

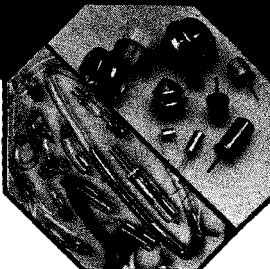


SWITCHING TECHNOLOGIES GÜNTHER LIMITED

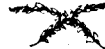
18th Annual Report and Accounts 2006

GÜNTHER AMERICA

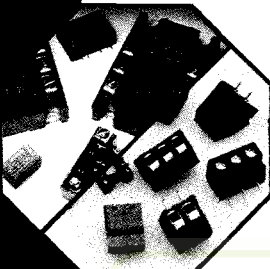
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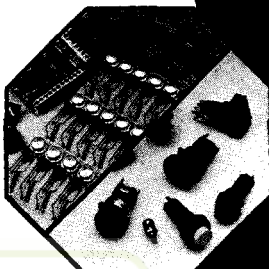
Sensing the World's needs

Assembly and
technology finely matched to
offer both standard and custom
switch and sensor products
to industry

Bauteile und Technologie wurden soweit in
Einklang gebracht, daß sie sowohl für
Standard-Schalter und
Schalter-Sonderanfertigungen als auch für
Sensor-Produkte auf dem Markt angeboten
werden können

Les assemblages et la technologie ont été
accordés pour qu'ils puissent être offerts sur
le marché non seulement pour les
interrupteurs standards et spéciaux mais
encore pour les capteurs

Assemblaggi e tecnologia opportunamente
uniti per offrire interruptori standard o custom
e sensoristica per l'industria

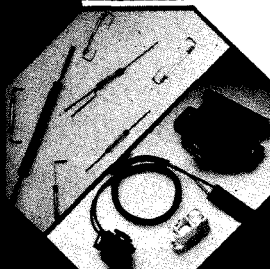


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EUROPE

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STG

SWITCHING TECHNOLOGIES
GÜNTHER LIMITED
Plots B9, B10 & C1, MEPZ
Tambaram
Chennai 600 045





SWITCHING TECHNOLOGIES GÜNTHER LIMITED

BOARD OF DIRECTORS	: JOHN D. ROLLO (Chairman) ROBERT P. ROMANO C.VENKATARAMAN (Whole time Director) NICHOLAS LEE GILBERT P. RAMESH (Alternate to Robert P. Romano)
BANKERS	: STATE BANK OF INDIA HDFC BANK LIMITED
AUDITORS	: A.F.FERGUSON ASSOCIATES <i>Chartered Accountants</i> No.5, Nandanam Extension 1st Street, Nandanam Chennai 600 035
SECRETARIAL CONSULTANT	: J.CHANDRASEKARAN <i>Practicing Company Secretary</i>
REGISTERED OFFICE & WORKS	: Plots B9, B10 & C1, MEPZ-Special Economic Zone Kadapperi, Tambaram Chennai 600 045 Phone : 91-44-22628093 91-44-22628198 Fax : 91-44-22628271 e-mail : stgindia@airtelbroadband.in
REGISTRAR FOR ELECTRONIC CONNECTIVITY AND PHYSICAL SHARE TRANSFERS	: CAMEO CORPORATE SERVICES LTD Subramanian Building 1, Club House Road, Chennai 600 002 Phone : 91-44-28460390 (5 Lines) Fax : 91-44-28460129 e-mail : cameosys@cameoindia.com

SWITCHING TECHNOLOGIES GÜNTHER LIMITED



SWITCHING TECHNOLOGIES GÜNTHER LIMITED

Regd. Office: B9, B10 & C1, MEPZ-Special Economic Zone, Kadapperi, Tambaram, Chennai 600 045

NOTICE TO THE MEMBERS

NOTICE is hereby given that the 18th Annual General Meeting of the members of Switching Technologies Günther Ltd. Will be held on Friday, the 29th September, 2006 at Hotel Grand Palace, 257, G.S.T Road, Chromepet, Near MIT Gate, Chennai 600 044. at 2.30 p.m to transact the following business:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account and Cash Flow Statement for the period ended 31st March 2006 and the Balance Sheet as on that date and the Reports of the Directors' and Auditors' thereon.
2. To appoint a Director in the place of Mr. Robert P. Romano who retires by rotation and is eligible for reappointment.
3. To appoint Auditors and to fix their remuneration.

