2014	-	-	3	3,057,801				
<b>Units in Syndicate Bank</b>								
7.40% Syndicate Bank 2015	-	-	1	1,014,962				
<b>Units in Government Of India</b>								
5.64% GOI 2019	-	-	10,000	909,413				
<b>Units in Maharastra Krishan Valley Development Corporation</b>								
11.00% MKVDC 2010	-	-	10	1,071,733				
11.50% MKVDC 2012	-	-	50	6,233,630				
<b>Units in Andra Pradesh State Electricity Board</b>								
7.80% APGENCO 2014	-	-	1	1,022,237				
<b>Units in Sardar Sarovar Nigam Limited</b>								
8.60% SNNL 2015	-	-	1	1,089,600				
<b>2 In Equity Shares</b>								
Sun TV Limited	967	846,125	-	-				
Reliance Petroleum Limited	28,004	1,680,240	-	-				
DS Kulkarni Developers Limited	6,926	1,904,650	-	-				
Tech Mahindra Limited	3,351	1,223,115	-	-				
Action Construction Equipment Limited	9,982	1,297,660	-	-				
Gwalior Chemical Industries Limited	30,930	2,505,330	-	-				
Development Credit Bank limited	39,826	1,035,476	-	-				
Infoedge (India) Limited	1,525	488,000	-	-				
Parsavnath Developers Limited	5,610	1,683,000	-	-				
Sobha Developers Limited	825	528,000	-	-				
Ess Dee Aluminum Limited	4,201	945,225	-	-				
Tanla Solutions Limited	5,526	1,464,390	-	-				
CNN-Global Broadcast News limited	1,512	378,000	-	-				
Akruti Nirman limited	2,626	1,418,040	-	-				
Cinemax India Limited	7,645	1,184,975	-	-				
Redington (India) Limited	10,760	1,215,880						
Firstsource Solutions Limited	11,699	748,736						
Power Finance Corporation Limited.	24,418	2,075,530						
Mindtree Consulting limited	1,298	551,650						
Idea Cellular limited	60,877	4,565,775						
ICICI Bank	-	-					2,100	1,192,896
Jaiprakash HYDRO	-	-					112,500	3,391,625
TISCO	-	-					4,725	1,661,263
IndusInd Bank	-	-					30,800	1,935,796
Karnataka Bank	-	-					5,000	455,750
Kirloskar Cummins Limited	-	-					15,200	2,018,864
Bharti Shipyard Limited	-	-					2,000	559,850
Oriental Bank of commerce	-	-					15,600	4,107,054
Ranbaxy Laboratories Limited	-	-					2,400	1,308,576
India Cement Limited	-	-					14,501	1,474,941
NDTV	-	-					8,800	1,787,118
Videocon International	-	-					25,600	1,871,389
Industrial Finance Corporation of India	-	-					63,000	767,720
Jindal Stainless Steel	-	-					6,002	715,317
Industrial Development Financial Corporation	-	-					11,800	724,581
MRPL	-	-					4,450	219,003
Hindustan Petroleum	-	-					1,950	646,947
State Bank of India	-	-					500	466,913
Jet Airways India Ltd	-	-					200	228,501
Gujarat Ambuja Cements	-	-					12,375	1,096,348
Chambal fertilizers	-	-					6,900	268,293
Matrix laboratories Limited	-	-					1,250	304,162
IVRCL infrastructures and Projects Limited	-	-					400	289,236
Industrial Development Bank of India	-	-					2,400	204,425
Gokuldas Exports	-	-					4,186	1,779,050
India Infoline Limited	-	-					285,428	21,692,528
Provogue India Limited	-	-					4,013	601,950
Yes Bank	-	-					50,870	2,289,150
Nectar Lifesciences Limited	-	-					14,626	3,510,240
SPL Industries	-	-					7,997	559,790
ILFS	-	-					2,278	284,750
SASKEN Communications Technology Limited	-	-					2,277	592,020
Amar Remedies	-	-					64,358	1,802,024
Suzlon Energy Limited	-	-					12,170	6,206,700
Prithvi Information Solutions Limited	-	-					11,212	3,027,240
Bombay Rayon Fashions Ltd.	-	-					23,931	1,675,170

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts -cont-

#### 10. Investments purchased and sold during the year

	Rupees		Previous year Rupees			Rupees		Previous year Rupees	
	Qty (nos.)	Value-Rs.	Qty (nos.)	Value-Rs.		Qty (nos.)	Value-Rs.	Qty (nos.)	Value-Rs.
AIA Engineering Limited	-	-	5,655	1,781,325	Videcon International Nov-05	-	-	25,600	2,165,760
ABG Shipyard Limited	-	-	7,849	1,452,065	IFCI, Nov-05	-	-	31,500	427,140
Everest Kanto Cylinder Limited	-	-	15,653	2,504,480	Jindal Stainless steel Nov-05	-	-	6,000	698,040
Punj Llyod Limited	-	-	2,748	1,923,600	Hindustan Petroleum Dec-05	-	-	1,950	620,997
Kernex Microsystems Limited	-	-	2,755	688,750	MRPL Dec-05	-	-	4,450	212,399
Royal Orchid	-	-	9,624	1,587,960	NDTV Dec-05	-	-	6,600	1,363,032
Gujarat State Petronet Limited	-	-	36,086	974,322	IFCI Dec-05	-	-	31,500	312,165
Radio Mirchi Limited	-	-	9,094	1,473,228	Oriental Bank Dec-05	-	-	14,400	3,693,066
INOX Leisure Limited	-	-	2,715	325,800	Videcon International Dec-05	-	-	25,600	2,005,792
Industrial Development					Indus Ind Bank Dec-05	-	-	3,850	218,411
Bank of India	-	-	93,647	3,183,998	Jindal Stainless steel Dec-05	-	-	6,000	605,580
Sadbhav Engineering Limited	-	-	10,501	1,942,685	IFCI Jan-06	-	-	31,500	351,540
Pratibha Industries Limited	-	-	25,438	3,052,560	IVRCL Infrastructure Jan-06	-	-	400	359,816
Mahindra & Mahindra Finance	-	-	11,663	2,332,600	NDTV, Jan-06	-	-	7,700	1,578,291
					SBI Bank Jan-06	-	-	500	443,940
<b>3 In Equity Futures</b>					Oriental Bank, Jan-06,	-	-	14,400	3,692,592
Tisco May 05	-	-	4,725	2,631,888	Indus Ind Bank, Jan-06	-	-	3,850	210,326
Jaiprakash Hydro May 05	-	-	87,500	1,436,304	Hindustan Petroleum, Jan-06	-	-	1,950	635,597
Indus Ind Bank JUN 06	-	-	26,950	1,874,642	ICICI Bank, Jan-06	-	-	2,100	1,257,921
Jaiprakash Hydro JUN-05	-	-	87,500	2,443,875	JET Airways Jan-06	-	-	200	210,526
Kotak Bank July-05	-	-	5,000	584,350	Jindal Stainless Steel, Jan-06	-	-	6,000	573,780
Indus Ind Bank July-05	-	-	26,950	2,054,129	MRPL, Jan-06	-	-	4,450	213,066
Kirloskar Cummins July-05	-	-	15,200	2,239,720	India Cements, Jan-06	-	-	2,900	349,943
Bharti Shipyard Aug-05	-	-	2,000	610,970	Gujarat Ambuja, Feb-06	-	-	12,375	1,073,902
Kirloskar Cummins Aug-05	-	-	15,200	2,198,072	Chanbal Fertilizers, Feb-06	-	-	6,900	289,662
Indus Ind Bank Aug-05	-	-	26,950	2,091,282	NDTV, Feb-06	-	-	7,700	1,650,418
Oriental Bank Sep-05	-	-	13,200	3,496,524	SBI Bank, Feb-06	-	-	500	435,010
Indus Ind Bank Sep-05	-	-	15,400	1,048,740	IFCI, Feb-06	-	-	31,500	340,515
Ranbaxy Sep-05	-	-	2,400	1,219,512	Matrix Labs, Feb-06	-	-	1,250	320,188
India Cements Sep-05	-	-	11,600	1,244,912	Oriental Bank, Feb-06	-	-	14,400	3,400,488
Kirloskar Cummins Sep-05	-	-	15,200	2,287,296	IVRCL Infrastructure, Feb-06	-	-	400	376,624
Jaiprakash Hydro Sep-05	-	-	25,000	816,750	Indus Ind Bank, Feb-06	-	-	3,850	192,038
Oriental Bank Oct-05	-	-	14,400	3,626,370	Jet Airways, Feb-06	-	-	200	196,918
Kirloskar Cummins Oct-05	-	-	15,200	2,159,692	MRPL, Feb-06	-	-	4,450	191,929
India Cements Oct-05	-	-	11,600	1,072,826	India Cements, Feb-06	-	-	2,900	373,172
Jaiprakash Hydro Oct-05	-	-	25,000	757,750	Jindal Stainless Steel, Feb-06	-	-	6,000	563,580
NDTV Oct-05	-	-	6,600	1,133,737	Hindustan Petroleum, Feb-06	-	-	650	217,230
NDTV Nov-05	-	-	6,600	1,160,049	IDBI bank, Feb-06	-	-	2,400	202,800
Oriental Bank Nov-05	-	-	14,400	3,746,160					
IDFC Nov-05	-	-	11,800	835,676					

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts -cont-

#### 10. Investments purchased and sold during the year

	07		06	
	Quantity (nos.)	Value - Rs.	Quantity (nos.)	Value - Rs.
<b>4 Units in Mutual funds</b>				
<b>Units in ABN AMRO Mutual Fund</b>				
ABN Amro Liquid fund-Daily Dividend	10,875.714	108,757	1,000,385.056	10,003,851
<b>Units in HDFC Mutual fund</b>				
HDFC Cash Management-Savings Plus-Daily dividend	20,792,698.935	221,159,466	226,835,036.851	2,412,708,186
HDFC FMP-3-Months Plan	506,825.000	5,069,112	-	-
HDFC Cash Management Fund-Call Plan Dly Div reinv	4,335,587.637	45,205,438	-	-
<b>Units in ING Mutual Fund</b>				
ING Daily div-Institutional Plan	1,001,696.838	10,027,286	10,260,070.852	102,687,069
ING Daily dividend	-	-	1,365,652.450	14,725,421
ING Short Term Plan-Dividend Plan	2,722,823.502	30,505,153	-	-
<b>Units in Prudential Mutual Fund</b>				
Pru ICICI Liquid-daily Div-Institutional Plan	-	-	13,304,124.181	157,673,828
Pru ICICI Liquid-Daily Dividend	-	-	4,310,133.773	51,081,119
Pru ICICI- Blended - Plan A	1,461,423.706	15,996,744	3,943,763.678	40,000,000
Pru ICICI- Short Term Plan	6,296,289.047	69,408,922	2,005,150.347	21,974,928
Pru ICICI -Super IP-Old	38,238,165.054	382,381,651	16,522,163.276	165,221,633
Pru ICICI -Super IP-New	26,953,693.387	269,536,990	10,169,797.602	101,697,976
Pru ICICI -FMP	1,616.501	16,165	-	-
ICICI Sweep Fund	19,037.834	190,378	-	-
ICICI Floating rate Fund	17,793.152	133,134	-	-
<b>Units in Birla Sun Life Mutual Fund</b>				
Birla Cash Plus-Daily Dividend	-	-	61,142,844.867	660,484,808
Birla Cash Plus- Institutional	140,115,490.896	1,404,686,305	798,443.036	8,000,000
Birla FMP-Series 2-Quarterly div-Payout	997,108.386	9,992,921	-	-
<b>Units in Templeton Mutual Fund</b>				
TITMA- Institutional Plan	-	-	165,708.249	165,708,166
TITMA- Daily Div	-	-	22,866.362	34,575,705
TITMA- Weekly Div	-	-	10,687.970	10,694,587
<b>Units in Kotak Mahindra Mutual Fund</b>				
Kotak Cash Plus	81,285.375	1,847,647	-	-
Kotak Long Term Floater	2,008,827.130	20,181,883	-	-

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts -cont-

10. Investments purchased and sold during the year

	Quantity (nos.)	Rupees Value - Rs.	Quantity (nos.)	Previous year Rupees Value - Rs.
Kotak Liquid Institutional-Daily Div	2,654,172.977	32,455,493	-	-
<b>Units in SBI Mutual Fund</b>				
SBI Magnum Insta Cash Fund - Dividend option	-	-	6,054,169.697	64,007,721
<b>Units in Standard Chartered Mutual Fund</b>				
Liquidity Manager - Daily Dividend	2,945,867.640	29,461,622	1,999,800.020	20,000,000
<b>Units in Reliance Mutual Fund</b>				
Liquid fund - Treasury Plan - Institutional option- Daily Dividend	2,006,794.150	20,157,366	2,591,481.941	39,592,990
<b>Units in ILFS Mutual Fund</b>				
IL&FS Liquid Account Institutional Plan - Growth	-	-	-	-
<b>Units in UTI Mutual Fund</b>				
UTI Money Market fund- Income option	36,670,263.255	641,058,168	-	-
UTI Liquid Cash Plan Institutional – Daily Income option -Re-Investment	556,660.509	567,485,149	-	-
UTI Spread Fund	2,000,000.000	21,180,400	-	-
UTI Money Market fund- Daily Div Option-Reinv	15,996,984.902	280,651,031	-	-
<b>Units in Deutsche Mutual fund</b>				
Deutsche-DWS Money Plus-Regular Plan, Weekly Dividend Option	3,155,153.762	31,652,187	-	-
<b>Units in JM Mutual fund</b>				
JM -Money Manager Fund Super Plus-Plan-Daily Dividend	2,083,915.386	21,131,527	-	-
<b>Units in LIC</b>				
LIC Mutual Fund -Div Plan LIC FMP Series 10-3 months	1,469,296.066	16,133,018	-	-

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts -cont-

##### 11. Lease transactions

##### (a) Finance leases

Lease rentals outstanding as at 31st March, 2007 in respect of fixed assets taken on finance lease are as under

Due	Total minimum lease payments outstanding as at 31st March 2007		Present value of minimum lease payments as at 31st March, 2007	Total minimum lease payments outstanding as at 31st 2006		Present value of minimum lease payments as at 31st March, 2006
		Interest not due			Interest not due	
not later than 1 year	2,501,011	305,276	2,195,735	4,154,744	582,498	3,572,246
later than 1 year and not later than 5 years	3,091,226	180,634	2,910,592	6,530,064	535,885	5,994,179
later than 5 years	-	-	-	-	-	-
<b>Total</b>	<b>5,592,237</b>	<b>485,910</b>	<b>5,106,327</b>	<b>10,684,808</b>	<b>1,118,383</b>	<b>9,566,425</b>

The tenure of hire-purchase agreements are 36 / 48 / 60 months with an option of prepayment / foreclosure.

##### (b) Operating leases

Future lease rentals in respect of fixed assets taken on non-cancellable operating lease basis are as follows:

The tenure of the agreement ranges from 33/60 months. There are no renewal or purchase options and escalation clauses in these agreements. The lease rentals for the year charged to revenue are Rs.4,554,850/- (previous year Rs.6,820,608/-)

Due	Total minimum lease rentals payable	Rupees Previous year Total minimum lease rentals payable
not later than 1 year	1,424,640	2,498,530
later than 1 year and not later than 5 years	-	-
later than 5 years	-	-
<b>Total</b>	<b>1,424,640</b>	<b>2,498,530</b>

##### 12. Related party disclosures

Names of related parties where control exists

Gigabyte Technology (India) Limited

Intercorridor Systems Limited.

List of related parties with whom transactions have taken place during the year and nature of relationship

Name of the related parties	Nature of relationship
Gigabyte Technology (India) Limited	Subsidiary company
Intercorridor Systems Limited	Subsidiary company
Mr. Kamalaksha R. Naik	Key management person
Lanner Electronics India Limited	Associate company (Also refer note 19 below)
Virtual Computer Crafts	Enterprises over which key management person and his relatives are able to exercise significant influence.



## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts -cont-

Details of related party transactions during the year						Rupees
Nature of transactions	Subsidiary			Key management person	**	Total
	Gigabyte Technology (India) Limited	Intercorridor Systems Limited	Associate company			
Turnover	196,542,279 (205,840,689)	- (4,202,182)	38,461 (15,631)	- -	- -	196,580,740 (210,058,502)
Sale of Fixed Assets	846,631 -	101,403 -	- -	- -	- -	948,034 -
Rent income	2,783,500 (60,000)	172,000 (60,000)	120,000 (120,000)	- -	- -	3,075,500 (240,000)
Interest income	- (1,675,612)	89,269 (31,951)	9,133 (48,996)	- -	- -	98,402 (1,756,559)
Dividends income	- -	- -	- -	- -	- -	- -
Services and contract income	7,926,300 -	- (1,148,692)	- -	- -	- (35,100)	7,926,300 (1,183,792)
Purchase of goods	677,548 (429,489)	- -	2,080 -	- -	- -	679,628 (429,489)
Purchase of fixed assets	2,666,277 (362,341)	- -	- -	- -	- -	2,666,277 (362,341)
Managerial remuneration and sitting fees	- -	- -	- -	4,890,265 (5,057,745)	- -	4,890,265 (5,057,745)
Services and contract expense	- -	1,851,190 (299,500)	- -	- -	- -	1,851,190 (299,500)
Dividends paid	- -	- -	- -	11,236,456 (8,989,165)	- -	11,236,456 (8,989,165)
Loan given during the year	- (88,397,761)	14,194 (125,706)	204,643 (2,718,636)	- -	- -	218,837 (91,242,103)
As at the year-end						
Amount due to	- (1,002,304)	- -	2,080 -	1,345,331 (1,380,060)	- -	1,347,411 (2,382,364)
Amount due from	26,239,454 (45,468,497)	2,098,376 (3,387,096)	165,498 (800,980)	- -	- (39,014)	28,503,328 (49,695,587)

\*\* Enterprises over which key management person and his relatives are able to exercise significant influence.

#### Notes

- 1 There are no provisions for doubtful debts or amounts written off or written back for debts due from or due to related parties.
- 2 Figures in brackets are those of the previous year

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts -cont-

##### 13. Segment information

##### (A) Segment information for primary reporting (by business segment)

The Company has its operations in developing, manufacturing, marketing distributing and servicing and networking products. These networking products are sold to distributors, Original Equipment Manufacturers (OEM's) and System Integrators (SI). The primary reporting segment for the Company, therefore is the business segment, viz., networking products.

##### (B) Segment information for secondary segment reporting (by geographical segments)

The secondary reporting segment for the Company is the geographical segment based on location of customers, which is as follows:

- i) Domestic
- ii) Export

Information about secondary segments

Particulars	Domestic	Exports	Unallocated	Total
Revenues from external customers (net) (including sale of services)	2,690,102,019 (2,543,979,453)	130,749,733 (210,297,755)	- -	2,820,851,752 (2,754,277,208)
Segment assets	1,585,964,230 (1,815,281,317)	32,951,044 (45,037,141)	799,612,960 (673,323,189)	2,418,528,234 (2,533,641,647)
Additions to fixed assets during the year	92,086,690 (88,057,380)	- -	- -	92,086,690 (88,057,380)

Figures in brackets are for the previous year

14. Research and Development expenditure under Department of Scientific and Industrial Research (DSIR) approved facility Rs. 14,034,209/- (previous year NIL) on revenue account has been incurred during the year.

15. Excise duty collected from customers against sales has been disclosed as a deduction from turnover. The excise duty related to the difference between the opening and closing stock of finished goods is disclosed separately in the profit and loss account as "Excise Duty"

16. Hitherto, the Company followed the policy of providing depreciation on Motor Vehicles @ 9.5% p.a. in accordance with Schedule XIV of the Companies Act, 1956. During the year, the Company, in order to have more appropriate presentation of the fixed assets and having regard to the extent of usage of vehicle and their estimated useful life, has changed this policy and now follows the policy of depreciating the vehicles over their estimated useful life of 5 years. As the result of the change in the method of providing for depreciation, the charge of depreciation for the year is higher by Rs. 7,319,639/- and the profit for the year is lower by the like amount.

17. Cash Credit account with the bank is secured by hypothecation of movable assets, stock, stores, work-in-process, book debts both present and future.

18. The applicability of revised Accounting Standard 15 on "Employees Benefits" (AS 15) issued by the ICAI, which was earlier applicable with effect from 1st April 2006, has been postponed and is now applicable for accounting periods commencing on or after 7th December, 2006. Accordingly, the Company will adopt the said AS 15 in the period in which the same becomes applicable to the Company.

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### B. Notes on accounts -cont-

19.The company holds investments (unquoted) in an associate, viz., Lanner Electronics India Limited (Lanner) aggregating to Rs.95,99,800/- which are held as strategic long-term investments. Further, the company has trade receivables aggregating to Rs. 45,662/- and loan outstanding aggregating to Rs. 1,19,836/- from Lanner. As per the latest available audited accounts of Lanner as at 31st March, 2007, its networth has been substantially eroded. Considering the above, out of abundant caution, the company has made provisions in the current year, to the extent of Rs.47,99,900/- (being 50% of value of investments made) towards diminution in its value of investments in Lanner. The company expects to recover the trade receivables and outstanding loan shortly.

In view of the management, no further provision is required for diminution in the value of investment in Lanner

20.The company has transferred over a period of 2 years a major portion of its motherboard business to its subsidiary Gigabyte Technology (India) limited (Gigabyte). This has helped the company to improve its product mix by bringing focus on its core business of networking and cabling.

The Company has entered into agreements with Gigabyte for carrying out manufacturing of motherboards on contract basis, providing RMA support and also back office support.

21.The Company had instituted "Employee Stock Option Plan" (ESOP) for its employees in the year 2000. To administer the ESOP the Company had created a Trust viz. D-Link (India) Limited ESOP Trust (the Trust) in September 2000. The said Trust was allotted 6,50,000 Equity Shares of Rs 2 each. In terms of the said ESOP, the Trust has been granting options to the employees in the form of Equity Shares which vest at the rate of 25% on each successive anniversary of the grant date.

The accounting of ESOP's granted by the Trust to the employees of the Company is done in accordance with The SEBI (ESOS and ESOS) Guidelines, 1999. These Guidelines were amended in July 2004 for all accounting periods commencing after 30th June 2003. The amendment required the Company to prepare its accounts as if the ESOS/ESOS scheme was administered by itself (rather than by the Trust). The Company has accordingly considered all the options granted by the Trust on or after 1st April 2004. The difference between the Market price of the share (intrinsic value) and the exercise price of the option, on the date of grant, is being amortised over the vesting period. The annual amortization is included under "Payments to and Provisions for Employees" in Schedule-14 and the cumulative charge is disclosed in the Balance sheet under "Employee stock options outstanding"

22.Previous year's figures have been regrouped , wherever necessary, to confirm to the classification of the current year.

signatures to schedules 1 to 16

As per our attached report of even date

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Mumbai, dated : 16th May, 2007

**For and on behalf of the Board**

**K.R.Naik**  
Chairman & Managing director

**K.G. Prabhu**  
Company Secretary

Mumbai, dated : 16th May, 2007

**K.M. Gaonkar**  
Director

**Bhushan Prabhu**  
Director-Finance

# SCHEDULES FORMING PART OF ACCOUNTS

## SCHEDULE 16

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts -cont-

Balance sheet abstract and Company's general business profile

##### I. Registration details

Registration no.

1 3 4 1

Balance sheet date

3 1 0 3 0 7

State code

2 4

##### II. Capital raised during the year (amount in Rupees thousands)

Public issue

N I L

Bonus issue

N I L

Rights issue

N I L

Private placement

N I L

##### III. Position of mobilisation and deployment of funds (amount in Rupees thousands)

Total liabilities

2 4 1 8 5 2 8

Sources of funds

Paid-up capital

6 0 0 1 0

Share application money

N I L

Unsecured loans

N I L

Application of funds

Net fixed assets

6 4 6 8 5 9

Net current assets

5 3 8 3 6 6

Accumulated losses

N I L

Total assets

2 4 1 8 5 2 8

Reserves and surplus

1 8 3 7 3 0 9

Secured loans

5 1 0 6

Net Deferred tax liability

6 4 2 0 6

Investments

7 9 2 8 2 5

Miscellaneous expenditure

N I L

##### IV. Performance of the Company (amount in Rupees thousands)

Turnover

2 8 7 4 8 6 4

+ / (-) Profit/ (loss) before tax

✓ 2 6 7 5 3 3

Earnings per share (Rupees)

Refer note 8 of schedule 16

Total expenditure

2 6 0 7 3 3 0

+ / (-) Profit/ (loss) after tax

✓ 2 1 1 9 4 3

Dividend %

1 0 0

##### V. Generic names of three principal products/ services of the Company (as per monetary terms)

Item code no. (ITC code)

8 4 7 1 8 0 . 0 0

Product description

N E T W O R K I N G P R O D U C T S

Item code no. (ITC code)

8 5 1 7 5 0 . 0 0

Product description

M O D E M S

Item code no. (ITC code)

8 5 4 4 1 0 . 0 0

Product description

C A B L E S

#### For and on behalf of the Board

**K.R.Naik**

Chairman & Managing director

**K.M. Gaonkar**

Director

**K.G. Prabhu**

Company Secretary

**Bhushan Prabhu**

Director-Finance

Mumbai, dated : 16th May, 2007

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

1.	Name of the Subsidiary Company	<b>Intercorridor Systems Limited</b>	<b>Gigabyte Technology (India) Limited</b>
2.	The financial year of the Subsidiary Company ended on	31st March 2007	31st March 2007
3.	a) Number of Equity Shares held by D-Link (India) Limited in the Subsidiary as at the end of the financial year of the Subsidiary (including shares held by the Nominee) b) Capital and Reserves of the Subsidiary at the end of the financial year of the Subsidiary. (i) Capital (ii) Reserves and Surplus (c) Extent of interest of D-Link (India) Limited in the Capital of the Subsidiary at the end of the financial year of the Subsidiary	49,940  Rs.5,00,000/- Rs. 1,092,177 /-  99.88%	16,24,940  Rs. 31,500,000/- Rs.10,75,00,000/-  51.59%
4.	The net aggregate amount of the profits/(losses) of the subsidiary so far as they concern the members of D-Link (India) Limited since it became the subsidiary of D-Link (India) Limited	Rs. 1,495,887/-	Rs. 703,671/-
5.	The net aggregate amount of the Subsidiary's profit/loss not dealt with in D-Link (India) Limited's Accounts: a) Profit/(Loss) for the Subsidiaries financial year ended 31st March 2007 b) Profit/(Loss) for the previous financial year	Rs. 866,189/- Rs.4,00,613/-	Rs. 1,363,968/- (Rs.84,16,521/-)
5.	The net aggregate amount of the profit/(loss) of Subsidiary dealt with in D-Link (India) Limited's Accounts: a) For the Subsidiaries financial year ended 31st March 2007 b) For its previous financial year	Nil Nil	Nil Nil

**For and on behalf of the Board**

**K.R.Naik**  
Chairman & Managing director

**K.M. Gaonkar**  
Director

**K.G. Prabhu**  
Company Secretary

**Bhushan Prabhu**  
Director-Finance

Mumbai, dated : 16th May, 2007

## DIRECTOR'S REPORT

To,

### The Members of the Company

Yours Directors have pleasure in presenting the Fourth Annual Report together with Audited Statement of Accounts of the Company for the financial year ended 31st March 2007.

### Financial Results:

	(Rs. in Lakhs)	
	2006-2007	2005-2006
Sales	7,167.81	6118.69
Profit/(Loss) before Tax	17.75	(81.89)
Less: Provision for Tax		
(a) Current Tax	1.85	-
(b) Deferred Tax	(2.36)	(0.19)
(c) Fringe Benefit Tax	4.62	2.46
<b>Profit / (Loss) after Tax</b>	<b>13.64</b>	<b>(84.16)</b>
Balance of profit brought forward	(68.28)	14.90
Excess/ (Short) provisions for		
Loss relating to earlier years	(0.32)	0.98
<b>Balance carried forward to Balance Sheet</b>	<b>(51.61)</b>	<b>(64.93)</b>

### Operations:

Your Company during the year achieved a turnover of Rs. 7,167.81 lakhs as compared to Rs. 6118.69 lakhs in the previous year. The turnover increased by 17% as compared to the previous year. The Company turned around during the year with a net profit of Rs.13.64 lakhs as compared to a loss of Rs.84.16 lakhs during the previous year. The turnaround during the year was possible mainly due to the increased focus on the core business of motherboards.

During the year under review your Company commenced manufacturing of Motherboards under a contract manufacturing agreement with D-Link (India) Limited. In the coming years, both the turnover and the profits are expected to improve with the launching of new models of motherboards and increase in penetration of PC's where the growth rate is expected to be more than 20% annually.

### Dividend:

In view of insufficient profits earned during the year, the Board of Directors has not proposed any dividend during the year.

### Directors:

Mr. Nitin Kunkolienker, retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

Due to exigencies of work Mr. Chou Hong Chih and Mr. Tony Liao Directors of the company were constrained to resign from the Board. While accepting their resignation the board puts on record the valuable contribution made by Mr. Chou Hong Chih and Mr. Tony Liao during their tenure as Directors. Mr. Chou Hong Chih has ceased to be member of the Board of Directors of the Company w. e. f. 1st January 2007 and Mr. Tony Liao ceased to be Director w.e.f 9th February 2007.

### Auditors:

M/s. Deloitte Haskins & Sells, Chartered Accountants retire at the ensuing Annual General Meeting as the Auditors of the Company and being eligible, offer themselves for re-appointment.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

The Company's operations involve very low energy consumption as it is primarily engaged in trading activities. Particulars relating to Technology Absorption are not applicable. However, the company will continue with its efforts to conserve energy.

Total foreign exchange earnings and outgo is stated in Notes forming part of the Accounts.

### Personnel:

Particulars of employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this report. However, in pursuance of section 219(1) (b) (iv) of the Companies Act, 1956, this report is being sent to all the members of the company excluding the aforesaid information and the said particulars are made available at the registered office of the Company. The members desirous of obtaining such particulars may write to the registered office of the Company.

### Fixed Deposits:

Your Company has not accepted any fixed deposits during the period under review and, as such, no amount of principal or interest was outstanding as on the Balance Sheet date.

### Director's Responsibility Statement:

Pursuant to the provisions of Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors hereby state and confirm that

- in the preparation of annual accounts, the applicable accounting standards have been followed
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at March 31, 2007 and the Profit of the Company for the financial year ended March 31, 2007
- 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.
- the annual accounts have been prepared on a 'going concern' basis

### Acknowledgement:

The Board acknowledges with gratitude the co-operation and assistance received from various Government Authorities, Financial Institutions, Bankers and other Agencies during the period. We also deeply acknowledge and appreciate the services rendered by the employees of the Company at all the levels and their dedication and loyalty.

**For and on behalf of the Board**  
**K. R. Naik**  
**Chairman**

Mumbai, dated 16th May 2007.

## AUDITORS' REPORT

To, the members of Gigabyte Technology [India] Limited

1. We have audited the attached Balance sheet of Gigabyte Technology [India] Limited, as at 31st March, 2007, the Profit and Loss account and also the Cash-flow statement for the year ended on that date, annexed thereto. 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.
2. 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of section 227 (4A) 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.
4. 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 the books;
  - iii. the Balance sheet, Profit and Loss account and Cash-flow statement dealt with by this report are in agreement with the books of account;
  - iv. in our opinion, the Balance sheet, Profit and Loss account and Cash-flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v. on the basis of written representations received from the directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a 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, read with the significant accounting policies and notes thereon, 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, 2007;
    - b) in the case of the Profit and Loss account, of the profit for the year ended on that date; and
    - c) in the case of the Cash-flow statement, of the cash-flows for the year ended on that date.

