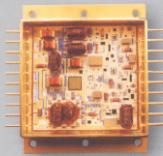
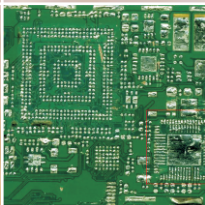


Teamwork • Technology • Trust



CENTUM ELECTRONICS LIMITED

Annual Report 2009 - 10

QUALITY POLICY

All our products and activities shall meet the expectations of our customers and stakeholders in quality, technology and value.

This commitment is achieved through effective teamwork of every employee, supplier and customer.

We shall develop, maintain and continuously improve the documented systems and enhance quality of all our products, processes and services and promote customer trust and satisfaction.

Contents

Board of Directors	3
Notice	4
Directors' Report	7
Management Discussion & Analysis	11
Report on Corporate Governance	16
Report on Corporate Governance of Solectron EMS India Limited	25
Auditor's Report	33
Balance Sheet	38
Profit & Loss Account	39
Schedules to Financial Statements	40
Cash Flow Statement	66
Balance Sheet Abstract	67
Statement on subsidiary pursuant to Section 212 of the Companies Act, 1956	68
Centum Rakon India Private Limited	
Directors' Report	70
Auditor's Report	73
Balance Sheet	77
Profit & Loss Account	78
Schedules to Financial Statements	79
Cash Flow Statement	99
Balance Sheet Abstract	100
Consolidated Financial Results	
Auditor's Report	102
Balance Sheet	103
Profit & Loss Account	104
Schedules to Financial Statements	105
Cash Flow Statement	126

Centum Electronics Limited

Board of Directors

Apparao V Mallavarapu, *Managing Director*

S. Krishnan, *Director*

Dr. P. Rama Rao, *Director*

Manoj Nagrath, *Additional Director*

Rajiv C Mody, *Additional Director*

Manny Marimuthu, *Additional Director*

Chief Financial Officer (CFO)

K S Desikan

Company Secretary

Ellroy Furtado

Statutory Auditors

BSR & Co.

Internal Auditors

Ernst & Young Pvt. Ltd.

Bankers

State Bank of India - SSI Branch

Kumara Park, Bangalore

Citibank N.A.

M.G. Road, Bangalore

Share Transfer Agents

M/s Karvy Computershare Private Limited,

No. 17-24, Vittal Rao Nagar,

Madhapur

Hyderabad - 500 081.

Registered office

No. 44, KHB Industrial Area,

Yelahanka New Township,

Bangalore- 560 106.

Notice of the 17th Annual General Meeting

Notice is hereby given that the Seventeenth Annual General Meeting of the Members of Centum Electronics Limited will be held at the registered office of the Company at #44, KHB Industrial Area, Yelahanka New Town, Bangalore - 560106 on Tuesday, September 28, 2010 at 3 p.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2010 and Profit and Loss Account for the year ended 31st March 2010 and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the financial year 2009-10
3. To appoint a Director in place of Mr. S. Krishnan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. BSR & Co., Chartered Accountants, as Auditors of the Company for holding office up to the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

To consider and if thought fit, to pass, with or without modification(s), the following resolutions as Ordinary Resolutions:

5. "RESOLVED THAT Mr. Manoj Nagrath be and is hereby appointed as a Director of the Company liable to retire by rotation"
6. "RESOLVED THAT Mr. Rajiv C Mody be and is hereby appointed as a Director of the Company liable to retire by rotation"
7. "RESOLVED THAT Mr. Manny Marimuthu be and is hereby appointed as a Director of the Company liable to retire by rotation"

NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of himself and a proxy need not be a member of the company. Proxies in order to be effective must be deposited with the company not less than 48 hours before the meeting.
2. Register of members and Share Transfer books will remain closed from September 27, 2010 to September 28, 2010 (both days inclusive) for the purpose of AGM and ascertaining the members eligible to receive the recommended dividend
3. Members are requested to inform any change in their address to the Company or to the Company's Registrar and Share Transfer Agent's (RTA) M/s Kary Computershare Private Limited giving the relevant details.
4. Nomination facility: Consequent to the introduction of Section 109A of the Companies Act, 1956 and as has been brought to the notice of all the Members, individual Members are entitled to make a nomination in respect of the shares held by them. The Members, who desire to send their nominations, are requested to send the Nomination in Form-2B (in duplicate) to the Registrars and Share Transfer Agents of the company for registering the nominations, if any.
5. Members attending the Annual General Meeting are requested to bring the following with them (as applicable):
 - a) Members holding shares in dematerialized form, their DP & Client ID Number(s).
 - b) Members holding shares in physical form, their folio number,
 - c) Copy of the Annual Report & Notice (2009-10).
 - d) The Attendance Slip duly completed & signed in terms of specimen signature lodged with the company.
 - e) Member companies/Institutions are requested to send a copy of the resolution of their Board/Governing Body, authorizing their representative to attend and vote at the Annual General Meeting.

Explanatory Statement under Section 173 (2) of the Companies Act, 1956

Item No. 5:

Mr. Manoj Nagrath was appointed as an Additional Director w.e.f. 5 January 2010. His appointment is required to be confirmed at the ensuing Annual General Meeting.

Mr. Manoj Nagrath is willing to act as a Director of the company, if so appointed and has consented for being appointed as a director of the company.

Mr. Manoj Nagrath is the Senior Partner of the firm S.P.Nagrath & Co., Chartered Accountants having its offices in New Delhi and Bangalore, and was enrolled as a member of the Institute of Chartered Accountants of India in 1983.

He has an experience of 25 years in almost every facet of the profession. He has to his credit experience in various fields such as Direct and Indirect taxation, audit, accounting, Company law matters and financial services. He carries wide experience in representing matters at the tax office and other Government authorities.

Your Directors feel that the appointment of Mr. Manoj Nagrath would be in the best interest of the company and accordingly recommend the passing of the resolution proposed at Item No.5 of the Notice.

Mr. Manoj Nagrath does not hold any shares of the company.

No Director other than Mr. Manoj Nagrath is in any way concerned or interested in the said resolution.

Item No. 6:

Mr. Rajiv C Mody was appointed as an Additional Director w.e.f. 7 August 2010. His appointment is required to be confirmed at the ensuing Annual General Meeting.

Mr. Rajiv C Mody is willing to act as a Director of the company, if so appointed and has consented for being appointed as a director of the company.

Mr. Rajiv C Mody, is the Chairman and Managing Director and founder of Sasken Communication Technologies Ltd. (Sasken). The company was set up in the classical tradition of Silicon Valley startups, in a garage in Fremont, California.

He qualified in electrical engineering degree from M.S. University, Baroda and Masters Degree in Computer Science from Polytechnic Institute of New York. He worked for Advanced Micro Devices, Seattle Tech Inc., and VLSI Technology Inc. in USA. At VLSI, Mr. Rajiv Mody was responsible for the design, development and integration of physical design tools for Gate-Array and Standard Cell Design Styles.

He has co-authored a patent in the area of physical design and published a paper at the ICCAD conference. He has been with Sasken since inception. He has over 22 years of experience in the technology business.

Your Directors feel that the appointment of Mr. Rajiv Mody would be in the best interest of the company and accordingly recommend the passing of the resolution proposed at Item No.6 of the Notice.

Mr. Rajiv Mody does not hold any shares of the company.

No Director other than Mr. Rajiv Mody is in any way concerned or interested in the said resolution.

Item No. 7:

Mr. Manny Marimuthu was appointed as an Additional Director w.e.f. 9 August 2010. His appointment is required to be confirmed at the ensuing Annual General Meeting.

Mr. Manny Marimuthu is willing to act as a Director of the company, if so appointed and has consented for being appointed as a director of the company.

Mr. Manny Marimuthu is having experience around 15 years of experience in the field of Finance and in the areas of audit & reviews, corporate finance, mergers & acquisitions, financial restructuring. Presently he is Senior Vice President of Finance for Flextronics Asia.

Your Directors feel that the appointment of Mr. Manny Marimuthu would be in the best interest of the company and accordingly recommend the passing of the resolution proposed at Item No.7 of the Notice.

Mr. Manny Marimuthu does not hold any shares of the company.

No Director other than Mr. Manny Marimuthu is in any way concerned or interested in the said resolution.

Place: Bangalore
Date: 12 August 2010

By the order of the Board
for **Centum Electronics Limited**
Apparao V Mallavarapu
Managing Director

Notice of the 16th Annual General Meeting (contd...)

Brief details of director proposed to be appointed / re-appointed at the Annual General Meeting

Mr. S Krishnan is willing to act as a Director of the company, if so appointed and has consented for being appointed as a director of the company.

Mr. Krishnan received his B.Tech from IIT, Madras and M.E. from IISC, Bangalore. He has rich experience of 33 years in the field of Microelectronics in Design, Engineering and Quality Assurance.

Mr. S Krishnan holds 50 shares of the company.

Mr. Manoj Nagrath is willing to act as a Director of the company, if so appointed and has consented for being appointed as a director of the company.

Mr. Manoj Nagrath is the Senior Partner of the firm S.P.Nagrath & Co., Chartered Accountants having its offices in New Delhi and Bangalore, and was enrolled as a member of the Institute of Chartered Accountants of India in 1983.

He has an experience of 25 years in almost every facet of the profession. He has to his credit experience in various fields such as Direct and Indirect taxation, audit, accounting, Company law matters and financial services. He carries wide experience in representing matters at the tax office and other Government authorities.

Mr. Manoj Nagrath does not hold any shares of the company.

Mr. Rajiv C Mody is willing to act as a Director of the company, if so appointed and has consented for being appointed as a director of the company.

Mr. Rajiv C Mody, is the Chairman and Managing Director and founder of Sasken Communication Technologies Ltd. (Sasken). The company was set up in the classical tradition of Silicon Valley startups, in a garage in Fremont, California.

He qualified in electrical engineering degree from M.S. University, Baroda and Masters Degree in Computer Science from Polytechnic Institute of New York. He worked for Advanced Micro Devices, Seattle Tech Inc., and VLSI Technology Inc. in USA. At VLSI, Mr. Rajiv Mody was responsible for the design, development and integration of physical design tools for Gate-Array and Standard Cell Design Styles.

He has co-authored a patent in the area of physical design and published a paper at the ICCAD conference. He has been with Sasken since inception. He has over 22 years of experience in the technology business.

Mr. Rajiv Mody does not hold any shares of the company.

Mr. Manny Marimuthu is willing to act as a Director of the company, if so appointed and has consented for being appointed as a director of the company.

Mr. Manny Marimuthu is having experience around 15 years of experience in the field of Finance and in the areas of audit & reviews, corporate finance, mergers & acquisitions, financial restructuring. Presently he is Senior Vice President of Finance for Flextronics Asia.

Mr. Manny Marimuthu does not hold any shares of the company.

Directors' Report

Your Directors have pleasure in presenting their Seventeenth Annual Report on the business and Operations of your Company and the audited Statement of Accounts for the year ended 31st March 2010.

FINANCIAL HIGHLIGHTS

	Rs.Millions	
Year ended March 31	2010	2009
Revenue	1109.00	227.31
Profit before Depreciation and Interest	94.64	32.72
Depreciation	75.28	19.33
Interest	16.21	7.72
Profit before tax	3.15	5.67
Proposed Dividend including distribution tax	14.43	8.66

PERFORMANCE

During the current year of operations, your company has registered a revenue of Rs.1109.00 million and posted Profit before Taxes of Rs. 3.15 million.

The Honourable High Court of Karnataka vide order dated July 16, 2010 approved the Scheme of Amalgamation of Soletron EMS India Limited with the Company

As the Appointed Date as per the Scheme is April 1, 2009 the results for the year 2009-10 includes the results of Soletron EMS India Limited which has been amalgamated with the Company but the previous year's (2008-09) figures do not include the results of Soletron EMS India Limited.

During the year, significant contributions were made in the Strategic electronic programs. The investments made in the global sales & marketing initiatives have started to yield results during the year in the form of new customers and new product introductions. These will result in higher revenues in the coming years.

SUBSIDIARY

During the second full year of operations, Centum Rakon India Private Limited has registered revenue of Rs.533.87 million and posted Profit before Taxes of Rs. 20.12 million.

DIVIDEND

A dividend of 10% on the paid up share capital of the company is recommended. The dividend payout is Rs. 1,23,33,333 and the tax on dividend for the year is Rs. 20,96,050

CONSOLIDATED FINANCIAL RESULTS

The Consolidated Financial statements have been prepared by the Company in accordance with the applicable Accounting standards (AS-21, AS-23 and AS-27) issued by the Institute of Chartered Accountants of India and the same together with the Auditor's Report thereon form part of the Annual Report.

HUMAN RESOURCES

The human capital has been recognized as a vital factor in achieving the goals and objectives of the organization. Emphasis is placed to build a network of dedicated and experienced professionals who would strive for organizational growth by maximizing the effectiveness while the policies and practices would foster employees' satisfaction, retention and productivity.

PARTICULARS OF EMPLOYEES

Information pursuant to Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219 (1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to the shareholders of the Company excluding

Directors' Report (contd...)

the statement of particulars of employees under Section 217 (2A) of the Act. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office address.

EMPLOYEE STOCK OPTION PLAN

As a measure of rewarding the employees, your company had introduced an Employee Stock Option Plan (ESOP) during the previous year.

The particulars prescribed under Guideline 12.1 of the SEBI (Employee Stock Option scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are given in the annexure included in this report

DIRECTORS

The Changes that had occurred in the composition of the Board of Directors are given below:

Mr. Som Mittal resigned as Director w.e.f. December 14, 2009

Mr. Manoj Nagrath was appointed as an Additional director w.e.f. January 5, 2010

Mr. Rajiv C Mody was appointed as an Additional director w.e.f. August 7, 2010

Mr. Manny Marimuthu was appointed as an Additional director w.e.f. August 9, 2010

In terms of the provisions of Section 256 and other applicable provisions, if any, of the Companies Act, 1956, Mr. S. Krishnan, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The particulars relating to Mr. S. Krishnan are mentioned in the Report of Corporate Governance. Your Directors recommend for re-appointment of Mr. S. Krishnan.

