

ANNUAL REPORT 1999 - 2000



DDE ORG SYSTEMS LIMITED

Board of Directors

Erik Christoffersen
Chairman

Ajay R. Mehta
Vice Chairman

CVS Narayanan
Kurt Wamberg Rasmussen
Kartikeya V. Sarabhai
Anand K. Sethi
John Hoffmann (Alternate to Kurt Wamberg Rasmussen)
Martin Kristensen (Alternate to Anand K. Sethi)

Auditors

Deloitte Haskins & Sells, Mumbai
Chartered Accountants

Bankers

Punjab National Bank
Bank of Baroda
Canara Bank
State Bank of Saurashtra

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DDE ORG SYSTEMS LIMITED

Regd. Office :
Dr. Vikram Sarabhai Marg, Wadi Wadi, Vadodara 390 023.

Notice

The Thirteenth Annual General Meeting of the Company will be held on Saturday, the 30th day of September, 2000 at 2.00 p.m. at the Registered Office of the Company at Dr. Vikram Sarabhai Marg, Wadi wadi, Vadodara to transact the following business :

Item 1

To receive, consider and adopt the Directors' Report and Audited Profit and Loss Account for the year ended 31.3.2000 and the Balance Sheet of the Company as on that date.

Item 2

To appoint a Director in place of Dr. Anand K. Sethi, a nominee of the Industrialisation Fund for Developing Countries, who was appointed as Director of the Company on 25.8.1998 pursuant to Article 131 of the Articles of Association of the Company to fill the casual vacancy on the Board caused by the resignation of Mr. Martin Kristensen, and who ceases to hold office under Section 262 of the Companies Act, 1956 but is eligible for appointment and in respect of whom the Company has received notice in writing from a member proposing his candidature for the office of Director.

Item 3

To appoint a Director in place of Mr. Kurt Wamberg Rasmussen, a nominee of Dansk Data Elektronik A/S, who was appointed as Director of the Company on 24.11.1998 pursuant to Article 131 of the Articles of Association of the Company to fill the casual vacancy on the Board caused by the resignation of Mr. Peter Tvedegaard, and who ceases to hold office under Section 262 of the Companies Act, 1956 but is eligible for appointment and in respect of whom the Company has received notice in writing from a member proposing his candidature for the office of Director.

Item 4

To appoint Messrs Deloitte Haskins & Sells, Mumbai, Chartered Accountants, as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board of Directors,

H. N. Shankar
President & CEO.

5th September, 2000.

Note :

A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Directors' Report

To the Shareholders,

Your Directors present the Annual Report and Audited Statement of Accounts for the year ended 31.3.2000. The following figures summarise the working results for the period.

	1999-2000	1998-1999
	(Rs. '000)	(Rs. '000)
Income	319,123	369,119
Gross Profit	12,907	15,947
Less: Interest	17,333	11,404
Depreciation	1,924	1,964
Profit / (Loss) before Tax	(6,350)	2,579
Provision for Tax	-	272
Net Profit / (Loss)	(6,350)	2,307

In view of the loss incurred by the Company during the year under report, your Directors regret their inability to recommend payment of any dividend.

During the year under report, the Company's sales did not meet expectations. It was decided by the management to pursue higher margin and better cash flow businesses. Accordingly, the Company did not participate in many Telecom and Government bids resulting in a lower sales compared with the previous financial year.

During the year, the Company decided to reorganise itself into three mainstream businesses of Systems Integration, Services and Software. This reorganisation as well as implementation of new business plan should help the Company move towards a profitable future.

Building, Plant and Machinery and Stock-in-trade have been adequately insured. The Company carries a risk for certain assets like goods in transit in respect of which any loss resulting from non-insurance is small.

Upon withdrawal of nomination of Mr. H. N. Shankar as Director of the Company by Sarabhai Electronics Limited (SEL) he ceased to be the Director of the Company with effect from 1st September, 1999. He, however continues to function as the President & CEO of the Company. Mr. C.V.S. Narayanan, a nominee of SEL was appointed as Director of

the Company with effect from 30th September, 1999 in place of Mr. H. N. Shankar.