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner  
Membership no. 46488

Mumbai  
Dated : 16th May, 2007

## ANNEXURE TO THE AUDITORS' REPORT

Re: Gigabyte Technology [India] Limited  
(referred to in paragraph 3 of our report of even date)

- I. The nature of the Company's activities during the year is such that the requirements of clauses (xiii) and (xiv) of paragraph 4 of the Order are not applicable.
- ii.
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. major items of fixed assets have been physically verified by the management during the year. We are informed that no material discrepancies were noticed by the management on such verification.
  - c. the Company has not disposed off a substantial part of fixed assets during the year.
- iii.
  - a. The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
  - b. the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c. the Company is maintaining proper records of inventories and no material discrepancies were noticed on physical verification.
- iv. The Company has not granted or taken any loans, to/ from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956. Consequently, the requirements of clauses (iii) (a) to (iii) (g) of paragraph 4 of the Order are not applicable to the Company.
- v. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for sale of goods/services. During the course of our audit, we have not observed any continuing failure, to correct major weakness in such internal control system.
- vi.
  - a. According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vii. The Company has not accepted deposits from the public.
- viii. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- ix. We have broadly reviewed the books of account maintained by the Company pursuant to the Order made by the Central Government for the maintenance of the cost records under section 209(1)(d) of the Companies Act, 1956 with regard to the computer peripherals manufactured by the Company. We are of the opinion that prima facie, the prescribed accounts and records have generally been made and maintained/ are under preparation. We have not, however, made a detailed examination of the records.
- x.
  - a. In our opinion and according to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues, where applicable, with the appropriate authorities.
  - b. According to the information and explanations given to us, there are no dues of sales-tax/ income-tax/wealth-tax/ service tax/ excise duty/ cess which have not been deposited with the appropriate authorities on account of any dispute, except in case of customs duty which is as detailed below:

Name of the Statute	Nature of dues	Amount (Rs.)	Financial Year to which amount relates	Forum where dispute is pending
Customs Act, 1962	Customs Duty	2,941,618/-	2005-2006	Commissioner of Customs (Appeals)



## ANNEXURE TO THE AUDITORS' REPORT

- xi. As the Company is registered for a period less than five years, consequently, clause (x) of paragraph 4 of the Order is not applicable to the Company for the current year.
- xii. According to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company does not have borrowings from any financial institution and has not issued debentures.
- xiii. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiv. 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.
- xv. According to the information and explanations given to us, the Company has not obtained any term loan during the year, hence the question of commenting on application thereof does not arise.
- xvi. According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, funds raised on short term basis have, prima facie, not been used during the year for long term investment.
- xvii. 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.
- xviii. The Company has not issued debentures, hence the question of creating security or charge in respect thereof does not arise.
- xix. During the year, the Company has not raised money by public issue(s).
- xx. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company, was noticed or reported during the financial year.

**For Deloitte Haskins & Sells**

Chartered Accountants

**A. B. Jani**

Partner

Membership no. 46488

Mumbai

Dated : 16th May, 2007

## BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule No.	Rupees	Rupees	As at 31st March, 2006 Rupees
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' funds</b>				
Share capital	1	31,500,000		31,500,000
Reserves and surplus	2	107,500,000		107,500,000
			139,000,000	139,000,000
<b>Loan funds</b>				
Secured loans	3		1,207,365	1,482,246
Deferred tax liability (net)			-	42,876
<b>Total</b>			<b>140,207,365</b>	<b>140,525,122</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed assets</b>				
Gross block	4	4,612,742		4,186,606
Less: Depreciation		1,010,398		336,609
Net block			3,602,344	3,849,997
<b>Deferred tax asset (net)</b>			193,000	-
<b>Current assets, loans and advances</b>				
Inventories	5	28,636,470		71,857,059
Sundry debtors	6	169,911,700		220,538,122
Cash and bank balances	7	48,198,884		6,482,172
Loans and advances	8	15,728,329		12,822,729
		262,475,383		311,700,082
<b>Less: Current liabilities and provisions</b>				
Current liabilities	9	130,749,489		181,456,719
Provisions	10	566,025		244,357
		131,315,514		181,701,076
<b>Net Current Assets</b>			131,159,869	129,999,006
<b>Miscellaneous expenditure</b> (to the extent not written off or adjusted)				
Preliminary expenses			91,620	183,240
Profit and Loss Account			5,160,532	6,492,879
<b>Total</b>			<b>140,207,365</b>	<b>140,525,122</b>
Significant accounting policies and notes on accounts 15				

As per our attached report of even date

**For Deloitte Haskins & Sells**  
Chartered Accountants**A. B. Jani**  
Partner**For and on behalf of the Board****K.R.Naik**  
Director**K.M. Gaonkar**  
Director**P. Vyas**  
Managing Director

Mumbai, dated : 16th May 2007

Mumbai, dated : 16th May 2007

# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule No.	Rupees	Previous Year Rupees
<b>INCOME</b>			
Turnover ( gross)		716,780,903	611,869,335
Less : Excise duty		14,716,213	-
Turnover (net)		702,064,690	611,869,335
Other income	11	10,545,465	13,515,515
(Decrease) / Increase in stocks of finished goods	12	(64,536,068)	47,243,200
<b>Total</b>		<b>648,074,087</b>	<b>672,628,050</b>
<b>EXPENDITURE</b>			
Manufacturing and Other expenses	13	123,337,119	22,215,728
Purchase of traded goods		521,828,352	656,525,913
Excise Duty		254,822	-
Depreciation (Refer Note no. 15 of Schedule 15)		767,012	262,993
Interest and finance charges	14	111,662	1,812,709
<b>Total</b>		<b>646,298,967</b>	<b>680,817,343</b>
<b>PROFIT / (LOSS) BEFORE TAX</b>		<b>1,775,120</b>	<b>(8,189,293)</b>
<b>Provision for tax</b>			
Current tax		185,000	-
Deferred tax		(235,876)	(19,619)
Fringe benefit tax		462,028	246,847
		411,152	227,228
<b>PROFIT / (LOSS) AFTER TAX</b>		<b>1,363,968</b>	<b>(8,416,521)</b>
(Short) / Excess provision for tax in respect of earlier years		(31,621)	97,929
		<b>1,332,347</b>	<b>(8,318,592)</b>
Balance brought forward from previous year		(6,827,879)	1,490,713
		(5,495,532)	(6,827,879)
General reserve deducted per contra		335,000	335,000
<b>Balance carried to Balance sheet</b>		<b>(5,160,532)</b>	<b>(6,492,879)</b>
<b>Basic and Diluted Earnings per share</b> (Refer Note no. 9 of Schedule 15)		<b>0.42</b>	<b>(3.78)</b>

As per our attached report of even date

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

**For and on behalf of the Board**

**K.R.Naik**  
Director

**K.M. Gaonkar**  
Director

**P. Vyas**  
Managing Director

Mumbai, dated : 16th May 2007

Mumbai, dated : 16th May 2007

# CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	07 Rupees	06 Previous year Rupees
<b>A. Cash flows from operating activities</b>		
Profit / (Loss) before tax	1,775,120	(8,189,293)
<b>Adjustments for:</b>		
Depreciation	767,012	262,993
Interest and finance charges	111,662	1,812,709
Profit on sale of current investment (non-trade)	(10,508)	(1,117,367)
Dividend income	(122,148)	(1,507,008)
Unrealised exchange differences	(2,084,508)	(1,479,996)
Interest income	(666,093)	(426,884)
Bad debts written off	47	41,808
Provision for doubtful debts	578,809	642,463
Preliminary expenses written off	91,620	91,620
Provision for gratuity	19,896	222,070
Provision for leave encashment	105,367	-
Stock obsolescence write off	5,654,837	1,143,874
<b>Operating profit / (loss) before working capital changes</b>	<b>6,221,113</b>	<b>(8,503,011)</b>
Decrease / (Increase) in trade receivables	50,018,711	(206,572,594)
Decrease / (Increase) in inventories	37,565,752	(48,387,074)
(Increase)/ Decrease in loans and advances	(2,905,600)	(10,658,741)
(Decrease) / Increase in trade and other payables	(48,593,867)	166,591,900
<b>Cash used in operations</b>	<b>42,306,109</b>	<b>(107,529,520)</b>
Direct taxes paid	(482,244)	116,891
<b>Net cash from operating activities</b>	<b>41,823,865</b>	<b>(107,412,629)</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(1,153,652)	(3,870,866)
Purchase of investments	(48,622,148)	(402,083,729)
Sale of investments	48,632,656	403,201,096
Sale of fixed assets	634,293	-
Dividend received	122,148	1,507,008
Interest received	441,725	426,728
<b>Net cash from/(used in) investing activities</b>	<b>55,022</b>	<b>(819,763)</b>
<b>C. Cash flows from financing activities</b>		
Repayment of long term borrowings	(274,881)	(16,874,411)
Proceeds from issue of shares	-	129,000,000
Proceeds from long term borrowings	-	1,482,246
Interest paid	(111,662)	(1,812,709)
<b>Net cash (used in)/from financing activities</b>	<b>(386,543)</b>	<b>111,795,126</b>
<b>Net increase in cash and cash equivalents</b>	<b>41,492,344</b>	<b>3,562,734</b>
Cash and cash equivalents at the beginning of the year	6,479,691	2,916,957
Cash and cash equivalents at the end of the year	47,972,035	6,479,691
<b>Reconciliation of cash and cash equivalents</b>		
As per Balance sheet - Schedule 7	48,198,884	6,482,172
Less : Interest accrued on bank deposits	226,849	2,481
As per Cash-flow statement	<b>47,972,035</b>	<b>6,479,691</b>

As per our attached report of even date

For Deloitte Haskins & Sells  
Chartered AccountantsA. B. Jani  
Partner

For and on behalf of the Board

K.R.Naik  
DirectorK.M. Gaonkar  
DirectorP. Vyas  
Managing Director

Mumbai, dated : 16th May 2007

Mumbai, dated : 16th May 2007

## SCHEDULES FORMING PART OF THE ACCOUNTS

	07	06
	Rupees	As at 31st March, 2006 Rupees
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
Authorised		
5,000,000 Equity Shares of Rs.10/- each	50,000,000	50,000,000
Issued, subscribed and paid-up		
3,150,000 Equity Shares of Rs. 10/- each fully paid-up.	31,500,000	31,500,000
[Of the above 1,624,940 equity shares are held by the holding company D-Link (India) Limited]		
<b>Total</b>	<b>31,500,000</b>	<b>31,500,000</b>
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
Share Premium Account		
As per last Balance sheet	107,500,000	-
Add: Received during the year	-	107,500,000
	107,500,000	107,500,000
General Reserve		
As per last Balance sheet	335,000	335,000
Debit balance in profit and loss account deducted per contra	335,000	335,000
	-	-
<b>Total</b>	<b>107,500,000</b>	<b>107,500,000</b>
<b>Schedule 3</b>		
<b>SECURED LOANS</b>		
Loans and advances from bank	1,207,365	1,482,246
Dues under hire purchase agreement		
(Refer note below)		
<b>Total</b>	<b>1,207,365</b>	<b>1,482,246</b>

**Note**

Secured by hypothecation of assets purchased under hire purchase agreements.

## SCHEDULES FORMING PART OF THE ACCOUNTS

Nature of assets	Gross block				Depreciation				Net block		Rupees
	As at 1st April, 2006	Additions	Deductions	As at 31st March, 2007	Upto 31st March, 2006	For the year	Deductions	As at 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006	
Office equipment	21,190	-	-	21,190	5,100	1,873	-	6,973	14,217	16,090	
Vehicles	-	952,460	-	952,460	-	11,091	-	11,091	941,369	-	
Computers	2,031,777	201,192	727,516	1,505,453	257,879	309,213	93,223	473,869	1,031,584	1,773,898	
Assets acquired on hire purchase - Vehicles	2,052,967	1,153,652	727,516	2,479,103	262,979	322,177	93,223	491,933	1,987,170	1,789,988	
	2,133,639	-	-	2,133,639	73,630	444,835	-	518,465	1,615,174	2,060,009	
<b>Total</b>	<b>4,186,606</b>	<b>1,153,652</b>	<b>727,516</b>	<b>4,612,742</b>	<b>336,609</b>	<b>767,012</b>	<b>93,223</b>	<b>1,010,398</b>	<b>3,602,344</b>	<b>3,849,997</b>	
<b>Previous year</b>	<b>315,740</b>	<b>3,870,866</b>	<b>-</b>	<b>4,186,606</b>	<b>73,616</b>	<b>262,993</b>	<b>-</b>	<b>336,609</b>	<b>3,849,997</b>	<b>-</b>	

**Note**

Gross Block as at 31st March 2007 include fixed assets of Rs. 2, 133,639/- (Previous year Rs. 2, 133,639/-) acquired on hire purchase basis on which the vendors have a lien.

## SCHEDULES FORMING PART OF THE ACCOUNTS

	07 Rupees	06 As at 31st March, 2006 Rupees
<b>SCHEDULE 5</b>		
<b>INVENTORIES</b>		
Packing materials and consumables	13,693	-
Stock-in-trade		
Raw Materials	21,301,786	
Finished Goods	7,320,991	71,857,059
	28,622,777	71,857,059
<b>Total</b>	<b>28,636,470</b>	<b>71,857,059</b>
<b>SCHEDULE 6</b>		
<b>SUNDRY DEBTORS (Unsecured)</b>		
Debts outstanding for a period exceeding six months	3,512,740	7,951,100
Other debts	167,620,232	213,229,485
	171,132,972	221,180,585
Less: provision	1,221,272	642,463
<b>Total</b>	<b>169,911,700</b>	<b>220,538,122</b>
<b>Notes</b>		
Considered good	169,911,700	220,538,122
Considered doubtful	1,221,272	642,463
	171,132,972	221,180,585
<b>SCHEDULE 7</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	25,381	68,466
Balances with scheduled banks		
- in current accounts	7,946,654	6,358,472
- in deposit accounts	40,226,849	55,234
(includes accrued interest of Rs. 226,849/-, Previous year Rs. 2,481/-).		
	48,173,503	6,413,706
<b>Total</b>	<b>48,198,884</b>	<b>6,482,172</b>
<b>SCHEDULE 8</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	14,578,759	11,507,159
Balance with central excise and customs	50,000	-
Deposits	97,000	313,000
Advance tax	1,002,570	1,002,570
<b>Total</b>	<b>15,728,329</b>	<b>12,822,729</b>
<b>SCHEDULE 9</b>		
<b>CURRENT LIABILITIES</b>		
Sundry creditors		
- total outstanding dues to small scale industrial undertakings	120,558	654,311
- total outstanding dues to creditors other than small scale industrial undertakings	129,308,638	179,970,147
	129,429,196	180,624,458
Other liabilities	1,320,293	832,261
<b>Total</b>	<b>130,749,489</b>	<b>181,456,719</b>

## SCHEDULES FORMING PART OF THE ACCOUNTS

07 06

As at  
31st March, 2006  
Rupees

	Rupees	
<b>SCHEDULE 10</b>		
<b>PROVISIONS</b>		
For Income tax (net of payment)	53,908	-
For Fringe benefit tax (net of payment)	164,784	22,287
For Gratuity	241,966	222,070
For Leave encashment	105,367	-
<b>Total</b>	<b>566,025</b>	<b>244,357</b>
	<b>Rupees</b>	<b>Previous Year</b>
<b>SCHEDULE 11</b>		
<b>OTHER INCOME</b>		
Interest		
- on fixed deposits with bank	517,114	2,709
- on delayed payments	141,815	374,595
- on others	7,164	49,580
	666,093	426,884
Duty drawback	1,169,201	3,721,909
Dividend on current investments (non-trade)	122,148	1,507,008
Profit on sale of current investments (non-trade)	10,508	1,117,367
Exchange differences (net)	5,550,521	2,995,447
Miscellaneous income	3,026,994	3,746,900
<b>Total</b>	<b>10,545,465</b>	<b>13,515,515</b>
<b>SCHEDULE 12</b>		
<b>(DECREASE)/ INCREASE IN STOCKS OF FINISHED GOODS</b>		
Stock as at 31st March, 2007		
Finished goods	7,320,991	71,857,059
Less: Stock as at 1st April, 2006		
Finished goods	71,857,059	24,613,859
<b>(Decrease)/Increase</b>	<b>(64,536,068)</b>	<b>47,243,200</b>
<b>Note</b>		
Closing stock is valued after considering material obsolescence of Rs. 5,654,837/- (previous year Rs. 1,022,168/-) for finished goods.		
<b>SCHEDULE 13</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
Raw materials and components consumed	82,703,223	-
Packing materials and consumables consumed	126,206	-
Jobwork Charges	6,876,300	-
<u>Payments to and provisions for employees</u>		
Salaries, wages and bonus	18,359,073	9,089,777
Contribution to provident and other funds	341,098	451,441
Staff welfare expenses	172,388	214,646
Provision for Gratuity	19,896	-
Provision for leave encashment	105,367	-
	18,997,822	9,755,864



## SCHEDULES FORMING PART OF THE ACCOUNTS

07 06  
Rupees Previous Year

Rent	3,212,515	147,015
Rates and taxes	3,350	9,029
Insurance	622,637	542,843
Repairs and maintenance - others	220,004	74,275
Travelling and conveyance expenses	3,212,020	2,257,371
Communication expenses	794,364	466,521
Advertisement and sales development expenses	2,873,590	4,393,707
Commission on sales	220,823	548,749
Preliminary expenses written off	91,620	91,620
Bad debts written off	47	41,808
Provision for doubtful debts	578,809	642,463
Miscellaneous expenses	2,803,789	3,244,463
<b>Total</b>	<b>123,337,119</b>	<b>22,215,728</b>
<b>SCHEDULE 14</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
On cash credit accounts, etc.	-	88
On vehicle loan	111,278	38,281
On others	384	1,774,340
<b>Total</b>	<b>111,662</b>	<b>1,812,709</b>

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### A SIGNIFICANT ACCOUNTING POLICIES

###### 1 Basis of preparation of financial statements

The financial statements are prepared under historical cost convention on the accrual basis of accounting and in accordance with the generally accepted accounting principles in India.