None of the Directors of the company are disqualified for being appointed as Directors as specified in Section 274 of the Companies Act, 1956.

The required resolutions for re-appointment of the aforesaid director have been included in the notice convening ensuing Annual General Meeting.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of Companies (Amendment) Act, 2000, the Directors confirm that:

- i. in the preparation of annual accounts for the year ended 31st March 2010 all the applicable Accounting Standards had been followed along with the proper explanations relating to material departures, if any;
- ii. accounting policies were adopted and applied 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 31st March 2010 and of the profit or loss of the Company for year ended on that date;
- iii. proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv. the Directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, the company has complied with the requirements. The Certificate on compliance of Corporate Governance requirements, issued by the Statutory Auditors is annexed to the Report of Corporate Governance.

AUDITORS

M/s BSR & Co., Chartered Accountants, Statutory Auditors of the company will retire at the forthcoming annual general meeting and they are eligible for re-appointment. Your Directors recommend the re-appointment of the above Statutory Auditors and resolution in this regard forms part of the agenda for the forthcoming Annual General Meeting, requiring approval of the shareholders. The retiring auditors have furnished a certificate of their eligibility for reappointment under Sec 224 (1B) of the Companies Act, 1956 and have indicated their willingness to continue.

MANAGEMENT DISCUSSION AND ANALYSIS

In compliance with the requirements of the listing agreement, a detailed Management Discussion and Analysis Report giving details of the company's business and operating results is annexed to this report.

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

The particulars prescribed under subsection (1) (e) of Section 217 of the Companies Act, 1956 read with the companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are given in the annexure included in this report.

ACKNOWLEDGEMENTS

Your Directors thank the customers for their continued patronage and the investors, bankers and vendors for their continued support.

Your Directors acknowledge and thank the invaluable contributions of all the employees, who have demonstrated their skill, teamwork and commitment through their competence, hard work, cooperation and support.

Your Directors would also like to place on record the support received from, the Electronic Hardware Technology Park, the Customs and Excise Departments, the Reserve Bank of India, the Department of Industries and Commerce, Karnataka, the Karnataka Udyog Mitra and all the other Central and State Governmental agencies.

for and on behalf of the Board

Place: Bangalore

Date: 12 August 2010

Apparao V Mallavarapu

Managing Director

S. Krishnan

Director

ANNEXURES TO THE DIRECTORS' REPORT

INFORMATION PURSUANT TO THE SECTION 217(1)(e) OF THE COMPANIES ACT, 1956.

1. CONSERVATION OF ENERGY

The Company has started a Small Group activity (Focus Team) to conserve energy. The team identified several energy saving projects & implemented them.

Some of the energy conservation measures, your company had undertaken during the period under report are:

- Balanced air-conditioning thereby reducing power consumption
- Improved Power Factor thereby reducing Energy Demand Charges
- Replacement of defective lighting with energy efficient T5 lamps
- Cooling tower fans were changed increasing the flow leading to better cooling tower efficiency
- Everyday, energy costs are monitored & suitable corrective actions are taken.

2. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

- Different types of multi-output dc-dc converters have been developed for strategic electronic programs
- Several complex modules have been developed for space application
- Modules in the Inertial Navigation area have been developed.
- The company developed a process of potting on electronic box build assemblies.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts No. 19 (l) & (m) and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2010.

Directors' Report (contd...)

EMPLOYEE STOCK OPTION PLAN

Particulars prescribed under Guideline 12.1 of the SEBI (Employee Stock Option scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and forming part of the Directors Report.

1	Total Size of ESOP	250,000 shares (each option represents one share)	
2	Options granted	1,76,100	
3	Pricing Formula	Closing price, prior to the date of the meeting of the Compensation Committee in which Options are granted	
4	Options vested	20,275	
5	Options exercised	14,900	
6	Number of shares arising as a result of exercise of option	14,900	
7	Options lapsed/surrendered	95,000	
8	Variation of terms of options	NA	
9	Money realized by exercise of options	Rs. 4,70,840	
10	Total number of options in force	60,825	
11	Grant to senior management personnel	Gopinath Vedprakash	7400
		Vinod S Chippalkatti	12200
		P M Unnikrishnan	9400
		Desikan K S	11100
		Sandhya Thyagarajan	7100
12	Employees receiving more than 5% of the options in a year	Apart from the senior management personnel mentioned above, the employees are:	
		Bhagya M	5000
		M Chandrashekar	5000
		M Ramamadhav	4900
		Brahmananda Reddy	4800
13	Employees receiving grants equal or more than 1% of the issued capital	NA	
14	Diluted EPS pursuant to issue of shares on exercise of options calculated in accordance with AS20	(Re. 0.29)	
15	Impact on Net Profit and EPS	The Loss after tax would be higher by Rs. 419,318 The EPS would be lower by Rs. 0.04	
16	Method used to estimate the fair value of options	Black Scholes model	
17	Significant Assumptions used		
	a. Dividend Yield	10%	
	b. Risk free interest rate	5.7-6.5%	
	c. Expected Life of Option	1-4 years	
	d. Expected Volatility	70.96%	

For and on behalf of the Board

Place: Bangalore
Date: 12 August 2010

Apparao V Mallavarapu
Managing Director

S. Krishnan
Director

Management Discussion & Analysis

COMPANY BACKGROUND

Centum Electronics Limited (Centum) designs, manufactures and also exports electronic products: These include subsystems, modules, box builds, besides complex electronic components.

Centum serves customers engaged in mission critical and enterprise solutions with advanced tailor-made technologies. These range from Defense and Aerospace to industrial, communications, automotive and medical & wellness applications.

Consequent to the approval of the scheme of amalgamation of Solectron EMS India Limited (SEI) into Centum by the Shareholders, Creditors of both the companies on 26th Jan 2010 and by the Honourable High Court of Karnataka on 16th Jul 2010, SEI becomes a division of Centum. Going forward Centum will operate under two divisions, viz, Products and Electronic Manufacturing Services. Centum also has a subsidiary Centum Rakon India Pvt Ltd which designs and manufactures Frequency Controlled Products for the world markets.

Centum has been steadily increasing its product and service range, geographical reach and catering to increased industry segments in its goal to expand its offerings and become the sophisticated one stop shop OEMs are seeking.

With extensive design & development expertise and leading edge enabling technologies Centum is now the industry leader in India in electronics solutions & components.

The strategy over the years has been consistent and is based on high customer focus with competent people, state of the art technology and high quality products.

Centum's vision is "To Create Value by contributing to the Success of its Customers, by providing best-in-class Electronics Design and Manufacturing Solutions in high technology areas"

INDUSTRY STRUCTURE AND DEVELOPMENT

Broadly, the electronics industry is categorized under Entertainment, Medical, Strategic electronics, Communications, Automotive and Industrial segments

As a company we operate in Strategic electronics, communication & industrial segments. Centum is planning to enter the medical and wellness industry and the required certifications are being put in place.

STRATEGIC ELECTRONICS

a. Defense & Aerospace

The Indian Defense Budget is increasing year on year both in terms of the total value and also as a percentage of the budget allocation itself. Of the total defense budget, the percentage of expenditure towards Capital head is increasing every year creating an even bigger opportunity for the defense market. Also studies show that Indian defense market is one of the most attractive defense markets in the world.

The Armed forces, till recently, procured their requirements either from direct imports or products developed by DRDO labs and productionized by defense PSUs or the Ordnance factories. Due to Govt of India's focus on self reliance, new opportunities are emerging like

Due to the Make & Buy strategy of the Govt many multinational companies are planning to manufacture the products in India either thro' licensing agreement or joint ventures.

To accelerate (time to market) the process of self reliance, DRDO labs are partnering with private industries in designing new products and also willing to transfer technologies of complex products which hitherto they were partnering with PSUs or Ordnance Factories

Till recently, the indigenous defence manufacturing was restricted to Defense Public Sector Units and Ordnance Factories only. However, in the recent past, the Government is encouraging the private industry participation. Due to increasing requirements, the Defense PSUs and the Ordnance Factories are also actively working with the private industry to create new capacities and capabilities.

Management Discussion & Analysis (contd...)

The recent offset policy introduced by the Government of India for all direct import of equipment with contract value of more than Rs.300 crores, has created a huge opportunity for Indian industries. Due to this policy the international suppliers of defense products to India are actively looking to procure from high quality companies in the defense segment.

b. Space

India has a space program which is very vibrant and successful. The Government of India has given the Indian Space Programme a special status and the budget allocation in the 11th Plan period is 300% higher than the 10th Plan period.

The number of satellite launches by the Indian Space Agency has been increasing steadily in the last few years and ISRO plans to launch eight satellites per year in the near future. Until recently ISRO manufactured the systems and subsystems in-house or imported them. However, due to the increased requirements coupled with Govt.'s focus on self reliance ISRO, is actively involved in developing the private industry in meeting their increasing requirements.

TELECOM

The Indian Telecom market is growing very briskly and this growth is largely driven by mobile telephony. This market comprises of Terminal equipments such as the mobile phones, PDA etc. and the infrastructure equipments such as Base Station, Transmission equipments etc. Since this market is big, the multinational companies like Nokia, Samsung, LG, Ericsson have started manufacturing in India and other large companies have serious plans of starting in India. In some cases these large companies which hitherto were outsourcing part of their product / production, have started manufacturing these also internally. This is a positive sign that the multinationals are here to stay in India and make India, a base for serious manufacturing. In addition to the multinational companies, local Indian companies are also developing innovative products for the Indian and world markets. To address this market, many EMS companies have also started Indian operations. The eco system for hardware manufacturing is developing fast with OEMs and EMS companies which are now being followed by the components companies.

INDUSTRIAL

Industrial sector is one of the late entrants to the concept of outsourcing their electronic hardware compared to Telecom and IT sectors. This was due to the stringent quality requirements and long product lifecycles. But this is changing rapidly. The large multinationals in this industry segment are focusing on low cost countries like India for their outsourcing requirements due to the design, engineering and testing skills required to manufacture these products.

STRATEGIES & BUSINESS OUTLOOK

PRODUCTS

In the Products business, your company has established itself as a major player in the Strategic Electronics arena. The strategy will be to continue to consolidate and grow the product business thro' innovation, design, technology, quality and overall competitiveness. Over the years, your company has designed & manufactured systems & modules for the Strategic Electronic industry by delivering advanced and complex products many of which are, for the first time by an Indian company. The challenge for the products business in the Strategic Electronics segment is the gestation periods are very long running to sometimes over 3 to 5 years.

- Our strategy for the products business has been and will continue to co-develop new products with ISRO & DRDO Labs. The advantage of this approach is your company's product will get designed in and will have good potential when the final product goes into production phase, however, on the flip side, if the final product for some reason does not go into production phase, all the efforts put in will remain unrewarded.
- The other approach for the products business is to indigenize products that are currently being imported and the advantage with this is that once the product is developed it immediately goes into production quantities. However, the flip side of this approach is that some of the products are very complex with only a handful of companies in the world that are capable of developing them and so the risk of product development is high.

The other opportunity in the strategic electronics is that of “off-set” and we see significant potential in this. However, this is more project based and depends on how quickly or otherwise the decisions to buy equipment from the overseas suppliers are taken by the Ministry of Defense.

ELECTRONIC MANUFACTURING SERVICES

Your Company’s strategy for the Electronic Manufacturing Services division is to focus on high mix medium-to-low volume opportunities which need very high quality products. This strategy fits very well with the Industrial sector which also has long product life cycles. Your Company is already well entrenched into this sector and seeing good growth rates from existing customers and also adding new customers both from within India and outside.

The India specific strategy for the EMS division, would be to work with companies in India (whether High Mix Medium to Low volume or otherwise) which do not have the manufacture capabilities.

EMS division also provides repair & return services for Telecom & Industrial products which are out of warranty and we plan to increase the resources to grow this business.

SUBSIDIARY

Your company’s subsidiary, Centum Rakon turned profitable in the year 2009-10. This was as planned and in the second year of its operations, the revenues increased by 85%. The subsidiary will continue to grow and also increase the customer base. To increase the competitiveness of the Frequency Control Products in the market place, the subsidiary is planning to invest in developing competencies, capabilities and human resources in the design and development of these products. Also, the crystal, one of the key and expensive component required for manufacturing Frequency Control Product is being imported from Rakon in France. Again to increase the value add and also make the finished product more competitive in the market place, the subsidiary plans to invest substantial amounts of money in the current year to manufacture crystals in the subsidiary itself. These initiatives should help increasing the profitability and also the competitiveness of the subsidiary.

HUMAN RESOURCES

Your company has some of the best talent in the country coming from various domains of experience. Great emphasis is given in ensuring that the employees have a rewarding experience working for your company. Special attention is given for training and upgrading of peoples’ skills, providing excellent working conditions, bench mark with other large companies while rewarding the employees.

Your company has an Employee Stock Option Plan (ESOP) scheme to ensure the retention and attraction of the best talent.

The Kaizen and Lean Six Sigma initiatives have been in place and have been institutionalized with all the employees of the company taking active part in the same. This has helped in improving the operational excellence continuously and the company has seen the benefits of this in the form better customer satisfaction.

RISK FACTORS

As our products business is specific to customers and also the products are hi-tech and complex, sometimes the approval cycles can get much longer than originally planned. This can result in delays in deliveries affecting the revenues.

Eighty percent of our EMS revenues come from few customers. Customers may change production quantities or delay production for a number of reasons outside of our control. If customers experience decreases in demand for their products & services, our sales will also get affected.

As mentioned earlier, large multinational EMS companies have been setting up operations in India. Some of these new manufacturers may, for entry strategy reasons, quote very aggressively. Also if volumes do not happen as expected, then there may be fierce competition for market share and thereby pressure on margin.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your company has placed strong emphasis and effort on the internal control systems. The internal checks and balances are augmented by a formal system of Internal Audit by Ernst &Young.

Management Discussion & Analysis (contd...)

FINANCIAL CONDITION

SHARE CAPITAL

The share capital of the company stands at Rs.123.33 million.