Dr. Anand K. Sethi, a nominee of The Industrialisation Fund for Developing Countries was appointed as Director of the Company with effect from 25.8.1998 in the vacancy caused by the resignation of Mr. Martin Kristensen. In terms of Section 262 of the Companies Act, 1956, Dr. Anand K. Sethi holds office as Director upto the date of ensuing Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the Office of Director.

Mr. Kurt Wamberg Rasmussen, a nominee of Dansk Data Elektronik A/S was appointed as Director of the Company with effect from 24.11.1998 in the vacancy caused by the resignation of Mr. Peter Tvedegaard. In terms of Section 262 of the Companies Act, 1956, Mr. Kurt Wamberg Rasmussen holds office as Director upto the date of ensuing Annual General Meeting. Notice in writing under Section 257 of the Companies Act, 1956 has been received from a member proposing his candidature for the Office of Director.

The Auditors, Messrs Deloitte Haskins & Sells, Mumbai retire at the conclusion of the ensuing Annual General Meeting and offer themselves for re-appointment. Members are requested to appoint and fix their remuneration.

Information required under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is appended herewith and forms part of this report. Further, information regarding employees as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is also given in the annexure forming part of this report.

Your Directors record their appreciation of the services of the employees in furthering the Company's interest.

For and on behalf of the Board of Directors,

Erik Christoffersen
Chairman

5th September, 2000

Annexure to Directors' Report

Information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

A. Conservation of Energy

Although the Computer Services industry as such is not an energy intensive industry, efforts are being made continuously by the Company for the conservation of energy through improved operational methods and other means.

B. Form of Disclosure of Particulars with respect to Absorption of Technology, Research & Development (R & D).**FORM B****Research and Development****1. Specific areas in which R & D carried out by the Company :**

Computer Systems, Communication Products and Software Products.

2. Benefits derived as a result of the above R & D :

Enhancement and/or upgrading of Hardware / Software products.

3. Future Plan of Action :

The ongoing process of R & D will be directed primarily towards upgradation of the Company's products with a view to enhancing market revenues for these products in India and abroad.

4. Expenditure on R & D. (Rs. '000)

(a) Capital 41

(b) Recurring 1,336

(c) Total 1,377

(d) Total R & D Expenditure as a percentage to total turnover 0.43%

5. Technology absorption, adaptation and innovation and the benefits derived therefrom :

(a) The Technology development through R & D have been well absorbed in the areas of Hardware, especially communication products and Software products.

(b) Technology imported and absorbed :

Under a Technical Collaboration Agreement, the Company has been buying technical know how from Dansk Data Elektronik A/S, Denmark for the upgradation to be carried out on their Supermax range of products.

Foreign Exchange Earnings/Outgoings (Rs. '000)

Foreign Exchange Earnings : 5,553

Foreign Exchange Expenditure : 8,866

INFORMATION REGARDING EMPLOYEES AS PER SECTION 217 (2-A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE PERIOD FROM 01.04.1999 TO 31.03.2000.

Name	Qualification	Age yrs.	Experience yrs.	Employment date	Designation	Remuneration Rs.	Previous Employer
H. N. SHANKAR	B.E. (Electrical)	51	28	09.10.1995	President & C E O	10,64,118	Ashok Leyland Information Technology Ltd., Bangalore.

Auditors' Report

To the Shareholders of DDE ORG Systems Limited.

We have audited the attached Balance Sheet of DDE ORG Systems Limited as at March 31, 2000, and the annexed Profit and Loss Account for the year ended on that date and report as under :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the annexure a statement on the matters specified in para 4 and 5 of the said Order to the extent applicable and based on such checks as we considered appropriate.
2. Further to our comments in the annexure referred to in paragraph 1 above we report that :
 - a. No provision has been made in the financial statements for gratuity liability amounting to TRs. 6,042 and leave encashment liability amounting to TRs. 2,200 as required by Accounting Standard 15 - "Accounting for Retirement Benefits" issued by the Institute of Chartered Accountants of India.
 - b. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - c. 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, subject to our remarks in sub-para (a) above.
 - d. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account.
 - e. In our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 subject to our remarks in sub-para (a) above.
 - f. In our opinion and to the best of our information and according to the explanations given to us, the accounts, read together with the notes thereon, subject to the fact that the accumulated losses as at the year end and the loss for the year is understated by TRs. 8,242 in view of short provision of gratuity liability and leave encashment liability as enumerated in sub-para (a) above, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - i) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2000
and
 - ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