###### 2 Use of estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported year. Differences between the actual results and estimates are recognised in the year in which the results are known /materialised.

###### 3 Fixed assets

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation.

###### 4 Assets taken on Lease (Hire Purchase)

Assets taken on finance lease (including on hire purchase) on or after April 1, 2001 are accounted for as fixed assets in accordance with Accounting Standard 19 on "Leases", (AS 19) issued by The Institute of Chartered Accountants of India (ICAI). Accordingly, the assets have been accounted at fair value. Lease payments are apportioned between finance charge and reduction of outstanding liability.

###### 5 Depreciation

Depreciation on assets is provided on the straight line basis at the rates and in the manner specified in schedule XIV to the Companies Act, 1956, except for Motor vehicles which are depreciated over a period of five years.

###### 6 Inventories

Items of inventory are valued at lower of cost and net realisable value, on the following basis.

- i. Raw materials, components and packing materials - on FIFO basis.
- ii. Finished goods on the basis of absorption costing comprising of direct costs and overheads other than financial charges.

###### 7 Revenue recognition

Revenue (income) is recognised when no significant uncertainty as to determination / realisation exists.

## SCHEDULES FORMING PART OF THE ACCOUNTS

### 8 Retirement Benefits

- Provident fund liability is determined on the basis of contribution as required under the statute/ rules.
- Contribution to gratuity fund payable to the Trust is charged to revenue in accordance with the scheme framed by the Life Insurance Corporation of India. Provision is made for the shortfall in the contribution payable to the trust and the actuarial valuation obtained at the end of the year.
- Provision for Leave Encashment is made on actuarial valuation done as at the year end.

### 9 Foreign currency transactions

Transactions in foreign currencies are recorded at the original rates of exchange in force at the time the transactions are effected. At the year end, monetary items denominated in foreign currency are reported using the closing rate of exchange. Exchange differences arising thereon and on realisation / payments of foreign exchange are accounted as income or expenses in the relevant year. Exchange differences arising on restatement of liabilities incurred for acquiring fixed assets from outside India are adjusted in the carrying amount of such assets.

### 10 Borrowing cost

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

### 11 Miscellaneous expenditure

Preliminary expenses are amortised over a period of five years from the year of commencement of commercial operations.

### 12 Taxes on Income

Tax expense comprises of current tax, deferred tax and fringe benefit tax. Current tax and Deferred tax are accounted for in accordance with Accounting Standard 22 on "Accounting For Taxes on Income", (AS 22) issued by the ICAI. Current tax is measured at the amount expected to be paid to / recovered from the tax authorities, using the applicable tax rates. Deferred income taxes reflect the impact of the current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years / period. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available except that deferred tax assets arising on account of unabsorbed depreciation and losses are recognised if there is virtual certainty that sufficient future taxable income will be available to realise the same. (Refer Note no. 8 below). Fringe benefit tax is recognized in accordance with the relevant provisions of the Income-tax Act, 1961 and the Guidance Note on Fringe Benefit Tax issued by the ICAI.

### 13 Contingent Liability

These, if any, are disclosed in the notes on accounts. Provision is made in the accounts if it becomes probable that an out flow of resources embodying economic benefits will be required to settle the obligation.

	07 Current year	06 Previous year
<b>SCHEDULE 15</b>		
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>		
<b>B Notes on accounts -cont-</b>		
<b>1 Contingent liability, in respect of</b>		
a Show cause notices received from customs authorities relating to imports made in earlier years. The Company has filed replies to these notices and does not expect any demand to materialize	-	2,941,618
b Disputed demand of Customs Duty pending before Commissioner of Customs (Appeals). The Company is confident of defending the above demand and expects no liability on this count.	2,941,618	-
c Customs Duty paid under Protest The raw material/trading material/software imported by the Company are subjected to different rates of customs duty based on classification under respective Tariff Head. The Customs department has objected to the classifications adopted by the Company for certain items and has demanded additional duty for the same. The Company has paid such differential duty under protest. The same is included under advances recoverable in cash or in kind in Schedule 9 pending resolution of the dispute.	5,364,857	-
<b>2 Managerial Remuneration Under Section 198 of the Companies Act, 1956 paid to the Managing Director</b>		
Salary	2,893,649	1,455,717
Contribution to Provident Fund	-	-
Perquisites *	-	-
Commission	-	-
<b>Total</b>	<b>2,893,649</b>	<b>1,455,717</b>

## SCHEDULES FORMING PART OF THE ACCOUNTS

		07	06
		Current year	Previous year
<b>Note</b>			
The above remuneration excludes contribution to Gratuity Fund as the incremental Liability has been accounted for the company as a whole.			
* Does not include monetary value of non cash perquisites as per Income-tax Act, 1961.			
<b>3</b>	<b>Payment to auditors</b>		
	a. as auditors	245,000	245,000
	b. as advisor or in any other capacity in respect of: for other services (certification, etc)	55,000	55,000
	c. for expenses	9,025	-
	d. for service tax	36,402	35,700
	<b>Total</b>	<b>345,427</b>	<b>335,700</b>
<b>4</b>	<b>Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of part II of schedule VI to the Companies Act, 1956</b>		
			Previous year
	Quantity (nos.)	Value (Rs.)	Quantity (nos.)
			Value (Rs.)
a.	Turnover		
	Computers & peripherals	618,340	716,780,903
b.	Raw materials and components consumed		495,026
	Integrated circuits	992,157	41,544,388
	PCBs	49,439	12,999,100
	Diodes	994,060	494,018
	Connectors	1,683,936	3,417,565
	Capacitors	15,824,600	5,692,102
	Transistors	2,306,380	9,885,350
	Others	-	8,670,700
	<b>TOTAL</b>	<b>82,703,223</b>	
c.	Manufactured goods (Motherboards)		
	Opening stock	-	-
	Closing stock	4,217	1,995,513
		<b>1,995,513</b>	-
			Previous year
	Quantity (nos.)	Value (Rs.)	Quantity (nos.)
			Value (Rs.)
d.	Traded goods		
	Computers & peripherals		
	Opening stock	85,905	71,857,059
	Closing stock	4,559	5,325,478
	Purchases	439,851	521,828,352
			34,827
			24,613,859
			85,905
			71,857,059
			546,104
			656,525,913
e.	Installed capacity	N.A.	-
f.	Actual production (Motherboards)	101360	-
			Previous year
	Rupees	% age to total consumption	Rupees
			% age to total consumption
g.	Raw materials and components consumed		
	imported	80,720,755	97.60
	indigenous	1,982,468	2.40
		<b>82,703,223</b>	<b>100.00</b>
h.	Packing materials and consumables consumed		
	imported	111,575	88.41
	indigenous	14,631	11.59
		<b>126,206</b>	<b>100.00</b>

## SCHEDULES FORMING PART OF THE ACCOUNTS

	07 Current year Rupees	06 Previous year Rupees
i <u>C.I.F value of goods imported</u>		
Raw materials and components	101,154,906	-
Packing materials & consumables	28,425	-
j <u>Expenditure in foreign currency</u>		
Traveling expenses	174,512	19,032
k <u>Earnings in foreign exchange</u>		
F.O.B. value of exports	-	125,753,549
5 Names of the small scale industrial undertakings to whom the Company owed sums outstanding for more than thirty days as at 31st March, 2007 : M/s. Klassic labels.		
6 The company does not have information as to which of its creditors is registered under The Micro, Small and Medium Enterprises Development Act, 2006, hence, no disclosure as required by the said Act is given.		
7 Unutilised monies out of the fresh issue of shares have been invested with HDFC Bank Limited, Mumbai	2,274,936	3,428,588
8 Current tax for the year is provided considering the provisions of Minimum Alternative Tax under the Income-tax Act, 1961. The Company is entitled to tax credit in respect of Minimum Alternative Tax (MAT credit) under the provisions of the Income-tax Act, 1961. However, considering the degree of probability of availment of the MAT Credit in future years, which is based on convincing evidence that the Company will pay normal tax in future as envisaged by the Guidance Note on Accounting for Credit available in respect of Minimum Alternate Tax (MAT) under the Income-tax Act, 1961, the MAT credit aggregating to Rs. 185,000/- has not been accounted by the Company. The accounting for the same will be reviewed at each balance sheet date. Deferred Tax Asset in respect of unabsorbed losses and depreciation under the Income Tax Act, 1961, has not been recognized in view of non availability of virtual certainty supported by convincing evidence about realisability of the Deferred Tax Asset. The tax effect of significant timing differences that has resulted in deferred tax assets and liabilities are given below:		
a. Deferred Tax Liability		
Depreciation	(309,371)	(333,878)
Total	<b>(309,371)</b>	<b>(333,878)</b>
b. Deferred Tax Asset		
Provision for doubtful debts	419,263	216,253
Others	83,108	74,749
Total	<b>502,371</b>	<b>291,002</b>
Deferred Tax (net)	<b>193,000</b>	<b>(42,876)</b>
9 Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year as under:		
Profit / (Loss) after tax (Rupees)	1,363,968	(8,416,521)
(Short)/Excess provision for tax in respect of earlier years (Rupees)	(31,621)	97,929
Profit / (Loss) after tax attributable to Equity Shareholders (Rupees)	1,332,347	(8,318,592)
Weighted average number of equity shares outstanding during the year	3,150,000	2,201,644
Basic / Diluted Earnings per Share (Rupees)	0.42	(3.78)
Nominal Value per Share (Rupees)	10.00	10.00

## SCHEDULES FORMING PART OF THE ACCOUNTS

			Previous Year	
	In Foreign Currency	In Rupees	In Foreign Currency	In Rupees
<b>10</b> (a). Foreign currency exposure (not hedged by derivative instruments) aggregate to :				
Receivables	USD 26,580	1,154,901	USD1,630,675	72,728,108
Payables	USD 2,223,617	96,660,643	USD2,802,004	1,25,032,476
		<b>Rupees</b>		<b>Rupees</b>
(b). Amount of exchange difference included in the profit and loss account				
a. Exchange gain		10,343,507		6,258,252
b. Exchange loss		4,792,986		3,262,805
<b>11 Investments purchased and sold during the year</b>				
<b>Particulars</b>	<b>Units</b>	<b>Amount</b>	<b>Units</b>	<b>Amount</b>
Shares				
1 Suzlon Energy Limited	-	-	4,868	2,482,680
2 Gujarat Industries Power Company Limited	-	-	294,030	19,994,040
Mutual Funds				
1 HDFC Cash Management-Savings Plan Daily Dividend	1,085,035.990	11,540,877	23,811,589.258	253,269,588
2 UTI Liquid Cash Plan Institutional-Daily Income	36,416.395	37,081,271	124,243.746	126,337,421

**12 Lease transactions**

## Finance leases

Lease rentals outstanding as at 31st March, 2007 in respect of fixed assets taken on finance lease are as under :

**Rupees**

Due	Total minimum lease payments outstanding as at 31st March, 2007	Interest not due	Present value of minimum lease payment as at 31st March, 2007	Total minimum lease payments outstanding as at 31st March, 2006	Interest not due	Present value of minimum lease payment as at 31st March, 2006
Not later than 1 year	386,160	87,806	298,354	386,160	111,278	274,882
Later than 1 year but not later than 5 years	1,012,946	103,935	909,011	1,399,105	191,741	1,207,364
later than 5 years	-	-	-	-	-	-
<b>Total</b>	<b>1,399,106</b>	<b>191,741</b>	<b>1,207,365</b>	<b>1,785,265</b>	<b>303,019</b>	<b>1,482,246</b>

The tenure of Hire Purchase agreements are 60 Months.

## SCHEDULES FORMING PART OF THE ACCOUNTS

### SCHEDULE 15

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B Notes on accounts -cont-

##### 13 Related party disclosures

Names of related parties where control exists

D-Link (India) Limited

Giga-Byte Technology Co. Ltd.

Giga Byte Singapore Pte. Ltd.

List of related parties with whom transactions have taken place during the year and nature of relationship

##### Name of the related parties

D-Link (India) Limited

Giga-Byte Technology Co. Ltd.

Mr. Prabodh Vyas

Details of related party transactions during the year

##### Nature of relationship

Holding Company

Shareholder having significant influence.

Key management person

Rupees Nature of Transactions	Holding Company	Shareholder having significant influence	Key management person	Total
Turnover	2,592,694 (791,830)	- (35,717,252)	- -	2,592,694 (36,509,082)
Sale of assets	634,293 -	- -	- -	634,293 -
Commission received	- -	299,222 (389,967)	- -	299,222 (389,967)
Recovery of expenses	- -	5,798,139 (6,669,285)	- -	5,798,139 (6,669,285)
Purchase of goods	230,650,727 (205,840,689)	221,787,990 (323,928,863)	- -	452,438,717 (529,769,552)
Rent Expense	2,783,500 (60,000)	- -	- -	2,783,500 (60,000)
Purchase of assets	952,460 -	- -	- -	952,460 -
Services and contract expenses	7,926,300 -	- -	- -	7,926,300 -
Managerial remuneration	- -	- -	2,893,649 (1,455,717)	2,893,649 (1,455,717)
Interest expense	- (1,675,612)	- -	- -	- (1,675,612)
Loan taken during the year	- (88,397,761)	- -	- -	- (88,397,761)
As at the year end				
Amount due to	26,239,454 (45,468,497)	11,682,596 (112,284,129)	- -	37,922,050 (157,752,626)
Amount due from	- (1,002,304)	720,401 (32,980,243)	- -	720,401 (33,982,547)

#### Notes

- There are no provisions for doubtful debts or amounts written off or written back for debts due from or due to related parties.
- Figures in brackets are those of the previous year.

## SCHEDULES FORMING PART OF THE ACCOUNTS

### 14 Segment Information :

#### a) Segment Information for primary reporting (by business segment)

The Company is trading in computers and peripherals. During the current year, the Company has sourced certain peripherals (viz. motherboards) from D-Link (India) Ltd on contract manufacturing basis. All the products are sold through a chain of dedicated distributors and dealers. The primary reporting segment for the Company, therefore, is the business segment, viz, dealing in computers and peripherals.

#### b) Segment information for secondary segment reporting (by geographical segment)

The secondary reporting segment for the Company is the geographical segment based on location of customers, which is as follows:

- i) Exports
- ii) Domestic

Particulars	(Rupees)			Total
	Domestic	Exports	Unallocated	
Revenues from external customers (net)	716,780,903 (486,115,786)	- (125,753,549)	- -	716,780,903 (611,869,335)
Segment assets	215,886,156 (234,048,109)	1,154,901 (72,728,108)	49,036,670 (8,773,862)	266,077,727 (315,550,079)
Addition to fixed asset during the year	1,153,652 (3,870,866)	- -	- -	1,153,652 (3,870,866)

#### Note

Figures in brackets are those of the previous year.