LOANS

The Secured Loans have increased by Rs. 245.03 million from Rs. 19.98 million as on 31st March 2009 to Rs. 265.01 million as on 31st March 2010

FIXED ASSETS

The Capital expenditure for 2009-10 is Rs. 19.17 million.

WORKING CAPITAL

Inventories has gone up by Rs. 336.94 million from Rs 74.29 million as on 31st March 2009 to Rs 411.23 million as on 31st March 2010.

Receivables has gone up by Rs. 266.04 million from Rs. 23.99 million as on 31st March 2009 to Rs. 290.03 million as on 31st March 2010

Current liabilities has gone up by Rs.251.33 million from Rs. 112.08 million as on 31st March 2009 to Rs. 363.41 million as on 31st March 2010.

CASH FLOWS

	Rs. million
Cash flows from Operating activities	22.71
Cash inflows in Financing activities	17.28
Cash outflows in Investing activities	(27.79)

RESULTS OF OPERATIONS

The business operation for 2009-10 resulted in the Company, achieving sales of Rs. 1070.25 million as against Rs. 215.26 million for 2008-09.

The revenue increase from Rs. 215.26 million to Rs. 1070.25 million is mainly due to merger of Solelectron EMS India Limited with the Company w.e.f the appointed date i.e. April 1, 2009.

The Profit before tax for the year 2009-10 is Rs. 3.15 million as against Rs. 5.67 million for the year 2008-09.

Management Responsibility for Financial Statements

The accompanying financial statements of Centum Electronics Limited are the responsibility of management and are approved by the Board of Directors of your company.

These financial statements have been prepared by management in conformity with Indian generally accepted accounting principles and includes amounts that are based on best estimates and judgments.

Management of the company in furtherance of the integrity and objectivity of data in the financial statements has developed and maintains systems of internal accounting controls. Management believes that the systems of internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee. The Audit Committee reviews the Company's annual financial statements and formulates the appropriate recommendations to the Board of Directors. The Audit Committee has full access to the auditors appointed by the shareholders, with or without the management being present.

The auditors appointed by the shareholders, BSR & Co., Chartered Accountants have examined these financial statements, and their report is presented hereafter.

K S DESIKAN
CFO

APPARAO V MALLAVARAPU
Managing Director

Report on Corporate Governance

1) COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Centum Electronics Limited firmly believes that implementation of good corporate governance will help the Company to achieve Corporate goals and enhance stakeholders value. Your company's philosophy on corporate governance envisages attainment of the highest level of transparency, accountability and integrity in all facets of its operation. The fundamental objective is enhancement of long-term shareholder value, while at the same time protecting the interests of other stakeholders.

2) BOARD OF DIRECTORS

A) COMPOSITION

The composition of the Board is 4 members. There are 3 independent directors on the Board of the company. The composition of the Board of Directors as at March 31, 2010 is as follows:

Name	Category	Designation	Number of other Directorships •	Number of other Board Committees Membership/ Chairmanship**
Mr. Apparao V Mallavarapu	Executive and Non Independent	Managing Director	3	5
Mr. S. Krishnan	Non-Executive and Independent	Director	1	3
Dr. P Rama Rao	Non-Executive and Independent	Director	1	2
Mr. Manoj Nagrath	Non-Executive and Independent	Director	1	4

• Only the Directorships of the Indian Companies have been taken into consideration.

** List includes Centum Electronics Limited.

None of the Directors of the company were members in more than ten committees or acted as chairman of more than five companies across all companies in which they are directors.

None of the Independent Non-Executive directors of the company have any pecuniary relationships or transactions with the company.

B) BOARD MEETINGS

The Board has met five times during the financial year 2009-10 i.e. on June 4, 2009, July 30, 2009, October 10, 2009, October 29, 2009, January 28, 2010. The details of the attendance of each director at the board meetings and the last Annual General Meeting ('AGM') are as given below:

Name of the Director	Number of meetings attended	Attendance at the last AGM
Mr. Apparao V Mallavarapu	5	Yes
Mr. Som Mittal [@]	-	No
Mr. S. Krishnan	4	Yes
Dr. P Rama Rao	5	Yes
Mr. Manoj Nagrath*	1	NA

[@] Resigned as Director w.e.f. 14 December 2009

* Appointed as director w.e.f. 5 January 2010

C) CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT

The company has adopted the Code of Conduct for Directors and Senior Management and the company receives the annual affirmations with regard to the adherence to the Code of Conduct for the financial year 2009-10. The Code of Conduct is available on the company's website (www.centumelectronics.com)

D) TERM OF OFFICE OF DIRECTORS

Pursuant to the provisions of Section 255, 256 and all other applicable provisions of the Companies Act, 1956, two-thirds of the directors are in the category of directors required to retire by rotation and one-third of those directors would retire every year and if eligible, they might seek re-appointment at the annual general meetings.

E) APPOINTMENT OF DIRECTORS

The Board of Directors appointed Mr. Manoj Nagrath as Additional Director w.e.f. 05.01.2010.

Mr. Manoj Nagrath is the Senior Partner of the firm S.P. Nagrath & Co., Chartered Accountants having its offices in New Delhi and Bangalore, and was enrolled as a member of the Institute of Chartered Accountants of India in 1983.

He has an experience of 25 years in almost every facet of the profession. He has to his credit experience in various fields such as Direct and Indirect taxation, audit, accounting, Company law matters and financial services. He carries wide experience in representing matters at the tax office and other Government authorities.

Mr. Manoj Nagrath does not hold any shares of the company.

F) RE-APPOINTMENT OF DIRECTORS

In terms of applicable provisions of the Companies Act, 1956, Mr. S Krishnan, is retiring by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Krishnan received his B.Tech from IIT, Madras and M.E. from IISC, Bangalore. He has rich experience of 33 years in the field of Microelectronics in Design, Engineering and Quality Assurance.

Mr. S Krishnan holds 50 shares of the company.

The directors recommend the re-appointment of Mr. S Krishnan as a Director of the company and the related resolution is included in the notice convening the ensuing Annual General Meeting.

3) Board Committees

The Board of Directors has constituted committees, which are mandatory with appropriate delegation of powers. These committees are functioning as required.

A) AUDIT COMMITTEE

As a measure of good corporate governance and to provide assistance to the Board of Directors in overseeing the Boards responsibilities, an Audit Committee consisting of all independent Directors was formed on January 29, 2001 as a Sub-committee of the Board. The functions of the Audit Committee include:

- Overseeing of the company's financial reporting process and disclosure of the financial information to ensure that the financial statements are correct, sufficient and credible.
 - Recommending the appointment and removal of the external auditor, fixation of the audit fees and also approval for payment of any other services.
 - Reviewing the adequacy of the Internal Control systems with the Management, statutory and internal auditors.
 - Reviewing the company's financial and risk management policies.
-

Report on Corporate Governance (contd...)

The composition of the audit committee is as follows:

Mr. Som Mittal [@]	Chairman	Non Executive
Mr. Apparao V Mallavarapu	Member	Executive
Mr. S. Krishnan	Member	Non Executive
Dr. P. Rama Rao	Member	Non Executive
Mr. Manoj Nagrath [#]	Chairman	Non Executive

@ Resigned w.e.f. 14 Dec 2009

Appointed w.e.f. 5 Jan 2010

The Chairman of the Audit Committee is an Independent Director.

The audit committee has met 4 times during the financial year i.e. June 4, 2009, July 30, 2009, October 29, 2009, January 28, 2010. The details of the attendance at such meetings is as follows:

Name of the Member	Number of Meetings Held during the year	Number of meetings attended during the year
Mr. Som Mittal [@]	3	-
Mr. Apparao V Mallavarapu	4	4
Mr. S. Krishnan	4	3
Mr. Dr. P. Rama Rao	4	4
Mr. Manoj Nagrath [#]	1	1

@ Resigned w.e.f. 14 Dec 2009

Appointed as Chairman w.e.f. 5 Jan 2010

The Company Secretary acts as the Secretary to the Committee.

B) REMUNERATION COMMITTEE

The remuneration committee was constituted on January 29, 2002 to review the payment of remuneration to the executive directors. The composition of the remuneration committee is as follows:

Mr. Som Mittal [*]	Chairman	Non-executive
Mr. S. Krishnan	Member	Non-executive
Mr. Dr. P Rama Rao	Member	Non Executive
Mr. Manoj Nagrath [@]	Chairman	Non Executive

@ Appointed as member w.e.f. 5 Jan 2010

* Resigned w.e.f. 14 Dec 2009

During the year, on receiving the approval of the shareholders, remuneration has been paid to Non-Executive Directors for the year 2009-10. A sitting fee of Rs.2,000/- per meeting (Board and Audit Committee) is paid to the Non-Executive Directors attending the meeting in person. As the Managing Director was re-appointed, the committee met once on June 4, 2009 during the year.

The Company is paying Remuneration to the Managing Director of the Company. The details of the same are disclosed in the notes to accounts under Managerial Remuneration.

The Company Secretary acts as the Secretary to the Committee.

C) SHAREHOLDERS' /INVESTORS' GRIEVANCE COMMITTEE

The shareholders' /Investors' Grievance Committee has been formed for the effective redressal of the investors' complaints, reviewing the activities of the share transfer committee and reporting of the same to the Board periodically.

The composition of the shareholders committee is as follows:

Mr. Som Mittal®	Chairman
Mr. Apparao Mallavarapu	Member
Mr. Manoj Nagrath*	Chairman

@ Resigned w.e.f. 14 Dec 2009

Appointed w.e.f. 5 Jan 2010

Compliance Officer - Mr. Ellroy Furtado, Company Secretary

The company has received complaints/requests during the year from the shareholders. All the complaints have been redressed to the satisfaction of the shareholders. An analysis of the complaints /requests is as follows:

Status of Redressal of investors grievances from 1.4.2009 to 31.3.2010

Sl. No.	Nature of Complaints	Opening Balance	Received	Redressed	Pending
1.	Non-receipt of securities	0	9	9	0
2.	Non-receipt of Dividend Warrants	0	11	11	0
3.	Non receipt of Annual Reports	0	3	3	0
4.	Others	0	61	61	0
	Total	0	84	84	0

D) COMPENSATION COMMITTEE

The Compensation Committee has been formed for the administration and supervision of the Employee Stock Option Plan (ESOP).

The composition of the Compensation committee is as follows:

Mr. Som Mittal®	Chairman
Mr. S. Krishnan	Member
Mr. Apparao Mallavarapu	Member
Mr. Manoj Nagrath*	Chairman

@ Resigned w.e.f. 14 Dec 2009

Appointed w.e.f. 5 Jan 2010

During the year 2007-08, the Committee had granted 87,400 options to the employees of the Company. Out of these options granted, 11,100 options were forfeited and 76,300 options were surrendered.

During the current year, the Committee has granted 88,700 options of which 2,400 options were forfeited.

4) SUBSIDIARY COMPANIES

The company has a subsidiary, Centum Rakon India Private Limited, which is a joint venture between the Company and Rakon Ltd of New Zealand.

Mr. S Krishnan, an independent director of the company is a director of the subsidiary.

5) DISCLOSURES

a) Related Party Transactions

There are no materially significant related party transactions i.e. transactions of the company of material nature with its promoters, the Directors, the Management, their subsidiaries or the relatives etc. that may have potential conflict with the interests of the company at large.

Details of the significant related party transactions with the group companies are given in the appended financial statements under Note No. (r) of the notes to the accounts of the financial statements.

Report on Corporate Governance (contd...)

b) Compliance with Statutory/legal requirements

There are no non-compliances by the company and no penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any other statutory authority, on any matter related to capital matters, during the last three years.

c) Compliance with Accounting Standards

Your company confirms that it has complied with all the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

d) Compliance of mandatory requirements

The company is pleased to inform you that your company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement.

6) GENERAL BODY MEETINGS

a) Date and venue of the last three AGMs are given below:

Year	Date	Venue	Time	Number of special resolutions
2006-07	December 3, 2007	No. 44, KHB Industrial Area, Yelahanka New Township, Bangalore-560064	11:00 AM	3
2007-08	September 27, 2008	No 44, KHB Industrial Area, Yelahanka New Township, Bangalore-560064	10:00 AM	0
2008-09	July 30, 2009	No. 4, 12th KM, Bellary Road, Opp. Government Flying School, Jakkur, Bangalore - 560064	11:00 AM	1

b) Means of Communication

The company has its own website viz. www.centumelectronics.com. The quarterly, half- yearly and annual results are posted on the company's website for the information of the shareholders.

The results are also published in Economic Times (Bangalore and Mumbai) and Udayavani (Bangalore).

All the material information is promptly sent to the stock exchanges where the shares of the company are listed. The Management Discussion and Analysis Report form part of the Annual Report. Annual reports are sent to each shareholder, brokers and stock exchanges.

The official news releases and the presentations made to institutional investors or to the analysts would be made available in future.