M/s A.F.Ferguson Associates, Chartered Accountants, Chennai, Auditors of the Company hold office till the conclusion of this Annual General Meeting and are eligible for re-appointment.

For and on behalf of the Board

Place : Chennai
Date : 18th August, 2006

JOHN D.ROLLO
Chairman

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL, TO VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY TO BE VALID, SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE TIME FIXED FOR HOLDING THE MEETING.
2. Members / Proxies should bring the Attendance Slips sent herewith duly filled in for attending the meeting and hand it over at the entrance.
3. Members are requested to bring their copies of the Annual Report to the meeting.
4. Members are requested to immediately intimate any change in their address registered with the Company quoting their respective Folio Number(s).
5. Members who have multiple folios in identical names or joint names in the same order are requested to intimate to the Company these folios to enable the Company to consolidate all such shareholdings into one folio.
6. The Share transfer Register and Register of members will be closed from Tuesday, 26th September, 2006 to Friday, 29th September, 2006 (both days inclusive).

SWITCHING TECHNOLOGIES GÜNTHER LIMITED



DIRECTORS' REPORT

The Board of Directors of your company present their 18th Annual Report together with the audited accounts for the 9 months period ended 31st March 2006.

FINANCIAL RESULTS

	9 months ended 31.03.2006 (Rs.)	15 months ended 30.06.2005 (Rs.)
Sales and other Income	67,409,827	64,233,748
Profit /(Loss) before interest and depreciation	12,561,880	(22,738,084)
Interest	1,219,628	1,536,914
Profit/(Loss) before depreciation	13,781,508	(24,274,998)
Depreciation	2,008,411	6,536,809
Profit / (Loss) before Taxation and exceptional item	15,789,919	(30,811,807)
Exceptional item	10,766,444	—
Profit/ (Loss) before taxation after exceptional item	26,556,363	—
Provision for taxation		
- Current	1,160,000	—
- Fringe benefit tax	116,000	14,000
Profit / (Loss) after taxation and exceptional item	25,280,363	(30,825,807)

PERFORMANCE OF THE COMPANY

The Sales performance during the period was lower compared to the previous year due to competition. The Company has incurred a loss of Rs. (126.97) lakhs before waiver and exceptional item of write back of interest on term loan due to one time settlement. The Company was able to show a profit and make the net worth positive with the help of write back of interest on term loan due to one time settlement and waiver from Günther America Inc., USA. The Earnings (loss) per share for the period before the waiver and write back of interest was Rs. (5.18) per share and after considering the waiver and write back was Rs. 10.32 per share.

AUDITOR'S QUALIFICATION

Regarding the qualification as to "Going concern" the Company's net worth had already become positive as at 31st March 2006 and with the proposed issue of equity shares to Günther America the capital position of the company will be strengthened. The Company is taking several steps to improve the sales and profitability and hence the accounts were prepared as a going concern.

Regarding whole time Directors' remuneration, we are happy to inform you that approval was received from the Department of Company Affairs, Ministry of Company Affairs, Government of India for the increased remuneration payable to the whole time Director from 1st July 2005. Approval for payment of minimum remuneration for the period up to 30th June 2005 is under consideration of the Government of India.

Regarding issue of shares, at the Extraordinary Meeting held on 15.04.2006, the share holders have approved issue of 250,000 equity shares to the holding company, Günther America Inc., at price of Rs. 48/- per equity shares on preferential basis. The Resolution could not be implemented within the 15 days time limit due to delay in procedural formalities.

SWITCHING TECHNOLOGIES GÜNTHER LIMITED

The company will again take the approval of the shareholder at a future date for the said preferential issue of equity shares to the holding company.

FUTURE PROSPECTS

The Company will continue to export high value switches to Günther America Inc. and expects to improve profitability.

DEPOSITS

The Company has not invited or accepted any deposits during the year.