For Deloitte Haskins & Sells

Chartered Accountants

N. P. Sarda

Partner

Mumbai

11th September, 2000

Annexure to the Auditors' Report

(Referred to in Para 1 of our Report of even date)

1. The Company has maintained proper records showing full details including quantitative and situation of its fixed assets. The fixed assets have been physically verified by the management during the year. However, the same has not been reconciled with the book records. Hence, discrepancies, if any, have not been ascertained.
2. None of the fixed assets have been revalued during the year.
3. The stock of finished goods, stores, spare parts, raw materials and components have been physically verified by the Management during the year. In our opinion, the frequency of such physical verification is reasonable.
4. The procedures for physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not significant and the same have been properly dealt with in the books of account.
6. On the basis of our examination of stocks, we are satisfied that the valuation is fair and proper and in accordance with normally accepted accounting principles and on the same basis as in the previous year.
7. The Company has not taken any loan, secured or unsecured, from Companies, firms or other parties listed in the Register required to be maintained under Section 301 of the Companies Act, 1956, or from Companies under the same management as defined under section 370 (1B) of the Companies Act, 1956.
8. The Company has not granted any loan, secured or unsecured, to Companies, firms or other parties listed in the Register required to be maintained under Section 301 of the Companies Act, 1956, or to Companies under the same management as defined under section 370 (1B) of the Companies Act, 1956.
9. The Company has given interest free and interest bearing loans and advances to its employees and they are repaying the principal amount and interest as stipulated.
10. In our opinion, as per the information and explanations given to us during the course of our audit, there were adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials, spare parts, components, plant and machinery, equipments and other similar assets, and also for the sale of goods.
11. In respect of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, the prices for such transactions could not be compared as there were no comparable quotations or transactions with other parties.
12. The unsaleable, unserviceable or damaged finished products, packing materials, raw materials and stores and spares have been determined and necessary provision for the loss, if any, has been made in the accounts.
13. The Company, has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956, and the rules framed thereunder.
14. There are no disposable or realisable by-products arising out of the manufacturing activities of the Company. However, records for realisation of scrap have been maintained by the Company.
15. The Company has an internal audit system commensurate with the size of the Company and nature of its business.
16. As per the information given to us, the Central Government has not prescribed rules for maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, for any of the products manufactured by the Company.
17. According to the records of the Company, Provident Fund and Employees' State Insurance dues have generally been regularly deposited with the appropriate authorities during the year.
18. According to the information and explanation given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Customs Duty and Excise Duty as at March 31, 2000, which are outstanding for a period of more than six months from the date they become payable.
19. According to the information and explanations given to us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.
20. The Company is not a Sick Industrial Company within the meaning of Section 3 (1) (O) of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. The Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with the size and nature of its business. The system provides for a reasonable allocation of the materials consumed to the relative jobs.
22. The Company has a reasonable system of allocating manhours utilised to the relative jobs, commensurate with the size and nature of its business.
23. There is a reasonable system of authorisation at proper levels with necessary control on the issue of stores and labour to jobs. The Company has an internal control procedure commensurate with the size and nature of its business in this respect.
24. In respect of trading activity, damaged goods have been determined and properly dealt with in the books of account.