7) GENERAL SHAREHOLDING INFORMATION

A. Annual General Meeting

Date and Time

28 September 2010 at 3 p.m.

Venue

No. 44, KHB Industrial Area, Yelahanka New Township, Bangalore-560064

B. Dates of book closure

27 September 2010 to 28 September 2010 (both days inclusive)

C. Listing on stock exchanges

Bombay Stock Exchange Ltd. (BSE)
National Stock Exchange of India Ltd. (NSE)

D. Stock Code

BSE - 517544
NSE - CENTUM

E. Market price data

Month	Price - BSE		Index BSE Sensex		Price - BSE		Index S&P CNX Nifty	
	High	Low	High	Low	High	Low	High	Low
Apr-2009	36.45	24.55	11,492.10	9,546.29	33.60	24.35	3,517.25	2,965.70
May-2009	48.60	26.50	14,930.54	11,621.30	49.80	26.45	4,509.40	3,478.70
Jun-2009	53.20	41.75	15,600.30	14,016.95	52.00	41.50	4,693.20	4,143.25
Jul-2009	79.05	45.40	15,732.81	13,219.99	78.20	44.70	4,669.75	3,918.75
Aug-2009	80.30	65.85	16,002.46	14,684.45	80.85	65.85	4,743.75	4,353.45
Sep-2009	79.00	62.30	17,142.52	15,356.72	76.50	61.00	5,087.60	4,576.60
Oct-2009	71.00	57.05	17,493.17	15,805.20	70.00	59.00	5,181.95	4,687.50
Nov-2009	64.70	51.50	17,290.48	15,330.56	64.25	51.25	5,138.00	4,538.50
Dec-2009	77.75	59.70	17,530.94	16,577.78	77.00	58.00	5,221.85	4,943.95
Jan-2010	90.15	70.55	17,790.33	15,982.08	87.90	68.10	5,310.85	4,766.00
Feb-2010	97.75	71.40	16,669.25	15,651.99	96.45	72.00	4,992.00	4,675.40
Mar-2010	113.75	88.00	17,793.01	16,438.45	114.00	88.00	5,329.55	4,935.35

Source: <http://www.bseindia.com> & <http://www.nseindia.com>

F. Registrars and Share transfer agents

Karvy Computershare Private Limited
Unit: Centum Electronics Limited
 Plot No. 17-24, Vittal Rao Nagar,
 Madhapur, Hyderabad - 500 081
 Ph: 040-44655186, Fax No. 040-23420814
 Email: mailmanager@karvy.com

G. Share transfer system

The composition of the share transfer committee is as follows:

Mr. Apparao V Mallavarapu	Managing Director
Mr. K S Desikan	Chief Financial Officer
Mr. Ellroy Furtado	Company Secretary

The share transfer committee meets as and when required. The share transfer committee reports periodically to the Shareholder/Investors Grievance Committee on receipt of the Investors' complaints, if any.

The company has delegated the power of share transfers to Karvy Computershare Private Limited, the company's Registrar and Share Transfer Agent ('RTA'). They process the share transfers and the same are approved by the share transfer committee periodically. The share transfers are effected within 15 days from the date of receipt. The shareholders can send their share transfer/demat/remat requests either to the RTA directly or to the company.

Report on Corporate Governance (contd...)

H. Distribution of shareholding

The distribution of the shareholding as on 31 March 2010 is as follows

No of equity shares held	No of share holders	% to total shareholders	No of shares held
1 - 500	7352	93.57	631053
501 - 1,000	225	2.86	178980
1,001 - 2,000	123	1.57	186071
2,001 - 3,000	61	0.78	151933
3,001 - 4,000	24	0.31	84934
4,001 - 5,000	18	0.23	82579
5,001 - 10,000	26	0.33	197982
Above 10,000	28	0.36	5886468
Total	7857	100.00	7400000

Shareholding pattern

The shareholding pattern as on 31 March 2010 is as follows:

Particulars	No of shares held	% to total shares
Shareholding of promoter and promoter group		
-Indian Promoters	4,178,200	56.46
-Foreign Promoters	355,409	4.80
Public Shareholding		
-Institutions	12,861	0.18
-Non-institutions	2,853,530	38.56
Total	74,00,000	100.00

I. Dematerialisation of shares and liquidity

The company's shares are covered under the compulsory dematerialisation list and are transferable through depository systems. M/s Karvy Computershare Private Limited act as our RTA agents. Shares received for dematerialisation are usually registered within 5 days from the date of the receipt if all the documents are complete in all respects. The ISIN number of the company is INE320B01020.

The break up of the shares held in physical and electronic form as on March 31, 2010 is as follows:

Particulars	No. of holders	Total Shares	%
Physical	1888	145201	1.96
NSDL	4412	6489769	87.70
CDSL	1557	765030	10.34
Total	7857	7400000	100.00

J. Financial Year

The Financial Year of the Company is from 1st April to 31st March.

K. Financial Calendar

Tentative calendar of events for the financial year 2010-11 is given below:

Sl. No.	Particulars	Tentative dates
1.	Financial reporting for the quarter ending June 30, 2010	Third week of July 2010
2.	Financial reporting for the half year ending September 30, 2010	Third week of October 2010
3.	Financial reporting for the quarter ending December 31, 2010	Third week of January 2011
4.	Financial reporting for the year ending March 31, 2011	First week of June 2011
5.	Annual General Meeting for the year ended March 31, 2011	August/September 2011

L. Outstanding GDRs/ADRs/warrants

Outstanding GDRs/ADRs/warrants of any convertible instruments, conversion date and likely impact on equity. Nil

M. Registered Office & plant address / Phone and Fax Numbers

No 44, KHB Industrial Area
Yelahanka New Township
Bangalore - 560 106
Phone : +91 80 30046000
Fax : +91 80 30046005

N. Investors correspondence

Company Secretary
Centum Electronics Limited
No. 44, KHB Industrial Area
Yelahanka New Township
Bangalore-560 106
Phone : +91 80 30046000
Fax : +91 80 30046005
ellroyf@centumelectronics.com

Non-mandatory information

1. As detailed in the earlier paragraphs, the company has constituted a remuneration committee.
2. The quarterly results are published in leading English and Kannada newspapers and significant events are published as news items/advertisements in newspapers and on company's/SEBI EDIFAR website and also communicated to the Stock Exchanges wherever required.
3. Other non-mandatory requirements have not been complied by the company.

By order of the Board

For Centum Electronics Limited

Place: Bangalore
Date: 12 August 2010

Apparao V Mallavarapu
Managing Director

S. Krishnan
Director

Auditor's Certificate

To the Members of Centum Electronics Limited

We have examined the compliance of conditions of Corporate Governance by Centum Electronics Limited ("the Company") for the year ended on 31 March 2010 as stipulated in clause 49 of the Listing Agreement of the Company with the Stock Exchange(s).

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, *subject to the chairman of the audit committee not being present at the Annual General Meeting of the Company held on 30 July 2009*, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For BSR & Co.
Chartered Accountants
Firm registration number: 101248W

Zubin Shekary
Partner
Membership Number: 48814

Bangalore
Date 12 August 2010

Report on Corporate Governance of Solectron EMS India Limited

1) COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Solectron EMS India Limited firmly believes that implementation of good corporate governance will help the Company to achieve Corporate goals and enhance stakeholders value. Your company's philosophy on corporate governance envisages attainment of the highest level of transparency, accountability and integrity in all facets of its operation. The fundamental objective is enhancement of long-term shareholder value, while at the same time protecting the interests of other stakeholders.

2) BOARD OF DIRECTORS

A) COMPOSITION

The composition of the Board is 5 members. There are 3 independent directors on the Board of the company.

The composition of the Board of Directors as at March 31, 2010 is as follows:

Name	Category	Designation	Number of other Directorships *	Number of other Board Committees Membership/ Chairmanship**
Mr. Apparao V Mallavarapu	Executive and Non Independent	Managing Director	4	5
Mr. Manny Marimuthu	Non-Executive and Non-Independent	Director	4	2
Mr. Rajiv C Mody	Non-Executive and Independent	Director	6	3
Mr. Manoj Nagrath	Non-Executive and Independent	Director	1	4 (including 2 chairmanships)
Dr. P Rama Rao	Non-Executive and Independent	Director	1	2

· Only the Directorships of the Indian Companies have been taken into consideration.

** List includes Solectron EMS India Limited.

None of the Directors of the company were members in more than ten committees or acted as chairman of more than five companies across all companies in which they are directors.

None of the Independent Non-Executive directors of the company have any pecuniary relationships or transactions with the company.

B) BOARD MEETINGS

The Board has met five times during the financial year 2009 - 10 i.e. on June 5, 2009, July 31, 2009, October 10, 2009, October 30, 2009 and January 28, 2010. The details of the attendance of each director at the board meetings and the last Annual General Meeting ('AGM') are as given below:

Name of the Director	Number of meetings attended	Attendance at the last AGM
Mr. Apparao V Mallavarapu	5	Yes
Mr. Manny Marimuthu	1	No
Mr. Rajiv C Mody	4	Yes
Mr. Manoj Nagrath	5	Yes
Dr. P Rama Rao*	1	NA

* Appointed as director w.e.f. January 23, 2010

Report on Corporate Governance of Soletron EMS India Limited (contd...)

C) CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT

The company has adopted the Code of Conduct for Directors and Senior Management and the company receives the annual affirmations with regard to the adherence to the Code of Conduct for the financial year 2009-10. The Code of Conduct is available on the company's website (www.soletronems.com)

D) APPOINTMENT OF DIRECTORS

The Board of Directors appointed Dr. P Rama Rao as Additional Director w.e.f. 23.01.2010.

Dr. P. Rama Rao, presently Chairman, Governing Council, ARCI, Hyderabad, obtained his Ph.D. degree in Physics-Metallurgy from Banaras Hindu University (BHU), Varanasi, India in 1964. He was a post-doctoral research associate during 1966-67 at the University of Pennsylvania. He started his career as a faculty member of the Department of Metallurgy at the Indian Institute of Science, Bangalore in 1960 and then moved to BHU in 1962 as a Lecturer. He was appointed Professor of Physical Metallurgy at BHU in 1975, in which position he continued till 1982. For the next 9 years he served as Director, Defence Metallurgical Research Laboratory (DMRL), Hyderabad. In 1991 Dr. Rao was appointed Secretary to Government of India, Department of Science and Technology, a position he held till 1995. Additionally, he held charge as Secretary, Department of Ocean Development. Subsequently, during 1996-99, he served as Chairman, Atomic Energy Regulatory Board, Government of India and as Vice-Chancellor, University of Hyderabad during 1999-2002. He was appointed a Member of the Atomic Energy Commission, Government of India in 2004. He was awarded a distinguished Professorship by the Indian Space Research Organisation which he held during 2002-07

He spearheaded the setting up of the following institutions: The Heavy Alloy Penetrator Plant (HAPP), Tiruchirapally, (a manufacturing plant, the first full-fledged Ordnance Factory to come up in the country based on indigenous R & D), International Advanced Research Centre for Powder Metallurgy & New Materials (ARCI), Hyderabad, Non-Ferrous Materials Technology Development Centre (NFTDC), Hyderabad, National Institute of Ocean Technology, Chennai, Safety Research Institute, Kalpakkam and the Technology Development Board (TDB) of the Department of Science and Technology, New Delhi.

He is a recipient of the Shanti Swarup Bhatnagar Prize (1979), the Platinum Medal of the Indian Institute of Metals (1994), the Tata Gold Medal (1992) and the Homi J. Bhabha Award for Applied Sciences (1986) and the Materials Science Prize of the Indian National Science Academy (1996). The Union Ministry of Steel gave him the honour of National Metallurgist in 1999. He was awarded a "Millennium Plaque of Honour" (2003) and Jawaharlal Birth Centenary Award (1999) by the Indian Science Congress Association. He received the Presidential honours Padma Shri in the year 1989 and Padma Bhushan in the year 2001. He was awarded "General Medal: The Meghnad Saha Medal 2004" by the Indian National Science Academy and the "Distinguished Life Membership" award (2004) by the American Society of Materials, ASM (International).

Dr. P Rama Rao does not hold any shares of the company.

3) Board Committees

The Board of Directors has constituted committees, which are mandatory with appropriate delegation of powers. These committees are functioning as required.

A) AUDIT COMMITTEE

As a measure of good corporate governance and to provide assistance to the Board of Directors in overseeing the Boards responsibilities, an Audit Committee consisting of all independent Directors was formed on July 20, 2007 as a Sub-committee of the Board. The functions of the Audit Committee include:

- Overseeing of the company's financial reporting process and disclosure of the financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending the appointment and removal of the external auditor, fixation of the audit fees and also approval for payment of any other services.
- Reviewing the adequacy of the Internal Control systems with the Management, statutory and internal auditors.

- Reviewing the company's financial and risk management policies.

The composition of the audit committee is as follows:

Mr. Manoj Nagrath	Chairman	Non Executive
Mr. Apparao V Mallavarapu	Member	Executive
Mr. Rajiv C Mody	Member	Non Executive
Mr. Manny Marimuthu*	Member	Non Executive
Dr. P Rama Rao@	Member	Non Executive

* Resigned w.e.f. July 31, 2009

@ Appointed as Member w.e.f. January 23, 2010

The Chairman of the Audit Committee is an Independent Director.

The audit committee has met 4 times during the financial year i.e., June 5, 2009, July 31, 2009, October 30, 2009 and January 28, 2010. The details of the attendance at such meetings is as follows:

Name of the Member	Number of Meetings Held during the year	Number of meetings attended during the year
Mr. Manoj Nagrath	4	4
Mr. Apparao V Mallavarapu	4	4
Mr. Rajiv C Mody	4	3
Mr. Manny Marimuthu*	1	NIL
Dr. P Rama Rao@	1	1

* Resigned w.e.f. July 31, 2009

@ Appointed as Member w.e.f. January 23, 2010

B) SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

The shareholders' / Investors' Grievance Committee has been formed for the effective redressal of the investors' complaints, reviewing the activities of the share transfer committee and reporting of the same to the Board periodically.

The composition of the shareholders committee is as follows:

Mr. Manoj Nagrath	Chairman
Mr. Apparao Mallavarapu	Member

The company has received complaints/requests during the year from the shareholders. All the complaints have been redressed to the satisfaction of the shareholders. An analysis of the complaints /requests is as follows:

Status of Redressal of investors grievances from 1.4.2009 to 31.3.2010

Sl. No.	Nature of Complaints	Opening Balance	Received	Redressed	Pending
1.	Non receipt of Dividend Warrants	NIL	5	5	NIL
2.	Non receipt of securities	NIL	4	4	NIL
3.	Others	NIL	51	51	NIL
	Total	NIL	60	60	NIL

D) COMPENSATION COMMITTEE

The Compensation Committee has been formed for the administration and supervision of the Employee Stock Option Plan (ESOP).

Report on Corporate Governance of Soletron EMS India Limited (contd...)

The composition of the Compensation committee is as follows:

Mr. Rajiv C Mody	Chairman
Mr. Manoj Nagrath	Member
Mr. Apparao Mallavarapu	Member

4) SUBSIDIARY COMPANIES

The Company has no subsidiary.

5) DISCLOSURES

a) Compliance with Statutory/legal requirements

There are no non-compliances by the company and no penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any other statutory authority, on any matter related to capital matters, during the last three years.

b) Compliance of mandatory requirements

The company is pleased to inform you that your company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement.