- 15 Hitherto, the Company followed the policy of providing depreciation on Motor Vehicles @ 9.5% p.a. in accordance with Schedule XIV of the Companies Act, 1956. During the year, the Company, in order to have more appropriate presentation of the fixed assets and having regard to the extent of usage of vehicle and their estimated useful life, has changed this policy and now follows the policy of depreciating the vehicles over their estimated useful life of 5 years. As the result of the change in the method of providing for depreciation, the charge of depreciation for the year is higher by Rs.250,504/-and the profit for the year is lower by the like amount.
- 16 Excise duty collected from customers against sales has been disclosed as a deduction from turnover. The excise duty related to the difference between the opening and closing stock of finished goods is disclosed separately in the profit and loss account as "Excise Duty"
17. D-Link (India) Limited has transferred over a period of two years a major portion of its motherboard business to the Company. The Company has entered into agreements with D-Link (India) Limited for carrying out manufacturing of motherboards on contract basis, providing RMA support and also back office support.
- 18 The applicability of revised Accounting Standard 15 on "Employees Benefits" (AS 15) issued by the ICAI, which was earlier applicable with effect from 1st April 2006, has been postponed and is now applicable for accounting periods commencing on or after 7th Decemer, 2006. Accordingly, the Company will adopt the said AS 15 in the period in which the same becomes applicable to the Company.
- 19 Previous year's figures have been regrouped , wherever necessary, to confirm to the classification of the current year.

signatures to schedules 1 to 15

As per our attached report of even date

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

**For and on behalf of the Board**

**K.R.Naik**  
Director

**K.M. Gaonkar**  
Director

**P. Vyas**  
Managing Director

Mumbai, dated : 16th May 2007

Mumbai, dated : 16th May 2007

## SCHEDULES FORMING PART OF THE ACCOUNTS

### Additional information pursuant to the provisions of part IV of schedule VI to the Companies Act, 1956

Balance sheet abstract and Company's general business profile

#### I. Registration details

Registration no.

U 7 2 5 0 1 G A 2 0 0 3 P L C 0 0 3 2 2 1

State code

2 4

Balance sheet date

3 1 0 3 0 7

#### II. Capital raised during the year (amount in Rupees thousands)

Public issue

N I L

Rights issue

N I L

Bonus issue

N I L

Private placement

N I L

#### III. Position of mobilisation and deployment of funds (amount in Rupees thousands)

Total liabilities

2 7 1 5 2 3

Total assets

2 7 1 5 2 3

##### Sources of funds

Paid-up capital

3 1 5 0 0

Reserves and surplus

1 0 7 5 0 0

Share application money

N I L

Secured loans

1 2 0 7

Unsecured loans

N I L

Net Deferred tax asset

1 9 3

##### Application of funds

Net fixed assets

3 6 0 2

Investments

N I L

Net current assets

1 3 1 1 6 0

Accumulated losses

5 1 6 1

Miscellaneous expenditure

9 2

#### IV. Performance of the Company (amount in Rupees thousands)

Turnover

6 4 8 0 7 4

Total expenditure

646,299

+ / (-) Profit/ (loss) before tax

✓ 1 7 7 5

+ / (-) Profit/ (loss) after tax

✓ 1 3 6 4

Earnings per share (Rupees)

Refer note 9 of schedule 15

Dividend %

N I L

#### V. Generic names of three principal products/ services of the Company (as per monetary terms)

Item code no. (ITC code)

8 4 7 1 0 0 . 0 0

Product description

C O M P U T E R S &amp; P E R I P H E R A L S

For and on behalf of the Board

K.R.Naik  
DirectorK.M. Gaonkar  
DirectorP. Vyas  
Managing Director

Mumbai, dated : 16th May 2007



## DIRECTOR'S REPORT

To,

### The Members of the Company

Yours Directors have pleasure in presenting the Third Annual Report together with Audited Statement of Accounts of the Company for the period ended 31st March 2007.

### Financial Results:

	(Rs. in Lakhs)	
	2006-2007	2005-2006
Income	38.69	23.58
Profit/(Loss) before Tax	14.98	5.95
Less: Provision for Tax		
(a) Current Tax	1.69	0.50
(b) Deferred Tax	4.51	1.41
(c) Fringe Benefit Tax	0.12	0.02
<b>Profit /(Loss) after Tax</b>	<b>8.66</b>	<b>4.01</b>
Balance of profit brought forward	2.26	(1.75)
<b>Balance carried forward to Balance Sheet</b>	<b>10.92</b>	<b>2.26</b>

### Operations:

The total income of the Company for the year under review increased to Rs.38.69 lakhs as compared to income of Rs.23.58 lakhs in the previous year. The Company earned a profit of Rs.8.66 lakhs after deduction of tax which is higher by 116% as compared to previous year.

Your Company is focusing on training related activities by providing specialized training to personnel of Channel Partners, System Integrators, Corporate Clients and Network Consultants with technical knowledge and develops their skills in networking field.

### Dividend:

Your Company has not recommended any dividend during the current year to conserve the resources of the company.

### Directors:

Mr. K. M. Gaonkar, Director retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

### Auditors:

M/s. S. P. Bhandare & Associates, Chartered Accountants retire at the ensuing Annual General Meeting of the Company, and being eligible, offer themselves for re-appointment.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

Your Company is primarily engaged in Training activities and hence is taking all necessary steps and efforts to conserve energy.

No comment is being made on technology absorption considering the nature of activities undertaken by your company during the year under review.

The detailed information on Foreign Exchange Earnings and Outgoings is furnished in the notes to accounts.

### Personnel:

Since there were no employees, employed whether for the period ended 31st March, 2007, who were in receipt of remuneration amounting to Rs.24,00,000/- per year or Rs.2,00,000/- per month, as the case may be, the statement of particulars of employees as per section 217(2A) of the Companies Act, 1956 read with relevant Rules is not attached.

### Fixed Deposits:

Your Company has not accepted any fixed deposits during the period under review and, as such, no amount of principal or interest was outstanding as on the Balance Sheet date.

### Director's Responsibility Statement:

Pursuant to the provisions of Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors hereby state and confirm that

- in the preparation of annual accounts, the applicable accounting standards have been followed
- the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at March 31, 2007 and the profit of the Company for the year ended March 31, 2007.
- 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.
- the annual accounts have been prepared on a 'going concern' basis

### Acknowledgement:

The Board acknowledges with gratitude the co-operation and assistance received from various Government Authorities, Financial Institutions, Bankers and other Agencies during the period. We also deeply acknowledge and appreciate the services rendered by the employees of the Company at all the levels for their dedication and loyalty..

For and on behalf of the Board

**K. R. Naik**  
Chairman

Verna, dated 20th April 2007

## AUDITOR'S REPORT

The Members of Intercorridor Systems Limited.

1. We have audited the attached balance sheet of Intercorridor Systems Limited as at 31st March 2007, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. 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.
2. We conducted our audit in accordance with the 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 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.
4. Further 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 and loss account and cash flow statement dealt with by this report are in agreement with the books of account.
  - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section(3C) of section 211 of the Companies Act, 1956.
  - v. On the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a 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 2007;
    - (b) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **S. P. Bhandare & Associates.**  
Chartered Accountants

**S. P. Bhandare**  
Proprietor  
M. No. 35615

Place: Panaji-Goa  
Date: 20th April 2007

## ANNEXURE TO THE AUDITOR'S REPORT FOR THE YEAR ENDED 31ST MARCH 2007

Re: Intercorridor Systems Limited.

Annexure referred to in paragraph 3 of our report of even date,

In terms of the information and explanations given to us and the books and records examined by us in the course of audit and to the best of our knowledge and belief we state that:

- i.
  - a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - b. All the assets have been physically verified by the management during the year. No material discrepancies were noticed on such verification.
  - c. During the year, the company has not disposed off substantial part of fixed assets.
- ii. The Company does not have any inventory. According, clause 4 (ii) of the Order is not applicable.
- iii.
  - a. The company has taken unsecured loan from one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.12,22,297.00 and the year end balance of loan taken from such party was Rs. 7,704.00.
  - b. In our opinion, the rate of interest on such loan is not, prima facie, prejudicial to the interest of the Company. The Company is regular in payment of interest. Further as the loan taken by the company is not subject to any other terms and conditions the questions of i) other terms being prejudicial, ii) regular payment of principal and iii) reasonable steps for recovery of overdue amounts, do not arise.
  - c. The company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the company and the nature of its business for the purchases of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v.
  - a. According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
  - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us the company has not accepted any deposits from the public.
- vii. The company is not a listed company. Further the company neither had a paid up capital and reserves exceeding Rs. 50 lakhs as at the commencement of the financial year concerned nor is having an average annual turnover exceeding five crore rupees for a period of three consecutive financial years immediately preceding the financial year concerned. Hence the question of reporting upon the internal audit system being commensurate with the size and nature of the business of the company does not arise.
- viii. We are informed that the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
- ix.
  - a. The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty and other material statutory dues applicable to it. Further since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.
  - b. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth

## ANNEXURE TO THE AUDITOR'S REPORT FOR THE YEAR ENDED 31ST MARCH 2007

tax, service tax, customs duty and excise duty were in arrears, as at 31st March 2007 for a period of more than six months from the date they became payable.

- (c) According to the information and explanation given to us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty and excise duty which have not been deposited on account of any dispute.
- (x) In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. Further, the company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
- (xi) The Company has not taken any loans from financial institution, bank or debenture holder. Accordingly, clause 4 (xi) of the Order is not applicable.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly clause 4(xii) of the Order is not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi mutual benefit fund/society. Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly clause 4(xv) of the Order is not applicable.
- (xvi) The Company has not raised any term loan. Accordingly clause 4(xvi) of the Order is not applicable.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long-term investment.
- (xviii) 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.
- (xix) The Company has, during the year, not issued any debentures.
- (xx) The Company has, during the year, not raised any money by public issues.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S. P. Bhandare & Associates**  
Chartered Accountants

**S. P. Bhandare**  
Proprietor  
M. No. 35615  
Place: Panaji-Goa  
Date: 20th April 2007

## BALANCE SHEET AS AT 31ST MARCH, 2007

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH 2007

Schedule No.	As at 31st March, 2007 Rupees	As at 31st March 2006 Rupees	Schedule No.	07 Rupees	06 Previous year Rupees
<b>SOURCES OF FUNDS</b>			<b>INCOME</b>		
<b>Shareholders' funds</b>			Sale of software		
Share capital 1	500,000	500,000	Training Income		
Reserves and surplus	1,092,177	225,988	<b>Total</b>		
	1,592,177	725,988	Operations and Other 9		
<b>Loan funds</b>			expenses		
Unsecured loans 2	96,973	1,210,998	Depreciation		
<b>Deferred tax liability (net)</b>	592,587	141,397	Interest and finance charges		
<b>Total ...</b>	<b>2,281,737</b>	<b>2,078,383</b>	<b>Total</b>		
<b>APPLICATION OF FUNDS</b>			<b>EXPENDITURE</b>		
<b>Fixed assets</b>			<b>PROFIT/(LOSS) BEFORE TAX</b>		
Gross block 3	4,311,085	4,202,182	Provision for tax :		
Less: Depreciation	1,039,156	193,689	Current tax		
Net block	3,271,929	4,008,493	Fringe benefit tax		
Capital work-in-progress	-	-	Deferred tax		
	3,271,929	4,008,493	631,495		
<b>Current assets, loans and advances</b>			<b>PROFIT/(LOSS) AFTER TAX</b>		
Sundry debtors 4	1,106,750	-	Balance brought forward from previous year		
Cash and bank balances 5	52,978	275,850	Amount available for appropriation		
Loans and advances 6	339,372	28,851	1,092,177		
	1,499,100	304,701	1,092,177		
<b>Less, Current liabilities and provisions</b>			<b>APPROPRIATIONS</b>		
Current liabilities 7	2,256,298	2,182,122	Balance carried to Balance sheet		
Provisions 8	232,994	52,689	1,092,177		
	2,489,292	2,234,811	<b>Basic and Diluted Earnings per share</b>		
<b>Net current assets</b>	(990,192)	(1,930,110)	(refer note 10 of schedule 4)		
<b>Total ...</b>	<b>2,281,737</b>	<b>2,078,383</b>	Significant accounting policies and Notes on accounts 10		
Significant accounting policies and Notes on accounts 10			17.32		
			8.01		

As per our attached report of even date

**For S.P.Bhandare & Associates**  
Chartered Accountants

**S. P.Bhandare**  
Proprietor  
M.NO.35615

**For and on behalf of the Board**

**K.R.Naik**  
Director

**Nitin Kunkolienker**  
Director

Panaji-Goa, Dated: 20th April 2007

Verna, Dated: 20th April 2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	07 Rupees	06 Previous year Rupees
<b>A. Cash flows from operating activities</b>		
Profit/(Loss) before tax	1,497,684	594,699
Adjustment for:		
Depreciation	845,467	193,689
<b>Operating profit before working capital changes</b>	2,343,151	788,388
Decrease/(Increase) in trade receivables	(1,106,750)	419,520
(Increase) in loans and advances	(310,521)	(28,851)
Increase in trade and other payables	74,176	2,051,615
<b>Cash generated from Operations</b>	1,000,056	3,230,672
Direct taxes paid	-	-
<b>Net cash from operating activities</b>	1,000,056	3,230,672
<b>B. Net cash (used in) investing activities</b>		
Purchase of fixed assets	(108,903)	(4,202,182)
	(108,903)	(4,202,182)
<b>C. Cash flows from financing activities</b>		
Repayment of short term borrowings	(1,114,025)	-
Proceeds from share capital	-	-
Proceeds from Short term borrowings	-	1,210,998
<b>Net cash (used in) financing activities</b>	(1,114,025)	1,210,998
Net increase/ (decrease) in cash and cash equivalents	(222,872)	239,488
Cash and cash equivalents at the beginning of the year	275,850	36,362
Cash and cash equivalents at the end of the year	52,978	275,850

As per our report of even date attached

**For S.P.Bhandare & Associates**  
Chartered Accountants

**S. P.Bhandare**  
Proprietor  
M.NO.35615

Panaji-Goa, Dated: 20th April 2007

**For and on behalf of the Board**

**K.R.Naik**  
Director

Verna, Dated: 20th April 2007

**Nitin Kunkolienker**  
Director

## SCHEDULES FORMING PART OF ACCOUNTS

07 06  
As at  
31st March, 2006  
Rupees

SCHEDULE 1	Rupees	Rupees
<b>SHARE CAPITAL</b>		
Authorised capital		
50,000 equity shares of Rs. 10/- each	500,000	500,000
Issued, subscribed and paid-up capital		
50,000 equity shares of Rs. 10/- each fully paid up	500,000	500,000
<b>Total ...</b>	<b>500,000</b>	<b>500,000</b>

SCHEDULE 2	Rupees	Rupees
<b>UNSECURED LOANS</b>		
Other loans and advances from D-link (India) Limited	96,973	1,210,998
<b>Total ...</b>	<b>96,973</b>	<b>1,210,998</b>

SCHEDULE 3								
<b>FIXED ASSETS</b>								
(Rupees)								
Nature of assets	Gross block			Depreciation			Net block	
	As at 1st April, 2006	Additions	As at 1st March, 2007	Upto 1st April, 2006	For the year	As at 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
Office equipment	-	7,500	7,500	-	85	85	7,415	-
Training Equipment	4,202,182	-	4,202,182	193,689	840,437	1,034,126	3,168,056	4,008,493
Computers	-	101,403	101,403	-	4,945	4,945	96,458	-
<b>Total</b>	<b>4,202,182</b>	<b>108,903</b>	<b>4,311,085</b>	<b>193,689</b>	<b>845,467</b>	<b>1,039,156</b>	<b>3,271,929</b>	<b>4,008,493</b>
Previous year	-	4,202,182	4,202,182	-	193,689	193,689	4,008,493	-

SCHEDULE 4	Rupees	Rupees
<b>SUNDRY DEBTORS</b>		
(unsecured and considered good)		
Debts outstanding for a period exceeding six months	-	-
Other debts	1,106,750	-
<b>Total ...</b>	<b>1,106,750</b>	<b>-</b>

SCHEDULE 5	Rupees	Rupees
<b>CASH AND BANK BALANCES</b>		
Cash on hand	2,544	1,195
Bank balance - with a scheduled bank in current account	50,434	274,655
<b>Total ...</b>	<b>52,978</b>	<b>275,850</b>

## SCHEDULES FORMING PART OF ACCOUNTS

	As at 31st March, 2007 Rupees	As at 31st March, 2006 Rupees
<b>SCHEDULE 6</b>		
<b>LOANS AND ADVANCES</b>		
(unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	29,023	28,851
Advance payment of Taxes	310,349	-
<b>Total ...</b>	<b>339,372</b>	<b>28,851</b>
<b>SCHEDULE 7</b>		
<b>CURRENT LIABILITIES</b>		
Sundry creditors	2,021,275	2,116,098
(Includes Rs.2,001,403/- (previous year Rs.2,116,098/-) to D-Link (India) Limited)		
Other liabilities	235,023	66,024
<b>Total ...</b>	<b>2,256,298</b>	<b>2,182,122</b>
<b>SCHEDULE 8</b>		
<b>PROVISIONS</b>		
For tax	218,624	50,044
Fringe benefit tax	14,370	2,645
<b>Total</b>	<b>232,994</b>	<b>52,689</b>
<b>SCHEDULE 9</b>		
<b>OPERATIONS AND OTHER EXPENSES</b>		
Software Development Expenses	-	1,286,369
Payments to and provisions for employees salaries & bonus	954,676	98,715
Staff welfare expenses	29,001	5,503
	983,677	104,218
Rent	172,000	60,000
Training Expenses	40,016	29,414
Travelling and conveyance expenses	166,531	38,808
Payment to auditors		
Audit fees (including service tax, Rs. 1,224/-, previous year Rs. 612/-)	11,224	5,612
Preliminary expenses written off	-	-
Miscellaneous expenses (including freight inward, telephone expenses, commission on sales, bank charges, registration fees, etc.)	60,193	10,553
<b>Total ...</b>	<b>1,433,641</b>	<b>1,534,974</b>

### SCHEDULE 10

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### A. Significant accounting policies

##### 1 Basis of accounting

The financial statements are prepared under historical cost convention, on accrual basis. Revenue (income) is recognised when no significant uncertainty as to determination or realisation exists.