For Deloitte Haskins & Sells
Chartered Accountants

N. P. Sarda
Partner
Mumbai
11th September, 2000

Balance Sheet as at 31.03.2000	Schedule	31.03. 2000 (Rs. '000)	31.03.1999 (Rs. '000)
SOURCES OF FUNDS			
Shareholder's funds :			
Share Capital	A	50,000	50,000
Reserves and Surplus	B	<u>202</u>	<u>202</u>
		50,202	50,202
Loan funds :			
Secured Loans	C	56,994	65,001
Unsecured Loans	D	<u>23,037</u>	<u>18,230</u>
		<u>80,031</u>	<u>83,231</u>
TOTAL		<u>130,233</u>	<u>133,433</u>
APPLICATION OF FUNDS			
Fixed Assets :			
Gross Block (At Cost)	E	20,719	20,323
Less : Depreciation		<u>9,050</u>	<u>7,329</u>
Net Block		11,669	12,994
Current Assets, Loans and Advances :			
Inventories	F	56,400	52,577
Sundry Debtors		88,642	100,419
Cash and Bank Balances		12,248	13,673
Loans and Advances		<u>14,073</u>	<u>14,290</u>
		<u>171,363</u>	<u>180,959</u>
Less : Current Liabilities and Provisions :			
Current Liabilities	G	77,467	81,979
Provisions		<u>1,100</u>	<u>--</u>
		<u>78,567</u>	<u>81,979</u>
Net Current Assets		92,796	98,980
Miscellaneous Expenditure : (to the extent not written off or adjusted)			
Deferred Revenue Expenditure		3,992	6,033
Profit and Loss Account		<u>21,776</u>	<u>15,426</u>
		<u>25,768</u>	<u>21,459</u>
TOTAL		<u>130,233</u>	<u>133,433</u>
Significant Accounting Policies and Notes to Accounts			
	L		

Schedules A to G and L form part of the Balance Sheet

As per our report of even date attached

For Deloitte Haskins & Sells
Chartered Accountants

N. P. Sarda
Partner
Mumbai
11th September, 2000

Erik Christoffersen
Chairman

Ajay R. Mehta
Vice-Chairman

Kurt Wamberg Rasmussen
Director

Kartikeya V. Sarabhai
Director
Copenhagen
5th September, 2000

Profit and Loss Account For the year ended 31.03.2000	Schedule	1999-2000 (Rs. '000)	1998-1999 (Rs. '000)
INCOME			
Sales (including Excise Duty)		239,156	282,890
Services		77,846	81,044
Other Income	H	2,121	5,185
TOTAL		<u>319,123</u>	<u>369,119</u>
EXPENDITURE			
Purchase of Traded Products		184,196	233,671
Materials and Stores Consumed	I	6,615	9,709
(Increase) / Decrease in Inventories	J	302	(2,398)
Administrative and Other Expenses	K	115,103	112,190
TOTAL		<u>306,216</u>	<u>353,172</u>
Profit before Interest, Depreciation and Tax		12,907	15,947
Less: Interest		17,333	11,404
Less: Depreciation		1,924	1,964
Profit / (Loss) for the year before tax		(6,350)	2,579
Less: Provision for Tax		--	272
Profit / (Loss) after Tax		(6,350)	2,307
Add: Loss Brought Forward		(15,426)	(17,733)
Loss Carried Forward to Balance Sheet		(21,776)	(15,426)

Significant Accounting Policies and Notes to Accounts L

Schedules H to L form part of the Profit and Loss Account

As per our report of even date attached

For Deloitte Haskins & Sells
Chartered Accountants

N. P. Sarda
Partner
Mumbai
11th September, 2000

Erik Christoffersen
Chairman

Ajay R. Mehta
Vice-Chairman

Kurt Wamberg Rasmussen
Director

Kartikeya V. Sarabhai
Director
Copenhagen
5th September, 2000

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Schedules attached to and forming part of the Balance Sheet as at 31.03.2000

Schedule A Share Capital	31.03.2000 (Rs. '000)	31.03.1999 (Rs. '000)
Authorised Capital : 50,00,000 Equity Shares of Rs. 10 each	<u>50,000</u>	<u>50,000</u>
Issued, Subscribed and Paid up Capital : 50,00,000 Equity Shares of Rs. 10 each Fully paid up	<u>50,000</u>	<u>50,000</u>
Note : Out of the above 24,99,490 Equity Shares are issued and allotted for consideration other than cash		
Total	<u>50,000</u>	<u>50,000</u>

Schedule B Reserves and Surplus

Capital Reserve Balance as per last Balance Sheet	<u>202</u>	<u>202</u>
Total	<u>202</u>	<u>202</u>