6) GENERAL BODY MEETINGS

a) Date and venue of the last three AGMs are given below:

Year	Date	Venue	Time	Number of special resolutions
2006-07	March 24, 2008	No. 44, KHB Industrial Area, Yelahanka New Township, Bangalore-560064	11:00 AM	0
2007-08	September 27, 2008	No 44, KHB Industrial Area Yelahanka New Township, Bangalore-560064.	10:00 AM	2
2008-09	July 31, 2009	No. 4, 12th KM, Bellary Road, Opp. Government Flying School, Jakkur, Bangalore - 560064	11:00 AM	1

b) Means of Communication

The company has its own website viz. www.soletronems.com. The quarterly, half- yearly and annual results are posted on the company's website for the information of the shareholders.

The results are also published in Economic Times (Bangalore and Mumbai) and Udayavani (Bangalore).

All the material information is promptly sent to the stock exchanges where the shares of the company are listed. The Management Discussion and Analysis Report form part of the Annual Report. Annual reports are sent to each shareholder, brokers and stock exchanges.

The official news releases and the presentations made to institutional investors or to the analysts would be made available in future.

7) GENERAL SHAREHOLDING INFORMATION

A. Listing on stock exchanges

Bombay Stock Exchange Ltd. (BSE)
National Stock Exchange of India Ltd. (NSE)

B. Stock Code

BSE - 532956
NSE - SOLEMS

C. Market price data

Month	Price - BSE		Index BSE Sensex		Price - BSE		Index S&P CNX Nifty	
	High	Low	High	Low	High	Low	High	Low
Apr-2009	28.90	19.80	11,492.10	9,546.29	27.55	17.85	3,517.25	2,965.70
May-2009	39.35	24.00	14,930.54	11,621.30	37.50	23.80	4,509.40	3,478.70
Jun-2009	47.00	27.80	15,600.30	14,016.95	47.40	27.50	4,693.20	4,143.25
Jul-2009	34.05	24.00	15,732.81	13,219.99	33.60	25.10	4,669.75	3,918.75
Aug-2009	43.70	30.20	16,002.46	14,684.45	43.60	30.00	4,743.75	4,353.45
Sep-2009	51.80	41.00	17,142.52	15,356.72	51.00	40.60	5,087.60	4,576.60
Oct-2009	51.30	38.10	17,493.17	15,805.20	51.60	39.05	5,181.95	4,687.50
Nov-2009	41.60	33.35	17,290.48	15,330.56	41.50	35.10	5,138.00	4,538.50
Dec-2009	45.80	38.00	17,530.94	16,577.78	45.55	38.00	5,221.85	4,943.95
Jan-2010	54.95	43.00	17,790.33	15,982.08	55.00	43.00	5,310.85	4,766.00
Feb-2010	64.85	44.70	16,669.25	15,651.99	64.10	43.85	4,992.00	4,675.40
Mar-2010	71.00	57.80	17,793.01	16,438.45	71.95	56.05	5,329.55	4,935.35

Source: <http://www.bseindia.com> & <http://www.nseindia.com>

D. Registrars and Share transfer agents

Name & Address of the RTA
Karvy Computershare Private Limited
Unit: Solectron EMS India Limited
Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081
Ph: 040-44655186, Fax No. 040-23420814
Email: mailmanager@karvy.com

E. Share transfer system

The composition of the share transfer committee is as follows:

Mr. Apparao V Mallavarapu	Managing Director
Mr. K S Desikan	Chief Financial Officer
Mr. N Sri Sai Kumar*	Company Secretary

* Resigned w.e.f. 12 Oct 2009

The share transfer committee meets as and when required. The share transfer committee reports periodically to the Shareholder/Investors Grievance Committee on receipt of the Investors' complaints, if any.

Report on Corporate Governance of Soletron EMS India Limited (contd...)

The company has delegated the power of share transfers to Karvy Computershare Private Limited, the company's Registrar and Share Transfer Agent ('RTA'). They process the share transfers and the same are approved by the share transfer committee periodically. The share transfers are effected within 15 days from the date of receipt. The shareholders can send their share transfer/demat/remat requests either to the RTA directly or to the company.

F. Distribution of shareholding

The distribution of the shareholding as on 31 March 2010 is as follows

No of equity shares held	No of share holders	% cases	No of shares held
1 - 500	7160	95.06	573994
501 - 1,000	171	2.27	127089
1,001 - 2,000	93	1.23	133309
2,001 - 3,000	28	0.37	70886
3,001 - 4,000	11	0.15	38242
4,001 - 5,000	18	0.24	83773
5,001 - 10,000	16	0.21	112933
Above 10,000	35	0.46	6259774
Total	7532	100.00	7400000

Shareholding pattern

The shareholding pattern as on 31 March 2010 is as follows:

Particulars	No of shares held	% to total shares
Shareholding of promoter and promoter group		
-Indian Promoters	36,44,300	49.25
-Foreign Promoters	888,959	12.01
Public Shareholding		
-Institutions	10,082	0.14
-Non-institutions	2,856,659	38.60
Total	74,00,000	100.00

G. Dematerialisation of shares and liquidity

The company's shares are covered under the compulsory dematerialisation list and are transferable through depository systems. M/s Karvy Computershare Private Limited act as our RTA agents. Shares received for dematerialisation are usually registered within 5 days from the date of the receipt if all the documents are complete in all respects. The ISIN number of the company is INE647I01013.

The break up of the shares held in physical and electronic form as on March 31, 2010 is as follows:

Particulars	No. of holders	Total Shares	%
Physical	1889	935401	12.64
NSDL	4287	5539681	74.86
CDSL	1356	924918	12.50
Total	7532	7400000	100.00

H. Financial Year

The Financial Year of the Company is from 1st April to 31st March.

I. Outstanding GDRs/ADRs/warrants

Outstanding GDRs/ADRs/warrants of any convertible instruments, conversion date and likely impact on equity. Nil

J. Registered Office & plant address / Phone and Fax Numbers

No 44, KHB Industrial Area
Yelahanka New Township
Bangalore - 560 106
Phone : +91 80 30046000
Fax : +91 80 30046005

K. Investors correspondence

Solectron EMS India Limited
No. 44, KHB Industrial Area
Yelahanka New Township
Bangalore-560 106
Phone : +91 80 30046000
Fax : +91 80 30046005
ellroyf@centumelectronics.com

Non-mandatory information

1. As detailed in the earlier paragraphs, the company has constituted a remuneration committee.
2. The quarterly results are published in leading English and Kannada newspapers and significant events are published as news items/advertisements in newspapers and on company's website and also communicated to the Stock Exchanges wherever required.
3. Other non-mandatory requirements have not been complied by the company.

By order of the Board

For Solectron EMS India Limited

Place: Bangalore
Date: 25 June 2010

Apparao V Mallavarapu
Managing Director

Manny Marimuthu
Director

Auditor's Certificate - Soletron EMS India Limited

To the Members of Soletron EMS India Limited

We have examined the compliance of conditions of Corporate Governance by Soletron EMS India Limited ("the Company") for the year ended on 31 March 2010 as stipulated in clause 49 of the Listing Agreement of the Company with the Stock Exchange(s).

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, *subject to the fact that during the period 1 April 2009 till 30 July 2009, the composition of the audit committee was not in compliance with clause 49 of the listing agreement as total number of independent directors on the audit committee was less than two-third of the total number of directors on the audit committee*, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For **BSR & Co.**
Chartered Accountants
Firm registration number: 101248W

Bangalore
Date : 25 June 2010

Zubin Shekary
Partner
Membership Number: 48814

Auditor's Report

To the Members of Centum Electronics Limited

We have audited the attached balance sheet of Centum Electronics Limited ("the Company") as at 31 March 2010 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto [in which are incorporated the results of erstwhile Solelectron EMS India Limited with an appointed date of 1 April 2009 on its amalgamation with the Company as fully explained in Schedule 19(b) of the financial statements]. 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 draw attention to note (b) of schedule 19 to the financial statements, which states that these financial statements have been prepared pursuant to the Scheme of Amalgamation of erstwhile Solelectron EMS India Limited with the Company (Scheme of Amalgamation) being approved by the Honourable High Court of Karnataka and filed with the Registrar of Companies on 30 July 2010, to give effect to the Scheme of Amalgamation and represent the financial position of Centum Electronics Limited subsequent to the implementation of the Scheme of Amalgamation. The financial statements of Centum Electronics Limited and erstwhile Solelectron EMS India Limited for the year ended 31 March 2010, prior to giving effect to the Scheme of Amalgamation, were previously audited by us and our audit opinions were issued on 29 May 2010.

We also draw attention to note (a) of schedule 2 to the financial statements which states that these financial statements have been prepared solely to give effect to the Scheme of Amalgamation and do not consider facts or circumstances which arose subsequent to the date of adoption by the Board of Directors i.e. 29 May 2010 of the earlier financial statements (prior to giving effect to the Scheme of Amalgamation) prepared for the year ended 31 March 2010. Accordingly, our procedures on these financial statements have been restricted solely to the amendment of the financial statements as described in note (b) of schedule 19 to the financial statements.

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.

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

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

- (a) 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;
- (b) 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;
- (c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (d) 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;

Auditor's Report (contd...)

- (e) on the basis of written representations received from the directors, as at 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;
- (g) 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:
- (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2010;
 - (ii) in the case of the profit and loss account, of the loss of the Company for the year ended on that date; and
 - (iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

For **BSR & Co.**
Chartered Accountants
Firm registration number: 101248W

Zubin Shekary
Partner
Membership Number: 48814

Bangalore
Date: 12 August 2010

Annexure to the Auditor's Report

Annexure referred to in our report to the members of Centum Electronics Limited ("the Company") for the year ended 31 March 2010. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) Fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventory has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the 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 inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has granted loan to a company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year and the year end balance of such loan was Rs 98,560,000. The Company has not given loan to any other firm / other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) In our opinion, the rate of interest and other terms and conditions on which the loan has been granted to the company listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (c) In the case of loan granted to a company covered in the register maintained under Section 301 of the Companies Act, 1956, the borrower has been regular in repaying the interest amounts as stipulated and there was no stipulation as to repayment of principal amount during the year under audit.
- (d) There is no overdue amount of more than Rupees one lakh in respect of the loan granted to a company listed in the register maintained under Section 301 of the Companies Act, 1956.
- (e) The Company has not taken any loans, secured or unsecured, from 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, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods and services sold are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, with regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements referred to in (a) above and exceeding the value of Rs 5 lakhs with each party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time except for purchases of certain items of inventories and fixed assets which are for the Company's specialised requirements and similarly for sale of certain goods and services for the specialised requirements of the buyers and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.

Annexure to the Auditors' Report (contd...)

- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 for any of the products manufactured/services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As informed to us, the Company did not have any dues on account of Investor Education and Protection Fund.

There are no dues on account of Cess under section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government of India.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, there are no dues of Service tax, Custom duty and Wealth tax which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us, the following Income tax, Sales tax and Excise duty dues have not been deposited by the Company on account of disputes:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of exemptions	30,719,151*	Assessment Year 2005-06	Commissioner of Income Tax (Appeals) - Bangalore
Income Tax Act, 1961	Disallowance of exemptions	2,665,351	Assessment Year 2006-07	Commissioner of Income Tax (Appeals) - Bangalore
Central Sales Tax Act, 1956 & Karnataka Value Added Tax, 2005 (KVAT)	Central sales tax & Karnataka Value Added Tax	5,106,330**	Financial year 2005-06, 2006-07 & 2007-08	Karnataka Appellate Tribunal (2005-06 & 2006-07) & Joint Commissioner of Commercial Taxes (Appeals) (2007-08)
Central Excise Act, 1944	Disallowance of cenvat credit availed	9,988,320	Financial year 2004-2005 and 2005-2006	CESTAT, Bangalore
Customs Act, 1962	Redemption fine on Customs Duty	1,000,000	March 2007 to July 2007	CESTAT, Bangalore

*The Company has paid Rs 9,912,000 under protest against the amount under dispute.