##### 2 Fixed assets

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation.

##### 3 Depreciation

Depreciation on assets is provided on straight line basis. For this purpose the life of asset of Training equipment and Computers is considered as five years. Depreciation on other assets is provided at the rates and in the manner specified in schedule XIV to the Companies Act, 1956

##### 4 Foreign currency transactions

Transactions in foreign currency are recorded at prevailing rates of exchange in force at the time they are effected. At the year end, monetary items denominated in foreign currency are reported using the closing rates of exchange. Exchange differences arising on re-statement of liabilities pertaining to the acquisition of fixed assets are adjusted in the carrying amount of respective fixed assets. Other differences are recognised as income or expenses in the period in which they arise.

##### 5 Taxes on income

Tax expense comprise both current tax and deferred tax at the applicable enacted /substantively enacted rates. Current tax represents the amount of income tax payable/ recoverable in respect of the taxable income/ loss for the reporting period. Deferred tax represents the effect of timing differences between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

##### 6 Contingent liabilities

These, if any, are disclosed in the Notes on accounts. Provision is made in the accounts in respect of those contingencies which materialise into liabilities after the year end till the approval of the accounts by the Board of directors and which have material effect on the position stated in the Balance sheet.



## SCHEDULES FORMING PART OF ACCOUNTS

<b>SCHEDULE 10</b>		
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>		
<b>B. Notes on accounts</b>	<b>Current year</b>	<b>Previous year</b>
	<b>Rupees</b>	<b>Rupees</b>
1 Payment to auditors		
a. as auditors	10,000	5,000
b. as advisor or in any other capacity in respect of: for other services(certification,etc)	-	-
c. for expenses	-	-
d. for service tax	1,224	612
2 Earnings in foreign currency	55,999	1,379,292
3 Components of deferred tax assets/ (liabilities) are as under		
Depreciation	623,376	359,141
Income tax loss	(30,789)	41,211
	592,587	400,352
4 Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year, as under:		
Profit after tax (Rupees)	866,189	400,613
Profit after tax attributable to equity shareholders (Rupees)	866,189	400,613
Weighted average number of equity shares outstanding during the year	50,000	50,000
Basic/ diluted earnings per share (Rupees)	17.32	8.01
Nominal value per share (Rupees)	10.00	10.00
5 Related party disclosures		
Names of related parties where control exists		
D-Link (India) Limited		
List of related parties with whom transactions have taken place during the year and nature of relationship		
Name of the related parties	Nature of relationship	
D-Link (India) Limited	Holding Company	
Details of related party transactions during the year		
<b>Nature of transactions</b>		
Training Income	1,742,886	299,500
Purchase of fixed assets	101,403	4,202,182
Rent Expenses	172,000	60,000
Operating Expenses	-	1,148,692
Interest Expenses	89,269	31,951
Loan taken during the year	14,194	125,706
Amount due to	2,098,376	3,387,096
6 The company operates in only one segment viz development of software and related training.		
7 Previous figures have been regrouped, wherever necessary, to correspond with those of the current year.		

signatures to schedules 1 to 10

As per our report of even date attached

**For S.P.Bhandare & Associates**  
Chartered Accountants

**S. P.Bhandare**  
Proprietor  
M.NO.35615

Panjai-Goa, Dated: 20th April 2007

**For and on behalf of the Board**

**K.R.Naik**  
Director

**Nitin Kunkolienker**  
Director

Verna, Dated: 20th April 2007

## SCHEDULES FORMING PART OF ACCOUNTS

**Additional information pursuant to the provisions of part IV of schedule VI to the Companies Act, 1956**

Balance sheet abstract and Company's general business profile

**I. Registration details**

Registration no.

U 7 2 2 0 0 G A 2 0 0 4 P L C 0 0 3 5 4 3

State code

2 4

Balance sheet date

3 1 0 3 0 7

**II. Capital raised during the year (amount in Rupees thousands)**

Public issue

N I L

Rights issue

N I L

Bonus issue

N I L

Private placement

N I L

**III. Position of mobilisation and deployment of funds (amount in Rupees thousands)**

Total liabilities

4 7 7 1

Total assets

4 7 7 1

**Sources of funds**

Paid-up capital

5 0 0

Reserves and surplus

1 0 9 2

Share application money

N I L

Secured loans

N I L

Unsecured loans

9 7

Net Deferred tax liability

5 9 3

**Application of funds**

Net fixed assets

3 2 7 2

Investments

N I L

Net current assets

9 9 0

Miscellaneous expenditure

N I L

Accumulated losses

N I L

**IV. Performance of the Company (amount in Rupees thousands)**

Turnover

3 8 6 9

Total expenditure

2 3 7 1

+ / (-) Profit/ (loss) before tax

✓ 1 4 9 8

+ / (-) Profit/ (loss) after tax

✓ 8 6 6

Earnings per share (Rupees)

1 7 . 3 2

Dividend %

N I L

**V. Generic names of three principal products/ services of the Company (as per monetary terms)**

Item code no. (ITC code)

8 5 2 4 9 0 . 0 9

Product description

C O M P U T E R S O F T W A R E

For and on behalf of the Board

K.R.Naik  
Director

Nitin Kunkolienker  
Director

Verna, dated 20th April, 2007

# AUDITOR'S REPORT

To,

**The Board of Directors of D-Link (India) Limited**

1. We have audited the attached Consolidated Balance sheet of D-Link (India) Limited Group, as at 31st March, 2007 and also the Consolidated Profit and Loss account and the Consolidated Cash-flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of D-Link (India) Limited's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of Intercorridor Systems Limited (subsidiary), whose financial statements reflect total assets of Rs. 4,771,029/- as at 31st March, 2007, total revenues of Rs. 3,868,922/- and cash outflows amounting to Rs. 222,872/- for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the D-Link (India) Limited's management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements' and AS 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31st March, 2007;
  - b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year then ended and
  - c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year then ended.

As per our attached report of even date

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Membership no. 46488

Mumbai, dated : 16th May, 2007

# CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule No.	Rupees	Rupees	As at 31st March, 2006 Rupees
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' funds</b>				
Share capital	1	60,009,700		60,009,700
Employees stock options outstanding		11,418,006		7,275,337
Reserves and surplus	2	1,832,167,503		1,679,752,064
			1,903,595,209	1,747,037,101
<b>Minority interest</b>			66,502,846	65,856,818
<b>Loan funds</b>				
Secured loans	3		6,313,692	11,048,671
<b>Deferred tax liability (net)</b>			64,606,070	64,490,428
<b>Total</b>			<b>2,041,017,817</b>	<b>1,888,433,018</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed assets</b>				
Gross block	4	898,521,733		864,004,722
Less: Depreciation		297,716,648		245,296,209
Net block		600,805,085		618,708,513
Capital work-in-progress		52,928,285		38,855,796
			653,733,370	657,564,309
<b>Investments</b>	5		718,754,008	437,776,189
<b>Current assets, loans and advances</b>				
Inventories	6	357,402,979		519,456,648
Sundry debtors	7	635,731,540		807,887,165
Cash and bank balances	8	102,505,344		34,219,733
Loans and advances	9	118,840,923		145,445,639
		1,214,480,786		1,507,009,185
<b>Less: Current liabilities and provisions</b>				
Current liabilities	10	455,831,224		631,038,393
Provisions	11	90,210,743		83,061,512
		546,041,967		714,099,905
<b>Net current assets</b>			668,438,819	792,909,280
<b>Miscellaneous expenditure</b> (to the extent not written off or adjusted)				
Preliminary expenses			91,620	183,240
<b>Total</b>			<b>2,041,017,817</b>	<b>1,888,433,018</b>
Significant accounting policies and notes on accounts	16			

As per our attached report of even date

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Mumbai, dated : 16th May, 2007

**For and on behalf of the Board**

**K.R.Naik**  
Chairman & Managing director

**K.G. Prabhu**  
Company Secretary

Mumbai, dated : 16th May, 2007

**K.M. Gaonkar**  
Director

**Bhushan Prabhu**  
Director-Finance

# CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule No.	Rupees	Rupees	As at 31st March, 2006 Rupees
<b>INCOME</b>				
Turnover (gross)			3,571,547,989	3,422,422,207
Less: Excise duty			270,650,375	264,515,380
Turnover (net)			3,300,897,614	3,157,906,827
Sale of services			20,048,737	4,027,571
Other income	12		95,911,306	66,305,752
(Decrease)/Increase in stocks of finished goods, and work-in-process	13		(100,005,560)	82,500,312
<b>Total</b>			<b>3,316,852,097</b>	<b>3,310,740,462</b>
<b>EXPENDITURE</b>				
Manufacturing and Other expenses	14		1,648,503,106	1,920,986,607
Purchase of traded goods			1,320,023,875	1,040,625,327
Excise duty			(10,070,876)	9,231,750
Depreciation (Refer note 12 of schedule 16)		78,713,229		61,896,134
Less: Transferred from revaluation reserve		769,228		769,228
Interest and finance charges	15		77,944,001	61,126,906
			4,845,933	3,295,212
<b>Total</b>			<b>3,041,246,039</b>	<b>3,035,265,802</b>
<b>PROFIT BEFORE TAX</b>			<b>275,606,058</b>	<b>275,474,660</b>
Provision for tax				
- Current tax [(including Rs. 141,810/-; (previous year, Rs.240,333/-) for wealth tax]			52,853,580	40,550,044
- Deferred tax			115,642	6,521,747
- Fringe benefit tax			3,663,274	3,610,650
			56,632,496	50,682,441
<b>PROFIT AFTER TAX</b>			<b>218,973,562</b>	<b>224,792,219</b>
Excess / (Short) provision for tax in respect of earlier years			7,297,197	(653,954)
Minority interest			(646,028)	3,966,035
Share of Profit/(loss) from investment in an associate			(2,231,715)	102,840
			223,393,016	228,207,140
Balance brought forward from previous year			989,257,114	854,476,034
<b>Amount available for appropriations</b>			<b>1,212,650,130</b>	<b>1,082,683,174</b>
<b>APPROPRIATIONS</b>				
Proposed dividend			60,009,700	60,009,700
Corporate dividend tax			10,198,649	8,416,360
Transferred to General reserve			22,000,000	25,000,000
Balance carried to Balance sheet			1,120,441,781	989,257,114
			<b>1,212,650,130</b>	<b>1,082,683,174</b>
Basic and Diluted Earnings per share (Refer note 6 of schedule 16)			<b>7.45</b>	<b>7.61</b>
Significant accounting policies and notes on accounts 16				

As per our attached report of even date

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Mumbai, dated : 16th May, 2007

**For and on behalf of the Board**

**K.R.Naik**  
Chairman & Managing director

**K.G. Prabhu**  
Company Secretary

Mumbai, dated : 16th May, 2007

**K.M. Gaonkar**  
Director

**Bhushan Prabhu**  
Director-Finance

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	07 Rupees	06 Previous Rupees
<b>1. Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>275,606,058</b>	<b>275,474,660</b>
<b>Adjustments for:</b>		
Depreciation	77,944,001	61,126,906
Loss on sale / discard of fixed assets (net)	8,083,836	1,331,491
Provision for diminution in value of current investments (non-trade)	225,888	622,679
Provision for diminution in value of long term investments (unquoted) (trade)	-	3,499,400
Interest and finance charges	4,845,933	3,295,212
Provision for Gratuity	(1,146,302)	1,663,920
Provision for leave encashment	1,900,867	-
Unrealised exchange differences	(5,671,410)	(2,694,040)
Interest income	(3,678,100)	(6,558,959)
Dividend income	(20,180,930)	(15,389,068)
Provision for doubtful debts written back	(6,936,009)	(1,543,448)
Provision for diminution in value of current investments (non-trade) written back	(503,074)	(94,191)
Provision for doubtful debts	9,008,654	7,825,371
Bad debts written off	16,700,396	1,249,853
Profit on sale of current investment (non-trade)	(10,964,914)	(24,015,198)
Sundry balances written back	(9,621,520)	-
Sundry balances written off	4,603,086	-
Stock obsolescence write off	93,453,953	23,667,827
Preliminary expenses written off	91,620	91,620
<b>Operating profit before working capital changes</b>	<b>433,762,033</b>	<b>329,554,035</b>
Decrease / (Increase) in trade receivables	152,718,078	(110,678,276)
Decrease / (Increase) in inventories	68,599,716	(213,115,743)
Decrease / (Increase) in loans and advances	22,311,979	(63,539,370)
(Decrease) / Increase in trade and other payables	(155,107,064)	137,601,516
<b>Cash generated from Operations</b>	<b>522,284,742</b>	<b>79,822,162</b>
Direct taxes paid	(44,917,629)	(39,573,635)
<b>Net cash from operating activities</b>	<b>477,367,113</b>	<b>40,248,527</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(93,349,245)	(96,130,428)
Purchase of investments	(4,941,003,411)	(5,022,155,119)
Sale of fixed assets	10,383,119	1,368,032
Sale of investments	4,669,035,977	5,029,470,529
Profit on settlement of futures	-	426,651
Dividend received	20,180,930	15,389,068
Interest received	3,384,741	6,662,585
<b>Net cash (used in) investing activities</b>	<b>(331,367,889)</b>	<b>(64,968,682)</b>
<b>C. Cash flows from financing activities</b>		
Proceeds from share issue	-	64,500,000
Repayment of long-term borrowings	(4,734,979)	(5,836,140)
Proceeds from long-term borrowings	-	3,696,179
Dividend paid	(68,426,060)	(54,740,848)

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

07 06 As at  
31st March, 2006  
Rupees Rupees

Interest paid	(4,845,933)	(3,295,212)
<b>Net cash (used in) / generated from financing activities</b>	<b>(78,006,972)</b>	<b>4,323,979</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>67,992,252</b>	<b>(20,396,176)</b>
Cash and cash equivalents at the beginning of the year	34,020,078	54,416,254
Cash and cash equivalents at the end of the year	102,012,330	34,020,078
	-	-
<b>Note:</b>		
1. Components of cash and cash equivalents include cash, bank balances in current and deposit accounts as disclosed under schedule of the accounts		
2. Purchase of fixed assets are stated inclusive of movements of capital work in progress between the commencement and end of the period and are considered as part of investing activity.		
<b>Reconciliation of cash and cash equivalents</b>		
As per Balance sheet - schedule 8	102,505,344	34,219,733
Interest accrued on bank deposits	(493,014)	(199,655)
As per Cash flow statement	102,012,330	34,020,078