Schedule E Fixed Assets

	Gross Block				Depreciation				Net Block	
	As at 01.04.99	Addition during the year	Deduction during the year	As at 31.03.00	As at 01.04.99	For the year	Deduction during the year	As at 31.03.00	As at 31.03.00	As at 31.03.99
Plant & Machinery	6,152	-	-	6,152	1,687	315	-	2,002	4,150	4,465
Furniture & Fixtures	6,174	164	103	6,235	1,528	307	25	1,810	4,425	4,646
Computers	5,888	321	86	6,123	3,012	962	22	3,952	2,171	2,876
Vehicles	2,109	333	233	2,209	1,102	340	156	1,286	923	1,007
Total	20,323	818	422	20,719	7,329	1,924	203	9,050	11,669	12,994
Previous year	20,417	822	916	20,323	5,623	1,964	258	7,329	12,994	-

Schedule C Secured Loans

	31.03.2000 (Rs. '000)	31.03.1999 (Rs. '000)
Working Capital Facilities from Banks (secured by hypothecation of current assets namely stock of RM, WIP, FG stores and book debts and collateral security of movable fixed assets)	56,531	64,350
Hire Purchase Facility - Car Loans Instalments due within one year TRs. 338, (TRs. 409)	463	651
Total	<u>56,994</u>	<u>65,001</u>

Schedule D Unsecured Loans

Due to Sarabhai Electronics Limited	3,517	9,624
Due to Ambalal Sarabhai Enterprises Limited	19,520	8,606
Total	<u>23,037</u>	<u>18,230</u>

(Rs. '000)

Schedule F	31.03.2000	31.03.1999
Current Assets, Loans and Advances	(Rs. '000)	(Rs. '000)
A. Current Assets		
I. Inventories		
Stores & Spare Parts	35,314	28,501
Raw Materials & Components	12,979	15,667
Work-in-Process(Hardware)	899	1,168
Finished Products	5,904	6,075
Stock-Software	1,304	1,166
Total	56,400	52,577
II. Sundry Debtors (unsecured)		
Outstanding for more than 6 months		
- considered good	29,205	20,640
- considered doubtful	3,789	4,680
Other debts-considered good	59,437	79,779
	<u>92,431</u>	<u>105,099</u>
Less : Provision for doubtful debts	3,789	4,680
Total	88,642	100,419
III. Cash and Bank Balances		
Cash & Cheques on Hand	331	3,443
Balance with Scheduled Banks :		
In Current Accounts	7,222	5,925
In Fixed Deposit Accounts	5	5
In Margin Money Accounts	4,690	4,300
Total	12,248	13,673
B. Loans & Advance (Unsecured, Considered good)		
Advances recoverable in cash or kind or for value to be received [Including TRs. 74, (TRs. 57) due from officers, maximum amount due during the year TRs. 96, (TRs. 63)]	2,447	2,958
Other Deposits	6,663	8,062
Advance payment of Tax (net of provisions)	4,963	3,270
Total	14,073	14,290

Schedule G	31.03.2000	31.03.1999
Current Liabilities and Provisions	(Rs. '000)	(Rs. '000)
A. Current Liabilities		
Sundry Creditors	44,460	48,733
Debts due to small scale Industries TRs. Nil (TRs. Nil)		
Other Liabilities	33,007	33,246
Total	77,467	81,979
B. Provisions		
For Leave Encashment	1,100	-
	<u>1,100</u>	<u>-</u>

Schedules attached to and forming part of the Profit and Loss Account for the year ended 31.03.2000

Schedule H	1999-2000	1998-1999
Other Income	(Rs. '000)	(Rs. '000)
Interest	346	2,266
Profit on Sale of Fixed Assets (net)	-	45
Miscellaneous Income	1,775	2,874
Total	2,121	5,185

Schedule I		
Materials and Stores Consumed		
Raw Materials Consumed	1,389	3,599
Stores & Spares	5,226	6,110
Total	6,615	9,709

Schedule J		
(Increase) / Decrease in Inventories		
Opening Stock		
Work-in-Process (Hardware)	1,168	1,449
Finished Stock (Including software stock)	7,241	4,562
	8,409	6,011
Less : Closing Stock		
Work-in-Process (Hardware)	899	1,168
Finished Stock (Including software stock)	7,208	7,241
	8,107	8,409
Total	302	(2,398)