** The Company has filed application for refund of VAT & CST for Rs. 16,853,275 for the year 2006-07 & Rs. 14,090,789 for the year 2007-08

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of its dues to any banks during the year. The Company did not have any outstanding dues to any financial institution or debentureholders during the year.
- (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.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund /nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loan outstanding during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (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 BSR & Co.
Chartered Accountants
Firm registration number: 101248W

Bangalore
Date: 12 August 2010

Zubin Shekary
Partner
Membership Number: 48814

Balance Sheet

	SCHEDULE	As at 31 March 2010 (Rs.)	As at 31 March 2009 (Rs.)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	3	74,000,000	74,000,000
Share capital to be issued pursuant to scheme of amalgamation	19(b)	49,333,330	-
Reserves and surplus	4	640,889,567	248,682,088
		<u>764,222,897</u>	<u>322,682,088</u>
LOAN FUNDS			
Secured loans	5	265,012,070	19,978,227
DEFERRED TAX LIABILITY, NET			
	19(t)	-	11,615,068
		<u>1,029,234,967</u>	<u>354,275,383</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	6	808,831,322	362,427,665
Less: Accumulated depreciation		(436,785,248)	(210,971,120)
Net block		372,046,074	151,456,545
Capital work-in-progress		16,488,397	73,707
		<u>388,534,471</u>	<u>151,530,252</u>
INVESTMENTS			
	7	28,560,000	28,560,000
DEFERRED TAX ASSET, NET			
	19(t)	524,123	-
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	411,227,157	74,289,978
Sundry debtors	9	290,030,967	23,994,520
Cash and bank balances	10	43,888,063	22,714,013
Loans and advances	11	229,877,745	165,269,406
		<u>975,023,932</u>	<u>286,267,917</u>
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	12	322,487,595	90,076,694
Provisions	13	40,919,964	22,006,092
		<u>363,407,559</u>	<u>112,082,786</u>
NET CURRENT ASSETS			
		<u>611,616,373</u>	<u>174,185,131</u>
		<u>1,029,234,967</u>	<u>354,275,383</u>
SIGNIFICANT ACCOUNTING POLICIES			
	2		
NOTES TO THE ACCOUNTS			
	19		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **BSR & Co.**

Chartered Accountants

Firm Registration No. 101248W

Zubin Shekary

Partner

Membership No. 48814

Place : Bangalore

Date : 12 August 2010

for **Centum Electronics Limited**

Apparao V. Mallavarapu

Managing Director

S. Krishnan

Director

Elroy Furtado

Company Secretary

K.S.Desikan

CFO

Profit and Loss Account

	SCHEDULE	Year ended 31 March 2010 (Rs.)	Year ended 31 March 2009 (Rs.)
INCOME			
Sale of manufactured goods		1,018,137,468	157,087,294
Less: Excise duty		37,609,669	2,645,144
Sale of manufactured goods, net		980,527,799	154,442,150
Service income		89,724,589	60,816,811
Other income	14	38,748,628	12,055,313
		1,109,001,016	227,314,274
EXPENDITURE			
Material costs	15	726,082,848	55,969,575
Personnel costs	16	131,553,640	70,015,930
Other expenses	17	146,306,273	64,551,005
Finance expenses	18	26,628,729	11,777,110
Depreciation	6	75,279,590	19,328,753
		1,105,851,080	221,642,373
Profit before taxation		3,149,936	5,671,901
Income taxes			
- Current year		8,764,216	1,700,000
- Previous year		(1,236,773)	-
- Deferred		(1,245,065)	(639,894)
- Fringe benefit tax		-	917,329
Profit/(loss) after taxation		(3,132,442)	3,694,466
Balance in profit and loss account brought forward		248,682,088	253,645,252
Profit available for appropriation		245,549,646	257,339,718
Appropriation during the year			
- Proposed final dividend		12,333,333	7,400,000
- Corporate dividend tax		2,096,050	1,257,630
Balance carried to the balance sheet		231,120,263	248,682,088
Earnings per share (par value Rs 10 each)	19(d)		
Basic		(0.25)	0.50
Diluted		(0.25)	0.50
Weighted average number of equity shares			
Basic		12,333,333	7,400,000
Diluted		12,361,076	7,400,000
SIGNIFICANT ACCOUNTING POLICIES	2		
NOTES TO THE ACCOUNTS	19		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

for **BSR & Co.**

Chartered Accountants

Firm Registration No. 101248W

Zubin Shekary

Partner

Membership No. 48814

Place : Bangalore

Date : 12 August 2010

for **Centum Electronics Limited**

Apparao V. Mallavarapu

Managing Director

Ellroy Furtado

Company Secretary

S. Krishnan

Director

K.S.Desikan

CFO

Schedules to the Financial Statements

1. Background

Centum Electronics Limited (“the Company”) was incorporated as a public limited company on 8 January 1993 as Centum Electronics Limited (“Centum”) and commenced commercial production in 1994.

Pursuant to the Scheme of Amalgamation [refer schedule 19(b)], Soletron EMS India Limited has been amalgamated with the Company with an appointed date of 1 April 2009.

The Company is primarily involved in

- manufacture of Advanced Microelectronics Modules and Resistor Networks catering to the communications, military, aerospace and industrial electronics markets; and
- manufacture of printed circuit board assembly (PCBA) and Repair and Return business catering to the automobile, communications and industrial electronics markets

2. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the mandatory Accounting Standards (“AS”) prescribed in the Companies (Accounting Standards) Rules 2006 and the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Securities and Exchange Board of India, to the extent applicable.

These financial statements have been prepared solely to give effect to the Scheme of amalgamation and do not consider facts or circumstances which arose subsequent to the date of adoption by the Board of Directors i.e. 29 May 2010 of the earlier financial statements (prior to giving affect to the Scheme of amalgamation) prepared for the year ended 31 March 2010.

b) Cash flow statement

Cash flow statement is reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows arising from operating, investing and financing activities of the Company are segregated.

c) Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles (GAAP) in India, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

d) Fixed assets

Fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of the respective assets. Intangible assets are recorded at their acquisition cost. Machinery spares which are specific to a particular item of fixed asset are capitalized at the time of their purchase.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

e) Depreciation

Depreciation is provided on the straight-line method from the date the asset is ready for use.

The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. However, where management’s estimate of the useful life of a fixed asset at the time of acquisition of the fixed asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on management’s estimate of the useful life/ remaining useful life.

Depreciation on assets has been provided at the rates based on the following estimated useful lives of fixed assets:

Asset categories	Years
Plant and machinery	5 - 9 years
Leasehold improvements	5 years
Computers	5 - 6 years
Software	5 - 6 years
All other assets	On straight line basis at the rates prescribed under Schedule XIV to the Companies Act, 1956

Freehold land is not depreciated.

Leasehold improvements are being depreciated over the useful life or lease term whichever is shorter.

For assets acquired/ disposed during the year, depreciation is provided from/upto the date the assets are acquired/ disposed. Assets individually costing Rs 5,000 or less are depreciated at the rate of 100%.

Machinery spares are depreciated on a systematic basis over the period of the remaining useful life of the fixed asset for which they are utilized.

f) Investments

Investments in subsidiary is made to enhance the Company's business interests. Investments are either classified as current or long-term based on the Management's intention at the time of purchase. Current investments are carried at the lower of cost and fair value. Long-term investments are carried at cost and provisions recorded to recognize any decline, other than temporary, in the carrying value of each investment.

g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises purchase price and all incidental expenses (other than those subsequently recoverable by the Company from the tax authorities) incurred in bringing the inventory to its present location and condition. The basis of determining cost is set out below:

Stores and spares	Weighted average cost method
Raw materials and components	Weighted average cost method
Work-in-progress and finished goods	Weighted average cost including costs of conversion.

Fixed production overheads are allocated on the basis of normal capacity of production facilities.

h) Revenue recognition

Revenue from the sale of products and materials is recognized on transfer of all significant risks and rewards of ownership to the buyer. Sales are accounted inclusive of excise duty and exclude sales tax and trade and quantity discounts and are net of sales returns. Revenue from sale of manufactured goods has been presented both gross and net of excise duty.

Revenue from services is recognized as and when services are rendered as per the terms of the contract.

Rental income from lease of properties under operating lease is recognized in the income statement on a straight line basis over the term of the lease

Commission income is recognised at the time when services are rendered in accordance with the rates as per the agreements entered into with the parties.

Interest on deployment of funds is recognized using the time proportionate method, based on the underlying interest rates.

i) Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the

Schedules to the Financial Statements (contd...)

respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the profit and loss account for the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date, the resultant exchange differences are recognized in the profit and loss account.

j) Employee benefits

Defined benefit plans

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the profit and loss account. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

Other long term benefit

Cost of long term benefits by way of accumulating compensated absences arising during the tenure of service is calculated taking into account the pattern of avilment of leave. Further, in respect of encashment of leave the defined benefit is calculated taking into account all types of increments and qualifying salary projected upto assumed date of encashment. The present value of obligations towards avilment and encashment under such long term benefit is determined based on actuarial valuation carried out by an independent actuary using Projected Unit Credit Method as at the year end. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the profit and loss account. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

Defined contribution plan

Contributions to the recognized provident fund and approved superannuation schemes, which are defined contribution schemes, are charged to the profit and loss account.

k) Earnings per share

In determining earnings per share, the Company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date.

l) Provisions and contingent liabilities

The Company recognizes a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a

possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

m) Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period is recognised in the period in which the timing differences originate. For this purpose the timing difference which originates first is considered to reverse first. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets / liabilities are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

Assets and liabilities representing current and deferred tax are disclosed on a net basis when there is a legally enforceable right to set off and management intends to settle the asset and liability on a net basis.

The Company provides for and discloses the Fringe Benefit Tax ("FBT") in accordance with the provisions of Section 115 WC of the Income-tax Act, 1961 and the guidance note on FBT issued by Institute of Chartered Accountants of India. The Finance Act, 2007 levied FBT on Employees Stock Option Plan. Such FBT liability crystallises on the date of exercise of stock option and is accounted for accordingly. FBT has been abolished with effect from 1 April 2009.

n) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash in flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition / construction of the qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

p) Stock compensation expense

The Company accounts for stock based compensation expense based on the intrinsic value method as prescribed by the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India.

Schedules to the Financial Statements (contd...)

	As at 31 March 2010 (Rs.)	As at 31 March 2009 (Rs.)
3. SHARE CAPITAL		
Authorised		
15,500,000 (previous year: 15,500,000) equity shares of Rs 10 each	155,000,000	155,000,000
Issued, subscribed and paid-up		
7,400,000 (previous year: 7,400,000) equity shares of Rs 10 each, fully paid	74,000,000 74,000,000	74,000,000 74,000,000
4. RESERVES AND SURPLUS		
General Reserve		
Opening balance	-	-
Add: Additions pursuant to amalgamation [refer schedule 19(b)]	409,769,304 409,769,304	- -
Profit and loss account balance	231,120,263 640,889,567	248,682,088 248,682,088
5. SECURED LOANS		
From banks (short term)		
- Cash credit	176,991,101	19,978,227
- Packing credit	88,020,969 265,012,070	- 19,978,227

Cash credit obtained from State Bank of India is secured by way of hypothecation on the inventories, book debts and other current assets of the Company. Additionally, it is secured by way of collateral charge on plant and machinery and an equitable mortgage of land.

Packing credit has been obtained from CitiBank by way of hypothecation of inventories, book debts and fixed assets (present and future) of the EMS division of the Company (erstwhile Solelectron EMS India Limited).

SCHEDULE : 6 FIXED ASSETS

(Amount in Rs.)

Particulars	GROSS BLOCK					ACUMULATED DEPRECIATION					NET BLOCK	
	As at 1 April 2009	Additions on account of merger (Refer Schedule 19b)	Additions during the year	Deletions during the year	As at 31 March 2010	As at 1 April 2009	Additions on account of merger (Refer Schedule 19b)	Charge for the year	Deletions during the year	As at 31 March 2010	As at 31 March 2010	As at 31 March 2009
Tangible assets, owned												
Freehold land	4,409,383	-	-	-	4,409,383	-	-	-	-	-	4,409,383	4,409,383
Building	58,491,629	-	831,664	-	59,323,293	11,664,079	-	1,963,646	-	13,627,725	45,695,568	46,827,550
Leasehold improvements	-	1,976,264	345,843	1,414,408	907,699	-	444,939	424,195	707,126	162,008	745,691	-
Plant and machinery	233,258,065	370,705,350	14,891,845	918,352	617,936,908	180,169,278	132,905,843	59,514,528	612,616	371,977,033	245,959,875	53,088,787
Electrical installations	21,601,157	5,988,393	122,494	-	27,712,044	6,582,908	475,592	1,303,337	-	8,361,837	19,350,207	15,018,249
Computers	8,328,100	18,281,256	378,390	-	26,987,746	3,320,710	11,104,122	3,869,139	-	18,293,971	8,693,775	5,007,390
Office equipments	13,511,362	6,009,513	109,165	-	19,630,040	2,380,321	609,839	971,838	-	3,961,998	15,668,042	11,131,041
Furniture	13,614,153	7,926,747	142,583	3,235,829	18,447,654	4,450,945	2,519,644	1,876,184	2,219,630	6,627,143	11,820,511	9,163,208
Vehicles	3,433,480	4,779,453	-	-	8,212,933	884,208	241,330	1,457,602	-	2,583,140	5,629,793	2,549,272
Total (A)	356,647,329	415,666,976	16,821,984	5,568,589	783,567,700	209,452,449	148,301,309	71,380,469	3,539,372	425,594,855	357,972,845	147,194,880
Intangible assets, owned												
Computer software	5,780,336	17,139,379	2,343,907	-	25,263,622	1,518,671	5,772,601	3,899,121	-	11,190,393	14,073,229	4,261,665
Total (B)	5,780,336	17,139,379	2,343,907	-	25,263,622	1,518,671	5,772,601	3,899,121	-	11,190,393	14,073,229	4,261,665
Total (A+B)	362,427,665	432,806,355	19,165,891	5,568,589	808,831,322	210,971,120	154,073,910	75,279,590	3,539,372	436,785,248	372,046,074	151,456,545
Previous year	343,728,303	-	20,696,564	1,997,202	362,427,665	192,638,470	-	19,328,753	996,103	210,971,120	151,456,545	

Schedules to the Financial Statements (contd...)