As per our attached report of even date

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

Mumbai, dated : 16th May, 2007

**For and on behalf of the Board**

**K.R.Naik**  
Chairman & Managing director

**K.G. Prabhu**  
Company Secretary

Mumbai, dated : 16th May, 2007

**K.M. Gaonkar**  
Director

**Bhushan Prabhu**  
Director-Finance

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	Rupees	Rupees	As at 31st March, 2006 Rupees
<b>SCHEDULE 1</b>			
<b>SHARE CAPITAL</b>			
Authorised			
35,000,000 Equity Shares of Rs. 2/- each		70,000,000	70,000,000
Issued, subscribed and paid-up			
30,004,850 Equity Shares of Rs.2/- each fully paid-up		60,009,700	60,009,700
<b>Total</b>		<b>60,009,700</b>	<b>60,009,700</b>
<b>SCHEDULE 2</b>			
<b>RESERVES AND SURPLUS</b>			
Capital reserve - State government subsidy			
As per last Balance sheet		2,500,000	2,500,000
Share premium account			
As per last Balance sheet		483,749,133	483,749,133
General reserve			
As per last Balance sheet	160,908,469		135,908,469
Add: transferred from Profit and Loss account	22,000,000		25,000,000
		182,908,469	160,908,469
Revaluation reserve			
As per last Balance sheet	43,337,348		44,106,576
Less: transferred to Profit and Loss Account	769,228		769,228
		42,568,120	43,337,348
Surplus in Profit and Loss account		1,120,441,781	989,257,114
<b>Total</b>		<b>1,832,167,503</b>	<b>1,679,752,064</b>
<b>SCHEDULE 3</b>			
<b>SECURED LOANS</b>			
Loans and advances from Banks			
Dues under hire purchase agreements (Refer note below)		6,313,692	11,048,671
<b>Total</b>		<b>6,313,692</b>	<b>11,048,671</b>
Note:			
Secured by hypothecation of assets purchased under hire purchase agreements			



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### SCHEDULE 4 FIXED ASSETS

Nature of assets	Gross block			Depreciation			Net block	
	As at 1st April, 2006	Additions	Deductions	As at 31st March, 2007	For the year	Deductions	As at 31st March, 2007	As at 31st March, 2006
Leasehold land/ premises	24,513,538	-	-	24,513,538	1,636,236	-	4,123,703	20,389,835
Buildings	209,382,962	1,373,412	-	210,756,374	5,529,986	-	31,960,264	178,796,110
Plant and machinery	259,797,201	58,985,891	28,764,448	290,018,644	23,847,921	17,929,196	89,496,603	200,522,041
Electrical installations	27,996,659	117,167	-	28,113,826	1,291,349	-	8,322,460	19,791,366
Furniture, fittings and office equipment	50,163,847	4,187,501	47,450	54,303,898	3,382,437	34,718	19,989,021	34,314,877
Air conditioners	31,414,933	141,350	167,086	31,389,197	1,494,806	91,545	8,401,888	22,987,309
Motor vehicles	13,365,063	994,354	7,402,415	6,957,002	2,651,943	3,839,676	1,930,969	5,026,033
Computers	169,178,671	9,900,833	935,067	178,144,437	18,489,742	188,371	95,877,655	82,266,782
Assets acquired on hire purchase - Vehicles	785,812,874	75,700,508	37,316,466	824,196,916	58,324,420	22,083,506	260,102,563	564,094,353
Intangible assets - Computer Software	35,528,950	-	7,443,279	28,085,671	11,725,986	4,209,284	16,132,271	11,953,400
- Goodwill	14,764,793	3,576,248	-	18,341,041	3,083,207	-	4,742,961	13,598,080
	27,898,105	-	-	27,898,105	5,579,616	-	16,738,853	11,159,252
<b>Total</b>	<b>864,004,722</b>	<b>79,276,756</b>	<b>44,759,745</b>	<b>898,521,733</b>	<b>78,713,229</b>	<b>26,292,790</b>	<b>297,716,648</b>	<b>600,805,085</b>
<b>Previous year</b>	<b>807,516,570</b>	<b>62,532,101</b>	<b>6,043,949</b>	<b>864,004,722</b>	<b>61,896,134</b>	<b>3,344,426</b>	<b>245,296,209</b>	<b>618,708,513</b>
Capital work-in-progress [ including capital advances Rs.18,859,275/- (previous year Rs.37,428,907/-)]								52,928,285
								653,733,370

#### Notes

- Leasehold land/ premises include:
  - Plots of land taken on lease from the Goa Industrial Development Corporation (GIDC) for an initial period of thirty years with an option to extend the lease to ninety/ninety-five years.
  - Land and premises taken on lease from Maharashtra Industrial Development Corporation (MIDC) for an initial period of ten years with an option to extend the lease to ninety-five years.
  - Plot of land taken on lease cum sale basis from the Karnataka Industrial Areas Development Board (KIADB) for a period of six years. At the end of six years, the lease shall be converted into a sale subject to fulfillment of certain conditions and payment of additional amount to be finally fixed by KIADB.

Title deeds in respect of the above are in the names of GIDC, MIDC and KIADB respectively.
- Gross block as at 31st March 2007 include fixed assets of Rs. 16,053,906/- (previous year, Rs. 26,753,190/-) acquired on hire purchase basis on which the vendors have a lien.

# SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

07 06  
As at  
31st March, 2006  
Rupees

	Rupees	Rupees
<b>SCHEDULE 5</b>		
<b>INVESTMENTS</b>		
<b>(a) Long-term investments (unquoted)</b>		
(i) Non-trade	10,000	10,000
(ii) Trade	1,227,699	3,459,414
<b>Total long-term investments (A)</b>	<b>1,237,699</b>	<b>3,469,414</b>
<b>(b) Current investments (non-trade)</b>		
(i) In Mutual funds Units (unquoted)	706,782,197	423,765,849
(ii) In Debentures (unquoted)	10,000,000	-
(iii) In Bonds (quoted)	1,079,605	11,163,605
	717,861,802	434,929,454
Less: provision	345,493	622,679
<b>Total current investments (B)</b>	<b>717,516,309</b>	<b>434,306,775</b>
<b>Total (A+B)</b>	<b>718,754,008</b>	<b>437,776,189</b>
<b>Note</b>		
Aggregate value of investments (net of provision)		
Unquoted - cost/ fair value	718,019,896	427,166,189
Quoted - cost	1,079,605	11,163,605
market value	880,000	10,610,000
<b>SCHEDULE 6</b>		
<b>INVENTORIES</b>		
Stores, spares and packing materials	1,018,652	995,433
Stock-in-trade		
Raw materials and components	139,058,320	201,129,648
Work-in-process	32,392,729	15,648,771
Finished goods	184,933,278	301,682,796
	356,384,327	518,461,215
<b>Total</b>	<b>357,402,979</b>	<b>519,456,648</b>
<b>SCHEDULE 7</b>		
<b>SUNDRY DEBTORS (unsecured)</b>		
Debts outstanding for a period exceeding six months	53,983,316	148,515,370
Other debts *	607,313,248	682,864,174
	661,296,564	831,379,544
Less: provision	25,565,024	23,492,379
<b>Total</b>	<b>635,731,540</b>	<b>807,887,165</b>
<b>Notes</b>		
(a) Considered good	635,731,540	807,887,165
Considered doubtful	25,565,024	23,492,379
	661,296,564	831,379,544
(b) * includes amount in respect of which the Company holds deposits	27,099,053	26,618,077

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	07 Rupees	06 As at 31st March, 2006 Rupees
<b>SCHEDULE 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand (including cheques on hand Rs. 34,600/-; previous year, Rs. 139,769/-)	142,423	708,121
<b>Balances with scheduled banks</b>		
- in current / cash credit accounts (Refer note 13 of Schedule 16)	56,966,987	29,622,253
- in deposit accounts (includes interest accrued Rs. 493,014/-, Previous year, Rs. 199,655/-)	45,395,934	3,889,359
	<b>102,362,921</b>	<b>33,511,612</b>
<b>Total</b>	<b>102,505,344</b>	<b>34,219,733</b>
<b>SCHEDULE 9</b>		
<b>LOANS AND ADVANCES</b> (unsecured and considered good)		
Loans - to others	2,319,026	5,080,490
Advances recoverable in cash or in kind or for value to be received	93,532,029	114,836,670
Balance with Central Excise and Customs	1,109,297	4,616,880
Deposits	13,779,702	13,121,079
Advance tax (net)	8,100,869	7,790,520
	<b>118,840,923</b>	<b>145,445,639</b>
<b>Total</b>	<b>118,840,923</b>	<b>145,445,639</b>
<b>SCHEDULE 10</b>		
<b>CURRENT LIABILITIES</b>		
Sundry creditors :		
- total outstanding dues to small scale industrial undertakings	4,523,877	4,616,544
- total outstanding dues to creditors other than small scale industrial undertakings	402,018,181	574,152,362
	406,542,058	578,768,906
Temporary overdrawn bank balance	9,895,375	14,213,468
Other liabilities	39,393,791	38,056,019
	<b>455,831,224</b>	<b>631,038,393</b>
<b>Total</b>	<b>455,831,224</b>	<b>631,038,393</b>
<b>SCHEDULE 11</b>		
<b>PROVISIONS</b>		
For Income tax (net)	13,825,147	9,418,991
Fringe benefit tax (net)	398,610	192,389
Proposed dividend	60,009,700	60,009,700
Corporate dividend tax	10,198,649	8,416,360
For gratuity	3,877,770	5,024,072
For Leave encashment	1,900,867	-
	<b>90,210,743</b>	<b>83,061,512</b>
<b>Total</b>	<b>90,210,743</b>	<b>83,061,512</b>

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	07 Rupees	06 Previous year Rupees
<b>SCHEDULE 12</b>		
<b>OTHER INCOME</b>		
Interest (Tax deducted at source Rs. 1,732,444/-; previous year, Rs. 1,455,270/-)		
- on fixed deposits with banks	751,132	88,048
- on bonds (current investments; non-trade)	657,299	778,560
- on delayed payments, etc.	2,269,669	5,692,351
	3,678,100	6,558,959
Duty drawback	7,798,826	3,770,849
Dividend on current investment (non-trade)	20,180,930	15,389,068
Profit on sale of current investments (non-trade)	10,964,914	24,015,198
Provision for doubtful debts written back	6,936,009	1,543,448
Provision for diminution in value of current investments (non-trade) written back	503,074	94,191
Recovery of bad debts written off	-	1,121,259
Sundry balances written back	9,621,520	-
Excess provision for gratuity written back	1,146,302	-
Exchange differences (net)	22,394,174	5,634,069
Miscellaneous income	12,687,457	8,178,711
<b>Total</b>	<b>95,911,306</b>	<b>66,305,752</b>
<b>SCHEDULE 13</b>		
<b>(DECREASE) / INCREASE IN STOCKS OF FINISHED GOODS AND WORK-IN-PROCESS</b>		
<u>Stock as at 31st March, 2007</u>		
Finished goods	184,933,278	301,682,796
Work-in-process	32,392,729	15,648,771
	217,326,007	317,331,567
<u>Less: Stock as at 1st April, 2006</u>		
Finished goods	301,682,796	197,934,446
Work-in-process	15,648,771	36,896,809
	317,331,567	234,831,255
<b>Increase</b>	<b>(100,005,560)</b>	<b>82,500,312</b>

**Note**

Closing stock is valued after considering material obsolescence of Rs. 66,832,710/- (previous year, Rs. 16,423,816/-).

# SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

07 06 As at  
31st March, 2006  
Rupees Rupees

	Rupees	Rupees
<b>SCHEDULE 14</b>		
<b>MANUFACTURING AND OTHER EXPENSES</b>		
Raw materials and components consumed	1,138,545,917	1,456,597,851
<u>Payments to and provisions for employees</u>		
Salaries, wages and bonus	221,500,094	168,536,616
Contribution to provident and other funds	7,006,688	6,041,132
Staff welfare expenses	9,004,174	8,958,451
Provision for gratuity	-	1,663,920
Provision for leave encashment	1,900,867	-
	239,411,823	185,200,119
Stores, spares and packing material consumed	18,238,551	28,022,179
Power and fuel	24,180,625	26,832,093
Rent	12,596,017	7,246,497
Operating lease rentals	4,554,850	6,820,608
Rates and taxes	1,352,876	684,481
Insurance	9,113,792	8,526,127
<u>Repairs and maintenance:</u>		
Buildings	1,652,714	3,856,174
Machinery	325,703	284,204
Others	6,634,787	8,795,340
	8,613,204	12,935,718
Travelling and conveyance expenses	27,757,103	31,482,229
Communication expenses	12,621,204	10,642,257
Advertisement and sales development expenses	25,635,209	31,462,800
Commission on sales	9,539,912	14,415,280
Warranty servicing expenses	24,917,232	32,993,494
Loss on sale/discard of fixed assets (net)	8,083,836	1,331,491
Provision for diminution in value of current investments (non-trade)	225,888	622,679
Provision for diminution in value of long term investments (unquoted) (trade)	-	3,499,400
Provision for doubtful debts	9,008,654	7,825,371
Preliminary expenses written off	91,620	91,620
Sundry balances written off	4,603,086	-
Donations	356,000	869,009
Directors sitting fees	290,000	170,500
Bad debts written off	16,700,396	1,249,853
Miscellaneous expenses	52,065,311	51,464,951
<b>Total</b>	<b>1,648,503,106</b>	<b>1,920,986,607</b>
<b>Note</b>		
Raw materials and components consumed and stores, spares and packing materials consumed include obsolete items written off Rs.26,293,774/- (previous year, Rs. 6,894,275/-) and Rs.327,469/- (previous year, Rs. 228,030/-) respectively.		
<b>SCHEDULE 15</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
On security deposit from dealers, etc.	4,717,092	3,276,295
On cash credit accounts, etc.	128,841	18,917
<b>Total</b>	<b>4,845,933</b>	<b>3,295,212</b>

## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### A Significant accounting policies

###### Basis of preparation of financial statements

The financial statements are prepared under historical cost convention on the accrual basis of accounting and in accordance with the generally accepted accounting principles in India.

###### Use of estimates

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported year. Differences between the actual results and estimates are recognised in the year in which the results are known/materialised.

###### Fixed assets

###### i) Tangible assets

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and impairment loss if any.

###### ii) Intangible assets

Intangible assets are stated at cost less accumulated amortisation. These assets are amortised over a period of ten years except goodwill arising on amalgamation which is amortised over the period of five years.

###### Assets taken on Lease (Hire Purchase)

Assets taken on finance lease (including on hire purchase) on or after April 1, 2001 are accounted for as fixed assets in accordance with Accounting Standard 19 on "Leases", (AS 19) issued by The Institute of Chartered Accountants of India (ICAI). Accordingly, the assets have been accounted at fair value. Lease payments are apportioned between finance charge and reduction of outstanding liability.

###### Depreciation

- i. Cost of leasehold land/ premises and structural improvements are amortized over the period of lease.
- ii. Depreciation on other assets is provided on the straight line basis at the rates and in the manner specified in schedule XIV to the Companies Act, 1956, except Motor vehicle which are depreciated over a period of five years.

###### Impairment loss

At the end of each accounting period, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard 28 on "Impairment of Assets" issued by the ICAI. An impairment loss is charged to the Profit and Loss account in the period in which, an asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. The impairment loss recognised in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

###### Investments

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost. However, when there is a decline, other than temporary, the carrying amount is reduced to recognize the decline.

###### Inventories

Items of inventory are valued at lower of cost and net realizable value, on the following basis:

- i raw materials, components, stores and spares - on FIFO basis;
- ii work-in-process and finished goods - on the basis of absorption costing comprising of direct costs and overheads other than financial charges.

###### Revenue recognition

Revenue (income) is recognized when no significant uncertainty as to determination/ realization exists.

# SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

## SCHEDULE 16

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A Significant accounting policies -cont-

##### Retirement benefits

- i. Provident fund liability is determined on the basis of contribution as required under the statute/ rules.
- ii. Contribution to gratuity fund payable to the Trust is charged to revenue in accordance with the scheme framed by the Life Insurance Corporation of India. Provision is made for the shortfall in the contribution payable to the trust and the actuarial valuation obtained at the end of the year.
- iii. Provision for Leave Encashment is made on actuarial valuation done as at the year end.

##### Foreign currency transactions

Transactions in foreign currencies are recorded at the original rates of exchange in force at the time the transactions are effected.

In case of forward exchange contracts or other financial instruments that is in substance a forward exchange contract, other than for trading or speculation purposes, the premium or discount arising at the inception of the contract is amortised as expense or income over the life of contract.

Gains / losses on settlement of transactions arising on cancellation / renewal of forward exchange contracts are recognised as income or expense.