Schedule K Administrative and Other Expenses	1999-2000 (Rs. '000)	1998-1999 (Rs. '000)
Excise Duty Paid	18	186
Lease and Hire Charges	2,998	4,408
Royalty	60	622
Salaries, Wages and Bonus	50,100	48,492
Contribution to Provident and Other funds	3,617	3,298
Welfare Expenses	3,559	3,818
Power & Fuel	2,169	2,236
Factory Overheads	1,148	858
Repairs to Buildings	58	311
Repairs to Machinery	-	7
Repairs - Others	572	534
Travelling	8,597	8,920
Conveyance	3,568	3,885
Vehicle Expenses	2,840	2,715
Rent	7,045	5,955
Rates & Taxes	1,072	887
Communication Expenses	8,271	8,019
Service Charges	3,189	3,337
Printing and Stationery	1,608	1,403
Insurance	157	192
Legal and Professional Charges	226	361
Auditors Remuneration		
- Audit fees	263	250
- Tax Audit fees	63	60
- Others	34	30
	360	340
Selling and Distribution Expenses	2,670	2,441
Miscellaneous Expenses	8,477	7,294
Bad Debts Written off	891	2,047
Less : Adjusted against Provision	891	2,047
Loss on sale of fixed assets (Net)	9	-
Deffered Revenue Expenses amortised	2,715	1,671
Total	115,103	112,190

Schedule L

Significant Accounting Policies and Notes to Accounts attached to and forming part of the Accounts for the year ended 31.03.2000

A. Significant Accounting Policies

1. GENERAL

The accompanying financial statements have been prepared on historical cost basis and accrual basis of accounting except for liability for gratuity and leave encashment which are accounted for in the manner stated in Note B.2 and B.3.

2. FIXED ASSETS

- i. Tangible assets are stated at cost less depreciation.
- ii. Fixed assets acquired under hire purchase are capitalised under the respective heads of assets and depreciated accordingly. The liability for the same is recorded under Secured Loans.
- iii. Depreciation is provided at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956 in the following manner :
 - a. On vehicles on written down value method.
 - b. On all other assets on straight line method.

3. LEASEHOLD ASSETS

Assets acquired / provided on lease, the lease rentals incurred / earned are charged / credited to revenue for the year.

4. INVENTORY

Inventory is valued at lower of cost or net realisable value. Cost is computed on the following basis :

- a. Raw Material, components and spares - at monthly weighted average cost
- b. Finished products and software stock - on specific identification method
- c. Work-in-process - at material cost. Cost is computed on monthly weighted average cost.

5. FOREIGN CURRENCY TRANSLATION

Transactions in foreign currency are recorded at the rates prevailing on the date of the transaction.

Monetary assets and liabilities relating to foreign currency transactions remaining unsettled at the end of the year are translated at the year end rates. The difference in translation of monetary assets and liabilities are recognised in the Profit and Loss Account except that exchange difference, if any, in respect of liabilities incurred to acquire fixed assets which are adjusted to the carrying amount of such fixed assets. In respect of transactions covered by forward exchange contracts, the difference between the contract rate and the spot rate on the date of the transaction is charged to the Profit and Loss Account over the period of the contract.

6. DEFERRED REVENUE EXPENDITURE

Deferred revenue expenditure comprising of compensation paid to employees who have been retrenched by the company / opted for voluntary retirement are amortised over a period of thirty six months.

7. STAFF RETIREMENT BENEFITS

i. Superannuation Benefits

The Company has availed of Employees Group Superannuation Scheme with the Life Insurance Corporation for providing pension benefits to its staff who have satisfied the criteria specified by the company from time to time. Contribution paid to the Scheme is charged to the revenue account.

ii. Gratuity Benefits

The Company had taken a policy with the Life Insurance Corporation of India under their Group Gratuity Scheme in respect of payment of gratuity to all employees. However, the same has not been renewed. The shortfall in liability has not been provided for as referred to in Note B.2.

iii. Leave Encashment

The Company has provided for one-third of the liability for leave encashment as at March 31, 2000. The shortfall in liability has not been provided for as referred to in Note B.3.

has given a bond for TRs. 30,000 to the customs authorities against the import of the aforesaid equipment.