DIRECTORS

Pursuant to provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Robert P. Romano retires by rotation at the ensuing Annual General Meeting. Mr. P. Ramesh who was appointed as Alternate Director to Mr. Robert P. Romano vacated his office due to arrival of Robert P. Romano and was appointed as Alternate to Mr. Nicholas Lee Gilbert on 05th June, 2006. He again vacated his office due to arrival of Mr. Nicholas Lee Gilbert to India and was appointed as Alternate to Mr. Robert P. Romano at the Board meeting held on 18th August 2006.

PARTICULARS OF EMPLOYEES

There were no employees within the purview of Sec.217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

AUDITORS

The Auditors of the Company, M/s. A.F. Ferguson Associates, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

PERSONNEL

The industrial relations continued to remain cordial throughout the period.

DEMATERIALISATION OF SHARES

To facilitate the dematerialization of shares your company has appointed M/s. Cameo Corporate Services Limited, Chennai as Electronic Share Transfer Agent for providing electronic connectivity with National Securities Depository Ltd. and Central Depository Services (India) Ltd. Cameo Corporate Services Limited, Chennai is handling the dematerialization of shares and share transfers – both electronic and physical.

LISTING WITH STOCK EXCHANGES

Your company's shares are listed in Mumbai Stock Exchange. The listing continued throughout the year and the listing fees due to date have been paid. Your company had submitted delisting application to Madras and Ahmedabad stock exchanges as approved by the shareholders at their meeting held on 8th March, 2006.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the requirements of Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

1. In the preparation of annual accounts, the applicable Accounting Standards have been followed except in the case of Accounting Standard AS-28 Impairment of assets where in the company has been followed.
2. The Directors had selected such accounting policies and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the profit of the Company for that period.

SWITCHING TECHNOLOGIES GÜNTHER LIMITED



3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The Directors had prepared the annual accounts on a 'going concern' basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required under Sec.217 (1)(e) of the Companies Act, 1956 and rules framed there under relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in the Annexure, forming part of this report.

ACKNOWLEDGEMENT

The directors thank authorities of Madras Export Processing Zone, Reserve Bank of India, State Bank of India, Export Import Bank of India, International Finance Corporation (Washington) and employees for the guidance and assistance rendered to the company

For and on behalf of the Board

Place : Chennai
Date : 18th August, 2006

JOHN D.ROLLO
Chairman

ANNEXURE TO DIRECTORS' REPORT

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

CONSERVATION OF ENERGY:

Adequate repairs and maintenance of production facilities and improvements in infrastructure were carried out throughout the financial year for achieving energy conservation.

TECHNOLOGY ABSORPTION:

Presently the Company does not have a technical collaboration.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange earned on the export of Reed Switches and others on FOB basis during the period under review amounts to Rs. 389.07 lacs. Foreign exchange outgo on account of Imported Raw Materials, Stores and Capital Goods was Rs. 197.06 lacs whereas expenditure in foreign currency on account of Interest was Rs. 10.79 lacs

For and on behalf of the Board

Place : Chennai
Date : 18th August, 2006

JOHN D.ROLLO
Chairman



AUDITORS' REPORT TO THE MEMBERS OF SWITCHING TECHNOLOGIES GÜNTHER LIMITED

We have audited the attached balance sheet of Switching Technologies Günther Limited as at March 31, 2006 and also the profit and loss account and cash flow statement for the period July 1st, 2005 to March 31st, 2006 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.

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 the 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.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4 A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.

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

- (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) in our opinion, proper books of accounts 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, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) *despite substantial erosion of net worth, the accounts for the period have been prepared on the basis that the company is a "going concern" (Refer note 3);*
- (vii) *Subject to our comments in paragraph (vi) above, the effect of which on the financial statements could not be determined,* 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 March 31, 2006;
 - b. in the case of the profit and loss account, of the profit for the period July 1, 2005 to March 31, 2006; and
 - c. in the case of the cash flow statement, of the cash flows for the period July 1, 2005 to March 31, 2006;

For A.F.Ferguson Associates,
Chartered Accountants

Place : Bangalore
Date : 30-06-2006

S. SUNDARESAN
Partner

Membership No. 25776