At the year-end, monetary items denominated in foreign currency and the relevant foreign exchange contracts are reported using the closing rate of exchange. Exchange difference arising thereon and on realization / payments of foreign exchange are accounted as income or expenses in the relevant year. Except in respect of liabilities incurred for acquiring fixed assets from outside India in which case they are adjusted in the carrying amount of such assets.

##### Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

##### Government grants

Grants relating to specific fixed assets are disclosed as a deduction from the value of the concerned assets. Grants related to revenue are credited to the Profit and Loss account. Grants in the nature of promoter's contribution are treated as Capital reserve.

##### Taxes on income

Tax expense comprises of current tax, deferred tax and fringe benefit tax. Current tax and Deferred tax are accounted for in accordance with Accounting Standard 22 on "Accounting For Taxes on Income", (AS 22) issued by the ICAI. Current tax is measured at the amount expected to be paid to / recovered from the tax authorities, using the applicable tax rates.

Deferred income taxes reflect the impact of the current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years / period. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available except that deferred tax assets arising on account of unabsorbed depreciation and losses are recognised if there is virtual certainty that sufficient future taxable income will be available to realise the same. (Refer Note no. 5 below).

Fringe benefits tax is recognized in accordance with the relevant provisions of the Income-tax Act, 1961 and the Guidance Note on Fringe Benefits Tax issued by the ICAI.

Tax on distributed profits payable in accordance with the provisions of the Income-tax Act, 1961 is disclosed in accordance with the Guidance Note on Accounting for Corporate Dividend Tax issued by the ICAI.

##### Contingent Liability

These, if any, are disclosed in the notes on accounts. Provision is made in the accounts if it becomes probable that an out flow of resources embodying economic benefits will be required to settle the obligation.

# SCHEDULES FORMING PART OF ACCOUNTS

## SCHEDULE 16

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts

1. The consolidated financial statements of D-Link (India) Limited (the parent company), its subsidiaries (Hereinafter together referred as the group) and an associate company have been prepared in accordance with Accounting Standard 21 (AS-21) on 'Consolidated Financial Statements' and Accounting Standard 23 (AS-23) on 'Accounting for Investments in Associates in Consolidated financial statements' issued by the Institute of Chartered Accountants of India.

The details of such enterprises are as under:

- a. Subsidiaries (both incorporated in India)

	07 Percentage holding	06 Date of the financial statements
Gigabyte Technology (India) Limited (GTIL)	51.59%	31st March, 2007
Intercorridor Systems Limited (ISL)	99.88%	31st March, 2007
<b>Note</b>		
There has been no change in the holding of GTIL and ISL in the current year.		
b. Associate company (incorporated in India)		<b>Previous year</b>
Lanner Electronics India Limited		
- ownership interest	32%	32%
- amount of goodwill (net) included in carrying amount of investment	2,299,800	2,299,800
- date of the financial statements	31st March, 2007	31st March, 2006
2. Estimated amount of contracts remaining to be executed on capital account and not provided for	40,379,278	56,463,171
3. Contingent liabilities, in respect of :		
a. Claims against the Parent Company not acknowledged as debts		
- Claim filed by erstwhile distributors in various Metropolitan / Civil Courts. The Parent Company is confident of defending the claims and expect no liability on above count.	1,091,241	197,176
b. Guarantee given by Parent Company on behalf of Mercury Link Systems Limited (MLSL).	-	4,000,000
Amounts outstanding as at the year end	-	4,000,000
c. Show cause notices received by the group from customs authorities relating to imports made in earlier years. The group has filed replies to these notices and does not expect any demand to materialize	242,733,036	2473,71,164
d. Disputed demands of custom duty against the group pending before the Commissioner of Customs (Appeals)	5,355,839	-
e. Show cause notices received by Patent Company from excise authorities in connection with valuation of products manufactured for the purpose of calculation of excise duty. The parent Company has filed replies to these notices and does not expect any demand to materialize	38,423,002	36,504,358
f. Disputed penalty demands of Excise Authorities against the parent company pending before the Commissioner of Excise (Appeals) / CESTAT	802,041	-
g. Custom duty paid under protest The raw material/trading material/software imported by the Group are subjected to different rates of customs duty based on classification under respective Tariff Head. The Customs department has objected to the classifications adopted by the Group for certain items and has demanded additional duty for the same. The Group has paid such differential duty under protest. The same is included under advances recoverable in cash or in kind in Schedule 9 pending resolution of the dispute.	14,014,483	-



## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### B. Notes on accounts -cont-

- 4 Balances of current assets, loans and advances and current liabilities in ISL are subject to confirmation and consequent reconciliation and adjustments, if any
- 5 Current tax for the year in case of Gigabyte Technology (India) Limited (GTIL) is provided considering the provisions of Minimum Alternative Tax under the Income-tax Act, 1961.  
GTIL is entitled to tax credit in respect of Minimum Alternative Tax (MAT credit) under the provisions of the Income-tax Act, 1961. However, considering the degree of probability of availment of the MAT Credit in future years, which is based on convincing evidence that the Company will pay normal tax in future as envisaged by the Guidance Note on Accounting for Credit available in respect of Minimum Alternate Tax (MAT) under the Income-tax Act, 1961, the MAT credit aggregating to Rs. 185,000/- has not been accounted by the Company. The accounting for the same will be reviewed at each balance sheet  
Deferred Tax Asset in respect of unabsorbed losses and depreciation under the Income-tax Act, 1961, pertaining to GTIL has not been recognized in view of non availability of virtual certainty supported by convincing evidence about realisability of the Deferred Tax Asset in future.

The tax effect of significant timing differences that has resulted in deferred tax assets and liabilities are given below:

	Rupees	Previous year Rupees
a. Deferred Tax Liability		
Depreciation	(73,588,413)	(73,118,513)
Total	(73,588,413)	(73,118,513)
b. Deferred Tax Asset		
Provision for doubtful debts	7,632,382	6,719,238
Others	1,349,961	1,908,847
Total	8,982,343	8,628,085
<b>Deferred Tax (net)</b>	<b>(64,606,070)</b>	<b>(64,490,428)</b>
6 Earnings per share is calculated by dividing the profit attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year, as under:		<b>Previous year</b>
Profit after tax (Rupees)	218,973,562	224,792,219
Excess / (Short) provision for tax in respect of earlier years (Rupees)	7,297,197	(653,954)
	226,270,759	224,138,265
Minority interest (Rupees)	(646,028)	3,966,035
	225,624,731	228,104,300
Share of (loss)/Profit from investment in an associate (Rupees)	(2,231,715)	102,840
Profit after tax attributable to equity shareholders (Rupees)	223,393,016	228,207,140
Weighted average number of equity shares outstanding during the year	30,004,850	30,004,850
Basic/ diluted earnings per share (Rupees)	7.45	7.61
Nominal value per share (Rupees)	2.00	2.00

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts -cont-

7.

- a) The Parent Company enters into foreign exchange forward contracts to offset the foreign currency risk arising from the amounts denominated in currencies other than the Indian rupee. The counter party to the foreign currency forward contracts is generally a bank. These contracts are entered into to hedge the foreign currency risks of firm commitments.

The following are the outstanding forward exchange contracts entered into by the Parent Company

Currency	Amount Outstanding at year end in Foreign currency	Amount outstanding at year end in Rupees	Exposure to Buy / Sell
US Dollar	44,632 (-)	1,939,252 (-)	Sell

Figures in brackets are those of the previous year

- b) The year end foreign currency exposures of the Group that have not been specifically hedged by a derivative instrument or otherwise are given below:

Amount receivable in foreign currency on account of the following:

	In foreign Currency		In Rupees		Previous Year	
	In foreign Currency	In Rupees	In foreign Currency	In Rupees	In foreign Currency	In Rupees
Debtors	USD	740,315	32,166,693	USD	2,639,395	117,765,249
Loans and advances	USD	261,664	11,369,286	-	-	-

Amount payable in foreign currency on account of the following:

	In foreign Currency		In Rupees		Previous Year	
	In foreign Currency	In Rupees	In foreign Currency	In Rupees	In foreign Currency	In Rupees
Creditors	USD	6,817,385	296,665,795	USD	10,216,947	436,705,378
	EUR	49		JPY	865,301	
	JPY	844,445				

## 8. Lease transactions

## (a) Finance leases

Lease rentals outstanding as at 31st March, 2007 in respect of fixed assets taken on finance lease are as under: Rupees

Due	Total minimum lease payments outstanding as at 31st March 2007		Present value of minimum lease payments as at 31st March, 2007	Total minimum lease payments outstanding as at 31st March, 2006		Present value of minimum lease payments as at 31st March, 2006
	Interest not due	Interest not due		Interest not due	Interest not due	
not later than 1 year	2,887,171	393,082	2,494,089	4,540,904	693,776	3,847,128
later than 1 year and not later than 5 years	4,103,172	283,569	3,819,603	7,929,169	727,626	7,201,543
later than 5 years	-	-	-	-	-	-
<b>Total</b>	<b>6,990,343</b>	<b>676,651</b>	<b>6,313,692</b>	<b>12,470,073</b>	<b>1,421,402</b>	<b>11,048,671</b>

The tenure of hire-purchase agreements are 36/ 48/ 60 months with an option of prepayment/ foreclosure.

## (b) Operating leases

Future lease rentals in respect of fixed assets taken on non-cancellable operating lease basis by the parent company are as follows:

The tenure of the agreement ranges from 33/60 months. There are no renewal or purchase options and escalation clauses in these agreements.

The lease rentals for the year charged to revenue are Rs.4,554,850/- (previous year Rs.6,820,608/-)

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE 16

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### B. Notes on accounts -cont-

Due	Rupees	
	Total minimum lease rentals payable	Previous year Total minimum lease rentals payable
not later than 1 year	1,424,640	2,498,530
later than 1 year and not later than than 5 years	-	-
later than 5 years	-	-
<b>Total</b>	<b>1,424,640</b>	<b>2,498,530</b>

##### 9. Related party disclosures

List of related parties with whom transactions have taken place during the year and nature of relationship

Name of the related parties	Nature of relationship
Mr. Kamalaksha R. Naik	Key management person
Lanner Electronics India Limited	Associate company
Virtual Computer Crafts	Enterprise over which key management person and his relatives are able to exercise significant influence.

Details of related party transactions during the year

Nature of transactions	Associate company	Key management person	**	Rupees
				Total
Turnover	38,461 (15,631)	- -	- -	38,461 (15,631)
Rent income	120,000 (120,000)	- -	- -	120,000 (120,000)
Interest income	9,133 (48,996)	- -	- -	9,133 (48,996)
Services and contract income	- -	- -	- (35,100)	- (35,100)
Purchase of goods	2,080 -	- -	- -	2,080 -
Managerial remuneration and sitting fees	- -	4,890,265 (5,057,745)	- -	4,890,265 (5,057,745)
Dividends paid	- -	11,236,456 (8,989,165)	- -	11,236,456 (8,989,165)
Loan given during the year	204,643 (2,718,636)	- -	- -	204,643 (2,718,636)
As at the year end				
Advance due to	2,080 -	1,345,331 (1,380,060)	- -	1,347,411 (1,380,060)
Amount due from	165,498 (800,980)	- -	- (39,014)	165,498 (839,994)

\*\* Enterprise over which key management person and his relatives are able to exercise significant influence.

##### Notes

- There are no provisions for doubtful debts or amounts written off or written back for debts due from or due to related parties.
- Figures in brackets are those of the previous year

##### 10. Segment information

###### (A) Segment information for primary reporting (by business segment)

The Group has its operations in developing, manufacturing, marketing, distributing and servicing IT related products. (viz. networking products, computer, peripherals etc.) These products are sold to distributors, Original Equipment Manufacturers (OEM's) and System Integrators (SI). The primary reporting segment for the Group, therefore, is the business segment, viz., IT related products.

# SCHEDULES FORMING PART OF ACCOUNTS

## SCHEDULE 16

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### B. Notes on accounts -cont-

(B) Segment information for secondary segment reporting (by geographical segments)

The secondary reporting segment for the Group is the geographical segments based on location of customers which is as follows:

- i) Domestic
- ii) Export

*Information about secondary segments*

Particulars				Rupees
	Domestic	Exports	Unallocated	Total
Revenues from external customers(net)	3,190,196,618	130,749,733	-	3,320,946,351
(including sale of services)	(2,821,855,523)	(336,051,304)	-	(3,157,906,827)
Segment assets	1,723,501,998	34,105,945	829,360,221	2,586,968,164
	(2,004,797,992)	(117,765,249)	(604,444,595)	(2,727,007,836)
Additions to fixed assets during the year	93,349,245	-	-	93,349,245
	(96,130,428)	-	-	(96,130,428)

Figures in brackets are those of the previous year

11. Excise duty collected from customers against sales has been disclosed as a deduction from turnover. The excise duty related to the difference between the opening and closing stock of finished goods is disclosed separately in the profit and loss account as "Excise Duty"
12. Hitherto, the Group followed the policy of providing depreciation on Motor Vehicles @ 9.5% p.a. in accordance with Schedule XIV of the Companies Act, 1956. During the year, the Group, in order to have more appropriate presentation of the fixed assets and having regard to the extent of usage of vehicle and their estimated useful life, has changed this policy and now follows the policy of depreciating the vehicles over their estimated useful life of 5 years. As the result of the change in the method of providing for depreciation, the charge of depreciation for the year is higher by Rs.7,570,143/- and the profit for the year is lower by the like amount.
13. Cash Credit account with the bank is secured by hypothecation of movable assets, stock, stores, work-in-process, book debts both present and future.
14. The applicability of revised Accounting Standard 15 on "Employees Benefits" (AS 15) issued by the ICAI, which was earlier applicable with effect from 1st April 2006, has been postponed and is now applicable for accounting periods commencing on or after 7th December, 2006. Accordingly, the group will adopt the said AS 15 in the period in which the same becomes applicable to the group.
15. The Parent Company had instituted "Employee Stock Option Plan" (ESOP) for its employees in the year 2000. To administer the ESOP the Parent Company had created a Trust viz. D-Link (India) Limited ESOP Trust (the Trust) in September 2000. The said Trust was allotted 6,50,000 Equity Shares of Rs 2 each. In terms of the said ESOP, the Trust has been granting options to the employees in the form of Equity Shares which vest at the rate of 25% on each successive anniversary of the grant date. The accounting of ESOP's granted by the Trust to the employees of the Parent Company is done in accordance with The SEBI (ESOS and ESPS) Guidelines, 1999. These Guidelines were amended in July 2004 for all accounting periods commencing after 30th June 2003. The amendment required the Parent Company to prepare its accounts as if the ESOS/ESPS scheme was administered by itself (rather than by the Trust). The Parent Company has accordingly considered all the options granted by the Trust on or after 1st April 2004. The difference between the Market price of the share (intrinsic value) and the exercise price of the option, on the date of grant, is being amortised over the vesting period. The annual amortization is included under "Payments to and Provisions for Employees" in Schedule-14 and the cumulative charge is disclosed in the Balance sheet under "Employee stock options outstanding"
16. Previous years figures have been regrouped, wherever necessary, to correspond with, those of the current year.

signatures to schedules 1 to 16

As per our attached report of even date

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A. B. Jani**  
Partner

**For and on behalf of the Board**

**K.R.Naik**  
Chairman & Managing director

**K.G. Prabhu**  
Company Secretary

**K.M. Gaonkar**  
Director

**Bhushan Prabhu**  
Director-Finance

Mumbai, dated : 16th May, 2007

Mumbai, dated : 16th May, 2007

# OUR PRESENCE IN INDIA



**CORPORATE HEADQUARTERS**

Mumbai

**MANUFACTURING FACILITIES**

Goa

**SOFTWARE AND R&D CENTERS**

Goa  
Bangalore

**SALES/SERVICE OFFICES**

Pune  
Goa  
Ahmedabad  
Jaipur  
Kochi  
Bangalore  
Chennai  
Hyderabad  
Bhubaneshwar  
Kolkata  
Bhopal  
Chandigarh  
New Delhi  
Lucknow  
Guwahati  
Jamshedpur

**DISTRIBUTORS OFFICES**

Pune  
Mumbai  
Nasik  
Goa  
Ahmedabad  
Jaipur  
Kochi  
Bangalore  
Chennai  
Hyderabad  
Bhubaneshwar  
Kolkata  
Bhopal  
Chandigarh  
New Delhi  
Lucknow  
Guwahati  
Jamshedpur  
Indore  
Nagpur  
Raipur  
Kathmandu  
Patna  
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