2. The total liability for gratuity based on actuarial valuation as on March 31, 2000 is TRs. 6,743 (TRs. 11,160 - valued on actual basis.) The company had taken a Group Gratuity Policy with the Life Insurance Corporation. However, the same has not been renewed since 01.04.98. Life Insurance Corporation has informed that the balance with the fund under the policy is TRs. 701 (TRs. 701). No provision has been made for the shortfall of TRs. 6,042 (TRs. 10,459) towards gratuity liability in the financial statements.
3. The Company was hitherto accounting for leave encashment expenditure on cash basis. However, for the current year the company has made a provision of TRs. 1,100 (TRs. Nil) being one-third of the total liability determined as on March 31, 2000 in the financial statements and the balance liability of TRs. 2,200 (TRs. 3,289) has not been provided for in the financial statements.
4. a. Salaries and Wages include an amount of TRs. 288 (TRs. 692) towards remuneration paid to Directors.
b. Contribution to Provident and other funds include an amount of TRs. 44 (TRs. 106) made on behalf of Directors.
c. Welfare expenses include an amount of TRs. 12 (TRs. 4) incurred on Directors.
5. a. Interest income for the year includes TRs. Nil (TRs. 1,110) for earlier years.
b. Interest expense for the year includes TRs. 1,932 (TRs. Nil) for earlier years.
6. Information pursuant to Part II of Schedule VI of the Companies Act, 1956 :

B. Other Notes

1. Contingent liabilities not provided for :

- a. Counter guarantees TRs. 24,510 (TRs. 17,924)
- b. Future lease rentals on equipment taken amount to TRs. 707 (TRs. 3,650)
- c. The Company has received equipment worth TRs. 7,375 on loan from DDE, Denmark for its software facilities at Bangalore. The equipment is to be returned on completion of specific projects undertaken on behalf of DDE, Denmark. The Company

A. Class of Goods Produced :

	Unit	Licensed Capacity*	Installed Capacity	Opening Stock Qty.	Production Qty.	Closing Stock Qty.	Turnover Qty.	Value TRs.
1. Microprocessor based system	Nos.	N.A.	N.A.	5 (5)	- (-)	5 (5)	- (-)	- (-)
2. Other Items CRT Terminals	Nos.	N.A.	1000 (1000)	- (-)	- (-)	- (-)	- (-)	- (-)
Others (including Software)								12,580 (9,677)

* The industry is delicensed and hence figures are not given.

B. Class of Goods Traded :

	Unit	Opening Stock Qty.	Value TRs.	Purchases Qty.	Value TRs.	Closing Stock Qty.	Value TRs.	Sales Qty.	Value TRs.
Microprocessor based system	Nos.	50 (29)	3,225 (2,019)	1,293 (2,544)	98,549 (131,750*)	48 (50)	2,895 (3,225)	1,295 (2,523)	125,953 (160,100)
Others (including Software)									100,623 (113,113)
Services rendered									77,846 (81,044)

* Purchases include goods valued at TRs. 1,838 repossessed from a customer.

C. Raw Materials Consumed

	Units	Quantity	TRs.
Peripherals	Nos.	- (33)	- (116)
Integrated Circuits	Nos.	- (11,206)	- (745)
Raw PCBs	Nos.	- (142)	- (78)
Power Supply	Nos.	- (52)	- (62)
Others			1,389 (2,598) <u>1,389</u> (3,599)

E. CIF Value of Imports

	TRs.
Raw Materials	448 (710)
Traded Products	6,222 (23,561)
Software	294 (217)

F. Expenditure in Foreign Currencies

	TRs.
Travel	860 (471)
Royalty	1,038 (-)
Others	4 (8)

D. Consumption of Raw Materials

Raw Materials	TRs.	% age
Imported	- (2,484)	- (69.02)
Indigenous	1,389 (1,115)	100.00 (30.98)
	<u>1,389</u> (3,599)	<u>100.00</u> (100.00)

G. Earning in Foreign Currencies

	TRs.
Export Income	5,553 (33,456)

7. Previous year's figures have been regrouped / rearranged, wherever necessary, to conform with current year's classification.
8. Figures in bracket indicate previous year's figures.