	As at 31 March 2010 (Rs.)	As at 31 March 2009 (Rs.)
7. INVESTMENTS		
Unquoted, long-term - trade (at cost)		
Investment in subsidiary company		
2,856,000 (Previous year: 2,856,000) equity shares of		
Centum Rakon India Private Limited of Rs 10 each, fully paid up	28,560,000	28,560,000
	28,560,000	28,560,000
8. INVENTORIES		
Stores and spares	1,717,217	87,092
Raw materials and components	303,640,105	36,359,818
Raw material in transit	539,374	1,052,125
Work-in-progress	105,330,461	36,790,943
	411,227,157	74,289,978
9. SUNDRY DEBTORS		
<i>Unsecured</i>		
Debts outstanding for a period exceeding six months		
- considered good	3,423,112	441,792
- considered doubtful	2,555,177	889,806
	5,978,289	1,331,598
Other debts		
- considered good	286,607,855	23,552,728
- considered doubtful	-	285,850
	292,586,144	25,170,176
Less: Provision for doubtful debts	(2,555,177)	(1,175,656)
	290,030,967	23,994,520
 * Includes amounts due from the companies under the same management as defined under Section 370(1B) of the Companies Act, 1956		
- Solelectron EMS India Limited	-	2,953,422
- Centum Industries Private Limited	64,525	270,878
- Centum Rakon India Private Limited	3,897,999	8,526,762
 * Maximum amount outstanding during the year from companies under same management as defined under Section 370(1B) of the Companies Act, 1956:		
- Solelectron EMS India Limited	-	5,056,200
- Centum Industries Private Limited	457,811	10,738,174
- Centum Rakon India Private Limited	13,071,351	15,533,784

	As at 31 March 2010 (Rs.)	As at 31 March 2009 (Rs.)
10. CASH AND BANK BALANCES		
Cash in hand	108,517	25,746
Cheques in hand	8,571,000	4,144,633
Balances with scheduled banks		
- in current accounts*	3,081,838	796,862
- in EEFC accounts	2,946,122	-
- in margin money accounts	28,729,771	17,746,772
Balances with non scheduled banks		
- in current accounts		
Citibank NA., USA **	450,815	-
	43,888,063	22,714,013
*Includes balance in unclaimed dividend account Rs 2,059,223 (Previous year: Rs 130,952)		
**Maximum amount outstanding during the year amounts to Rs 750,928 (Previous year: Rs Nil)		
11. LOANS AND ADVANCES		
<i>Unsecured, considered good</i>		
Loan to subsidiary company	98,560,000	98,560,000
Advances recoverable in cash or in kind or for value to be received *	38,165,271	35,550,025
Advance to suppliers	24,082,772	4,075,737
Deposits	9,987,265	3,679,957
Prepaid expenses	7,467,151	2,838,585
Accrued interest	2,024,999	733,734
Balances with government authorities	1,252,365	3,390,970
Advance tax and tax deducted at source [net of provision for tax of Rs 81,618,074 (Previous year: Rs 31,477,609)]	48,337,922	16,440,398
	229,877,745	165,269,406
<i>Unsecured, considered doubtful</i>		
Advances recoverable in cash or in kind or for value to be received	3,723,228	1,361,015
Deposits	316,000	-
Less: Provision for doubtful advances	(4,039,228)	(1,361,015)
	229,877,745	165,269,406
* Includes		
- advances recoverable from the Managing Director	-	-
- maximum amount outstanding during the year from the Managing Director	-	116,404
* Amounts due from the companies under the same management as defined under Section 370(1B) of the Companies Act, 1956		
- Soletron EMS India Limited	-	3,459,253
- Centum Industries Private Limited	7,367,479	2,014,321
Maximum amount outstanding during the year from companies under same management as defined under Section 370(1B) of the Companies Act, 1956		
- Soletron EMS India Limited	-	17,917,603
- Centum Industries Private Limited	9,381,800	4,769,391

Schedules to the Financial Statements (contd...)

	As at 31 March 2010 Rs.	As at 31 March 2009 Rs.
12. CURRENT LIABILITIES		
Book overdraft	14,647	-
Sundry creditors		
- dues to micro and small enterprises [refer schedule 19(n)]	142,944	45,735
- dues to others	287,504,227	33,714,234
Advances received from customers	22,458,911	51,222,861
Unclaimed dividend	2,059,223	130,952
Other liabilities	10,307,643	4,962,912
	322,487,595	90,076,694
13. PROVISIONS		
Taxation [net of advance tax and tax deducted at sources of Rs 57,018,267 (Previous year: Rs 59,756,023)]	7,045,793	9,158,439
Gratuity	4,893,238	2,692,573
Compensated absences	3,377,385	1,497,450
Provision for stamp duty charges [refer schedule 19 (w)]	11,174,165	-
Proposed final dividend	12,333,333	7,400,000
Corporate dividend tax	2,096,050	1,257,630
	40,919,964	22,006,092

	For the year ended 31 March 2010 Rs.	For the year ended 31 March 2009 Rs.
14. OTHER INCOME		
Interest income on:		
- bank deposits [tax deducted at source Rs 213,496 (previous year: Rs 676,837)]	2,012,781	1,986,383
- loan given to subsidiary [tax deducted at source Rs 1,340,028 (previous year: Rs 1,340,028)]	5,913,600	5,913,600
- income tax refund	87,858	-
Foreign exchange gain, net	25,269,190	-
Rental income	2,300,400	2,300,400
Commission income	2,108,816	-
Liabilities no longer required written back	395,880	1,744,893
Provision for doubtful advances written back	17,913	-
Scrap sales	335,322	-
Miscellaneous income	306,868	110,037
	38,748,628	12,055,313
15. MATERIAL COSTS		
Raw materials, components and packing materials consumed	713,133,482	55,262,772
Movement in work in progress		
Opening		
Finished goods	-	-
Work in progress	36,790,943	37,497,746
	36,790,943	37,497,746
Add: Work in progress acquired pursuant to amalgamation [refer schedule 19 (b)]	81,488,884	-
Closing		
Finished goods	-	-
Work in progress	105,330,461	36,790,943
	105,330,461	36,790,943
Decrease in inventories of work-in-progress	12,949,366	706,803
	726,082,848	55,969,575
16. PERSONNEL COSTS		
Salaries, wages and allowances	112,534,463	59,584,423
Contribution to provident and other funds	6,619,901	2,966,869
Staff welfare expenses	12,399,276	7,464,638
	131,553,640	70,015,930

Schedules to the Financial Statements (contd...)

	For the year ended 31 March 2010 Rs.	For the year ended 31 March 2009 Rs.
17. OTHER EXPENSES		
Power and fuel	17,882,112	6,085,200
Rent	8,448,721	1,362,998
Repairs and maintenance		-
- Building	6,372,940	1,742,728
- Plant and machinery	8,775,637	5,305,892
Insurance	4,253,491	2,087,153
Rates and taxes	13,053,481	1,217,653
Professional and consultancy	22,173,761	11,440,386
Selling and marketing	18,229,012	459,255
Travelling and conveyance	14,640,501	8,130,932
Purchase of services	10,031,307	9,148,215
Postage, telephones and telegrams	3,954,982	3,070,238
Printing and stationery	3,631,807	2,187,916
Donation	2,860,150	1,644,700
Advertisement and promotion	2,642,925	1,588,066
Security charges	2,480,105	1,216,631
Entertainment expenses	873,021	2,312,562
Recruitment and training	805,598	630,631
Bad debts written-off	707,895	-
Provision for doubtful debts	-	1,101,483
Directors sitting fees	1,120,000	600,000
Foreign exchange loss, net	-	1,518,921
Loss on sale of fixed asset	1,612,183	401,098
Miscellaneous expenses	1,756,644	1,298,347
	146,306,273	64,551,005
18. FINANCE EXPENSES		
Interest on cash credit and packing credit facilities	16,205,269	7,716,080
Other financial charges	10,423,460	4,061,030
	26,628,729	11,777,110

19. NOTES ON ACCOUNTS

a) Capital commitment and contingent liabilities	Rs	
	As at 31 March 2010	As at 31 March 2009
Capital commitment		
Estimated amount of contracts remaining to be executed on capital account (net of advances)	50,664,967	350,956
Contingent liabilities		
Claims against the Company not acknowledged as debts in respect of:		
Income tax	33,384,502	33,384,502
Sales tax	5,106,330	6,968,273
Excise duty	9,988,320	-
Stamp duty [refer schedule 19(w)]	5,107,137	-

b) Amalgamation

a. Background and nature of business

Scheme of Amalgamation

A Scheme of Amalgamation (the Scheme of Amalgamation) pursuant to Sections 391 to 394 of the Companies Act, 1956 (the Act) and other applicable provisions of act was approved by the Honourable High Court of Karnataka for the merger of Solectron EMS India Limited (the transferor) with Centum Electronics Limited (the transferee).

The transferor company is engaged in the business of electronic manufacturing services (EMS), encompassing the manufacture of printed circuit boards assembly (PCBA), system assembly, repair and return business (the "EMS business").

The Scheme of Amalgamation was approved by the shareholders of the transferor and transferee companies on 26 February 2010. The Honourable High Court of Karnataka sanctioned the Scheme of Amalgamation vide its order dated 16 July 2010. The scheme became effective on 30 July 2010 on submission of the order of the High Court of Karnataka with the Registrar of Companies at Bangalore.

b. Salient features of the Scheme of Amalgamation

The salient features of the Scheme of Amalgamation are as follows:

- The appointed date of the Scheme of Amalgamation for the merger is 1 April 2009 (the appointed date).
- The transferee company shall, issue and allot to each member of the transferor company equity shares in the transferee company in the ratio of two equity shares in the transferee company of the face value of Rs 10 per equity share, credited as fully paid up, for every 3 fully paid-up equity share of Rs. 10 each held by the members in the transferor company. No fractional certificates / coupons are to be issued.
- Consequent to the issue of shares as stated above, the issued, subscribed and paid-up equity capital of the transferee company of Rs 74,000,000 comprising of 7,400,000 equity shares of the face value of Rs. 10 each, fully paid-up, shall stand increased to Rs. 123,333,330 comprising of 12,333,333 equity shares of the face value of Rs. 10 each, fully paid-up.
- The Board of Directors of the transferee company shall consolidate all fractional entitlements arising due to the issue of equity shares in terms of preceding paragraph to the shareholders of

Schedules to the Financial Statements (contd...)

the transferor company and thereupon issue and allot equity shares in lieu thereof to a separate trust created for the purpose which shall hold the equity shares in trust for and on behalf of the members entitled to such fractional entitlements with the express understanding that such trust shall sell the same at such time or times and at such price or prices to such person or persons, as it deems fit. The said trust shall distribute such net sale proceeds to the members in the same proportion as their respective fractional entitlements bear to the consolidated fractional entitlements.

- Upon the coming into effect of the Scheme of Amalgamation, and with effect from the appointed date, the transferor company shall be deemed to have been carrying on and to be carrying on all business and activities relating to the transferor company and stand possessed of all the estates, assets, rights, title and interest of the transferor company for and on account of, and in trust for, the transferee company.

c. Accounting treatment

- The above Scheme of Amalgamation is an amalgamation in the nature of merger in accordance with the requirements of Accounting Standard 14 "Accounting for Amalgamations" and has been accounted for accordingly as per the requirements of the aforesaid standard.
- With effect from the appointed date of the Scheme of Amalgamation, the transferee company have recorded all the assets and liabilities of the transferor company at their respective book values. Further, all transactions between the transferor and the transferee post the appointed date have been eliminated on Amalgamation;
- The net assets of the transferor company acquired by the transferee company in excess of the fresh share capital issued by the transferee company to the shareholders of the transferor company after adjustments of the inter-company investment holdings and inter-company balances, if any, has been adjusted against the General Reserve account of the transferee company in accordance with the requirements of the approved Scheme of Amalgamation.

The amalgamation has been accounted for in the books of the transferee company on 1 April 2009 in the following manner:

	Rs.
Particulars	Amount
Assets acquired	
Fixed assets including capital work in progress	278,732,445
Deferred tax assets, net	10,894,126
Net current assets	364,769,385
Total assets (A)	654,395,956
Liabilities acquired	
Secured and unsecured loans	195,293,322
Net assets acquired	459,102,634
Less: fresh share capital to be issued pursuant to merger	49,333,330
Net, excess of assets over liabilities transferred as adjusted by fresh share capital to be issued to be credited to General Reserve of the transferee company	409,769,304

c) Auditors' remuneration excluding service tax (included under professional and consultancy)

	Rs.	
	Year ended 31 March 2010	Year ended 31 March 2009
Audit fees	2,000,000	700,000
Out of pocket expenses reimbursed	66,463	24,528
Total	2,066,463	724,528

d) Earnings / (loss) per share (basic and diluted)

The computation of earnings / (loss) per share is set out below:

	Rs.	
	Year ended 31 March 2010	Year ended 31 March 2009
Profit for the year	(3,132,442)	3,694,466
Weighted average number of equity shares outstanding at the beginning of the year (in numbers)	7,400,000	7,400,000
Weighted average number of equity shares to be issued pursuant to Scheme of Amalgamation effective 01 April 2009	4,933,333	-
Weighted average number of equity shares outstanding during the year.	12,333,333	7,400,000
Face value of equity shares	10	10
Earnings / (loss) per share - basic	(0.25)	0.50
Weighted average number of equity shares outstanding during the year - basic	12,333,333	7,400,000
Add: Effect of dilutive issues of stock options	27,743	-
Weighted average number of equity shares and potential equity shares outstanding during the year	12,361,076	7,400,000
Earnings / (loss) per share -dilutive	(0.25)	0.50

e) Particulars of installed capacity

Products	As at 31 March 2010	As at 31 March 2009
Modules (square inches)	-	-
Electronic Manufacturing Services - Printed Circuit Board Assembly	-	-

Note: Management certifies that installed capacity of Modules and Electronic Manufacturing Services cannot be quantified.

f) Particulars of production (in numbers)

Products	As at 31 March 2010	As at 31 March 2009
Modules	185,070	311,707
Electronic Manufacturing Services - Printed Circuit Board Assembly	244,567	-

Schedules to the Financial Statements (contd...)

g) **Finished goods**

There is no opening or closing stock of finished goods.

h) **Particulars of raw materials and components consumed**

Components	Year ended 31 March 2010		Year ended 31 March 2009	
	Quantity (Nos)	Rs.	Quantity (Nos)	Rs.
Integrated circuits	3,944,993	260,499,221	189,849	2,411,256
Others	-	289,973,075	-	10,204,210
Total		550,472,296		12,615,466
Raw materials	Year ended 31 March 2010		Year ended 31 March 2009	
	Quantity (Nos)	Rs.	Quantity (Nos)	Rs.
PCB	1,626,259	53,427,477	18,646	823,101
Base and case	43,478	11,032,570	26,838	10,470,571
Paste	116,011	10,540,340	59,429	11,187,392
Others	-	87,660,799	-	20,166,242
Total		162,661,186		42,647,306

Note: No other individual item of raw materials and components consumed account for 10% or more of the total consumption during the year.

i) **Particulars of raw materials and components consumed**

Components	Year ended 31 March 2010		Year ended 31 March 2009	
	%	Rs.	%	Rs.
Imported	91.44	503,352,383	92.13	11,623,199
Indigenous	8.56	47,119,913	7.87	992,267
Total	100.00	550,472,296	100.00	12,615,466
Raw materials	Year ended 31 March 2010		Year ended 31 March 2009	
	%	Rs.	%	Rs.
Imported	69.79	113,527,964	67.39	28,740,076
Indigenous	30.21	49,133,222	32.61	13,907,230
Total	100.00	162,661,186	100.00	42,647,306

j) **Particulars in respect of sale of manufactured finished goods (including excise duty) and service income**

Products	Year ended 31 March 2010		Year ended 31 March 2009	
	Quantity (Units)	Value Rs.	Quantity (Units)	Value Rs.
Modules/Modules	185,070	172,616,915	311,707	157,087,294
Services	-	89,724,589	-	60,816,811
Electronic Manufacturing Services - Printed Circuit Boards Assembly	244,567	818,670,059	-	-
Others	-	26,850,494	-	-
Total		1,107,862,057		217,904,105

k) **CIF value of imports**

Products	Rs	
	Year ended 31 March 2010	Year ended 31 March 2009
Capital goods	11,374,732	3,814,245
Raw materials and components	638,055,688	41,738,663
Stores and spares	408,766	2,040,707
Total	649,839,186	47,593,615

l) **Expenditure in foreign currency (on payment basis)**

Products	Rs	
	Year ended 31 March 2010	Year ended 31 March 2009
Travelling and Conveyance	1,419,181	1,584,463
Selling and marketing	6,104,094	-
Consultancy charges	8,881,153	-
Salaries	481,628	-
Bank charges	290,336	-
Total	17,176,392	1,584,463

m) **Earnings in foreign currency**

Products	Rs	
	Year ended 31 March 2010	Year ended 31 March 2009
Sale of manufactured goods	561,695,771	10,527,441
Service income	1,465,242	-
Total	563,161,013	10,527,441

Schedules to the Financial Statements (contd...)