Signatures to Schedule A to L

As per our report of even date attached

For Deloitte Haskins & Sells
Chartered Accountants

N. P. Sarda
Partner
Mumbai
11th September, 2000

Erik Christoffersen
Chairman

Ajay R. Mehta
Vice-Chairman

Kurt Wamberg Rasmussen
Director

Kartikeya V. Sarabhai
Director
Copenhagen
5th September, 2000

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. Registration Details**

i) Registration No.	22904
ii) State Code	04
iii) Balance Sheet Date	31.3.2000

II. Capital raised during the year**(Rs. '000)**

i) Public Issue	Nil
ii) Right Issue	Nil
iii) Bonus Issue	Nil
iv) Private Placement	Nil

III. Position of Mobilisation and Deployment of Fund**(Rs. '000)**

i) Total Liabilities	208,800
ii) Total Assets	208,800
iii) Source of Funds	
a. Paid up Capital	50,000
b. Reserves and Surplus	202
c. Secured Loans	56,994
d. Unsecured Loans	23,037
iv) Application of Funds	
a. Net Fixed Assets	11,669
b. Net Current Assets	92,796
c. Investments	-
d. Misc. Expenditure	3,992
e. Accumulated Losses	21,776

IV. Performance of the Company**(Rs. '000)**

i) Turnover (Total Income)	319,123
ii) Total Expenditure	325,473
iii) Loss before Tax	6,350
iv) Loss after Tax	6,350
v) Earning per share	-
vi) Dividend rate	Nil

V Generic Names of Three Principal Products / Services of the Company

(as per monetary terms)	
i) Item Code No. (ITC Code)	84712002
Product Description	MICRO BASED COMPUTER SYSTEM MINI COMPUTERS / MICRO COMPUTER / PROCESSOR
ii) Item Code No. (ITC Code)	847119219
Product Description	OTHERS CRT TERMINALS
iii) Item Code No. (ITC Code)	84719203
Product Description	DATA ENTRY TERMINALS DCU/DET

Erik Christoffersen
Chairman

Ajay R. Mehta
Vice-Chairman

Kurt Wamberg Rasmussen
Director

Kartikeya V. Sarabhai
Director
Copenhagen
5th September, 2000



CORPORATE OFFICE :

DDE ORG SYSTEMS LIMITED, DR. VIKRAM SARABHAI MARG, WADI WADI, VADODARA-390 023, INDIA
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URL : <http://www.ddeorg.com>

REGIONAL OFFICES :

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Email : ahd@ddeorg.com

Bangalore :

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29, Shanti Road, Shanti Nagar,
Bangalore-560 027.
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8, Camac street,
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Email : mds@ddeorg.com

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Pan Bazar, S. C. Goswami Road,
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Email : ghy@ddeorg.com

Mumbai :

1st floor, 18/B, Subhash Road,
Next to United Ink, Vile Parle, (East)
Mumbai - 400 057.
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Email : bom@ddeorg.com

New Delhi :

33, Community Centre,
Basant Lok, Vasant Vihar,
New Delhi - 110 057.
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Email : sec@ddeorg.com

Vadodara :

Dr. Vikram Sarabhai Marg,
Wadi Wadi, Vadodara - 390 023.
Tel. : 0265-381393 Fax : 0265-382029
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Area Offices at Bhubaneshwar, Chandigarh, Goa, Kanpur,
Nagpur, Thiruvananthapuram and Cochin.

Plus more than 35 countrywide support locations.

Software Exports Unit

Bangalore :

Maruti Towers, 3rd Floor,
3/4, Hosur Main Road, Madiwala
Bangalore-560068
Tel. : 080-5538125/5539217 Fax : 080-5538646
Email : umesh@ddeorg.soft.net

Ref:- 2217

Oct. 12, 2000

To
Mr. Erik Christoffersen
Mr. Ajay R. Mehta
Mr. Kurt Wamberg Rasmussen
Mr. Kartikeya V. Sarabhai
Mr. C.V.S. Narayanan
Dr. Anand K. Sethi
→ Mr. John Hoffmann
Mr. Martin Kristensen.

Sub : Annual Report of DDE ORG Systems Limited.

Sir,

Please find enclosed two copies of Annual Report of the Company for the year 1999-2000, for your records.

Thanking you,

Yours sincerely


Anju Sharma.

Encl : As above.

DDE ORG SYSTEMS LTD.

Dr. Vikram Sarabhai Marg
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INDIA

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