- n) The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the 'Micro, Small and Medium Enterprises Development Act, 2006' ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2010 has been made in the financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the balance sheet date.

	Year ended 31 March 2010	Year ended 31 March 2009
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	142,944	45,735
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	-	-
The amount of interest accrued and remaining unpaid at the end of the year	14,240	2,372
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	-	-

o) **Gratuity plan**

The following table set out the status of the gratuity plan as required under AS 15 - Revised.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	Rs.	
Particulars	As at 31 March 2010	As at 31 March 2009
Obligations at year beginning	2,692,573	2,149,554
Obligation acquired on account of amalgamation	1,608,796	-
Service cost	1,225,342	351,372
Interest cost	372,357	180,374
Actuarial loss/ (gain)	(1,005,830)	54,885
Benefits paid	-	(43,612)
Obligations at year end	4,893,238	2,692,573
Change in plan assets		
Plans assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions	-	43,612
Benefits paid	-	(43,612)
Plans assets at year end, at fair value	-	-

Particulars	Rs.	
	As at 31 March 2010	As at 31 March 2009
Reconciliation of present value of the obligation and the fair value of the plan assets:		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	4,893,238	2,692,573
Net liability recognized in the balance sheet	4,893,238	2,692,573
Gratuity cost for the year		
Service cost	1,225,342	351,372
Interest cost	372,357	180,374
Expected return on plan assets	-	-
Actuarial loss/ (gain)	(1,005,830)	54,885
Net gratuity cost	591,869	586,631
Assumptions:		
Discount rate	7.80%	6.90%
Expected rate of return on plan assets	Not applicable	Not applicable
Expected rate of salary increase	7.00%-8.00%	7.00%
Attrition rate	1%-15%	1%-15%
Retirement age	58 years	58 years

The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

The Company does not have any planned assets.

p) Segmental reporting

The Company operates through two divisions, component business comprising of Modules (Products segment) and Electronic Manufacturing Services (Services segment), which are considered to be the primary segments and geography as the secondary segment.

The accounting principles used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments.

Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identified to that segment, while other items, wherever allocable, are apportioned to the segments on appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company, therefore, believes that it is not practicable to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

Geographic segments:

The Company's business is organised into four geographic segments. Revenues are attributable to individual geographic segments based on the location of the customer. The Company's fixed assets are situated in India.

Schedules to the Financial Statements (contd...)

Primary segment information	Rs.	
	Year ended 31 March 2010	Year ended 31 March 2009
Segment revenue		
Products	221,618,400	227,314,274
Electronic Manufacturing Services	887,382,616	-
	1,109,001,016	227,314,274
Segment result		
Products	3,014,860	5,671,901
Electronic Manufacturing Services	135,076	-
Profit before taxation	3,149,936	5,671,901
Income taxes		
-Current year	8,764,216	1,700,000
-Previous year	(1,236,773)	-
-Deferred	(1,245,065)	(639,894)
-Fringe benefit tax	-	917,329
Profit / (loss) after taxation	(3,132,442)	3,694,466
Primary segment information	31 March 2010	31 March 2009
Segment assets		
Products	480,179,441	466,358,169
Electronic Manufacturing Services	863,601,040	-
Unallocated corporate assets	48,862,045	-
Total assets	1,392,642,526	466,358,169
Segment liabilities		
Products	181,218,136	143,676,081
Electronic Manufacturing Services	440,155,700	-
Unallocated corporate liabilities	7,045,793	-
Total liabilities	628,419,629	143,676,081
Capital expenditure [including CWIP]		
Products	4,776,690	20,770,271
Electronic Manufacturing Services	30,803,892	-
Total capital expenditure	35,580,582	20,770,271
Depreciation		
Products	19,050,255	19,328,753
Electronic Manufacturing Services	56,229,335	-
	75,279,590	19,328,753

Secondary segment disclosures:

	Rs.	
Geographic segment	Year ended 31 March 2010	Year ended 31 March 2009
Revenues		
India	545,840,042	216,786,833
Europe	244,576,241	10,422,914
USA	301,925,992	-
Rest of world	16,658,741	104,527
	1,109,001,016	227,314,274
Segment assets		
India	1,264,458,185	464,086,166
Europe	42,032,736	2,271,160
USA	65,746,842	-
Rest of world	20,404,763	843
	1,392,642,526	466,358,169

q) Stock option plans**Employee stock option plan 2007 (Centum ESOP - 2007)**

The Centum ESOP -2007 was approved by the board of directors of the Company in October 2007 and by the shareholders in December 2007. The 2007 plan provides for the issue of 250,000 shares to the employees. The plan is administered by a compensation committee. Options will be issued to employees of the Company and also its subsidiary at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty eight months from the date of grant. The exercise period is ten years from the date of vesting.

Number of options granted, exercised and forfeited	Year ended 31 March 2010	Weighted average exercise price	Year ended 31 March 2009	Weighted average exercise price
Options outstanding at the beginning of the year	72,500	150.30	87,400	150.30
Granted during the year	88,700	31.60	-	-
Exercised during the year	-	-	-	-
Forfeited / lapsed during the year	80,100	139.55	14,900	150.30
Options outstanding at the end of the year	81,100	31.60	72,500	150.30
Exercisable at the end of the year	-	-	19,075	-

The weighted average share price of the options exercised as at the date of exercise was Rs Nil.

There were 88,700 equity shares were given as options during the current year. The options outstanding as at 31 March 2010 had an exercise price of Rs 31.60 and the weighted average remaining contractual life of 11.64 years.

Schedules to the Financial Statements (contd...)

Pro forma accounting for stock option grants

The Company applies the intrinsic value method of accounting for determining compensation cost for its stock based compensation plan. The Company has therefore adopted the pro forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share Based Payments" issued by the Institute of Chartered Accountants of India with effect from 1 April 2005.

Had the compensation been determined using the fair value approach described in the aforesaid Guidance Note, the Company's net profit and basic and diluted earnings per share as reported would have reduced to the pro forma amounts as indicated:

Particulars	Rs	
	Year ended 31 March 2010	Year ended 31 March 2009
Net Profit / (loss) for the year	(3,132,442)	3,694,466
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determines under the fair value method	419,318	3,473,726
Adjusted net profit	(3,551,760)	220,740
Basic earnings per share as reported	(0.25)	0.50
Pro forma basic earnings per share	(0.29)	0.03
Diluted earnings per share as reported	(0.25)	0.50
Pro forma diluted earnings per share	(0.29)	0.03

The fair value of each option under the 2007 plan is estimated by management on the date of grant using the Black - Scholes model with the following assumptions:

Particulars	Rs	
	Year ended 31 March 2010	Year ended 31 March 2009
Dividend yield %	10%	10%
Expected life	1-4 years	1-4 years
Risk free interest rate	5.7-6.5%	5.7-6.5%
Volatility	70.96%	94.83%

r) Related party transactions**A. Parties where control exists**

Apparao V Mallavarapu (directly and indirectly exercises 55.58% voting power in the Company)

Subsidiary of the Company

Centum Rakon India Private Limited

B. Other related parties where transactions have taken place during the year

Parties under common control

Centum Industries Private Limited

Solelectron EMS India Limited (upto 31 March 2009)

C. Key executive management personnel represented on the Board

Mr. Apparao V Mallavarapu - Managing Director

The following is a summary of significant transactions with related parties by the Company:

Particulars	Rs.	
	Year ended 31 March 2010	Year ended 31 March 2009
Sale of goods and services		
Parties under common control	<u>602,000</u>	<u>29,376,500</u>
Soletron EMS India Limited		
- Service income	-	18,000,000
Centum Industries Private Limited		
- Sale of goods and services	<u>602,000</u>	<u>11,376,500</u>
Subsidiary		
Centum Rakon India Private Limited	<u>37,265,248</u>	<u>39,508,420</u>
- Service income	<u>31,764,051</u>	<u>36,914,529</u>
- Sale of goods	<u>5,501,197</u>	<u>2,593,891</u>
Other Income		
Subsidiary		
Centum Rakon India Private Limited	<u>10,322,816</u>	<u>8,214,000</u>
- Interest income on loan	<u>5,913,600</u>	<u>5,913,600</u>
- Rent received	<u>2,300,400</u>	<u>2,300,400</u>
- Commission income	<u>2,108,816</u>	-
Reimbursement of expenses		
Parties under common control		
Soletron EMS India Limited	-	3,525,912
Purchase of goods and services		
Subsidiary	<u>5,746,429</u>	<u>33,250</u>
Centum Rakon India Private Limited	<u>5,746,429</u>	<u>33,250</u>
Purchase of goods and services		
Parties under common control	<u>10,824,357</u>	<u>3,693,950</u>
Centum Industries Private Limited	<u>10,824,357</u>	<u>3,693,950</u>
Managerial remuneration including sitting fees		
Key management personnel	<u>9,432,000</u>	<u>9,432,000</u>
Managerial remuneration	<u>9,432,000</u>	<u>9,432,000</u>

Schedules to the Financial Statements (contd...)

The balances receivable from and payable to related parties are as follows:

		Rs.
Particulars	As at 31 March 2010	As at 31 March 2009
Sundry debtors	3,962,524	11,751,063
Parties under common control		
Solectron EMS India Limited	-	2,953,422
Centum Industries Private Limited	64,525	270,878
<i>Subsidiary</i>		
Centum Rakon India Private Limited	3,897,999	8,526,763
Sundry creditors	4,719,770	34,580
<i>Subsidiary</i>		
Centum Rakon India Private Limited	3,651,636	34,580
<i>Parties under common control</i>		
Centum Industries Private Limited	1,068,134	-
Advances recoverable in cash or in kind or for value to be received	-	3,459,253
<i>Parties under common control</i>		
Solectron EMS India Limited	-	3,459,253
Advances to suppliers		
<i>Parties under common control</i>		
Centum Industries Private Limited	7,367,479	2,014,321
Loan to subsidiary		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	98,560,000	98,560,000
Investment		
<i>Subsidiary</i>		
Centum Rakon India Private Limited	28,560,000	28,560,000
Managerial Remuneration payable		
Key Management Personnel	143,706	151,389

s) Leases

The Company has taken office facilities under cancelable operating lease agreement. The Company intends to renew the agreement in the normal course of its business. Total lease rentals recognized in the profit and loss for the year in respect of the aforementioned lease is Rs 8,448,721 (previous year: Rs 1,362,998).

The Company has also given office facilities under cancelable operating lease agreement to its subsidiary. Total lease rental income recognized in the profit and loss for the year with respect to the above is Rs 2,300,400 (previous year: Rs 2,300,400).

t) **Deferred taxes**

The composition of net deferred tax assets and liabilities of the Company as at 31 March 2010 and 31 March 2009, respectively are as under:

	Rs.	
	31 March 2010	31 March 2009
Deferred tax asset/(liability)		
Fixed assets	(14,864,134)	(14,093,877)
Provision for doubtful debts	975,914	399,605
Provision for doubtful advances	462,609	462,609
Provision for inventory obsolescence	6,838,720	-
Current liabilities and provisions	7,111,014	1,616,595
Deferred tax asset / (liability), net	524,123	(11,615,068)

u) **Managerial remuneration**

	Rs.	
	Year ended 31 March 2010	Year ended 31 March 2009
Salaries and allowances	8,973,600	8,973,600
Provident and other funds*	432,000	432,000
Value of perquisites*	26,400	26,400
	9,432,000	9,432,000

The above does not include compensated absences and gratuity calculated on actuarial basis, as separate figures for directors are not available.

*Value of perquisites has been computed as per the method prescribed under Income Tax Act, 1961.

Computation of net profit in accordance with Section 198, read with Section 349 of the Companies Act, 1956, and calculation of maximum managerial remuneration (including commission) payable to the Managing Director:

	Rs.	
	Year ended 31 March 2010	Year ended 31 March 2009
Profit before taxation	3,149,936	5,671,901
Add:		
Director's remuneration	9,432,000	9,432,000
Depreciation as per the accounts	75,279,590	19,328,753
Loss on sale of fixed assets	-	401,098
Less:		
Depreciation as per section 350 of the Companies Act, 1956*	75,279,590	19,328,753
Net Profit on which commission is payable	12,581,937	15,504,999
Maximum managerial remuneration payable	629,097	775,250
Excess managerial remuneration accrued	8,802,903	8,656,750

*Depreciation computed based on useful lives which are lower lives as mentioned in Schedule XIV of the Companies Act, 1956.

Schedules to the Financial Statements (contd...)

The members of the Company on 30 July 2009 approved the remuneration payable to the managing director for a period of five years with effect from 1 August 2009 to 31 July 2014, which was in excess of the limits prescribed under section 198(4), 309(3) and Schedule XIII as amended by the Companies Act, 1956. The same has been approved by Central Government of India.

v) **Un-hedged foreign currency disclosures:**

The Company's foreign currency exposure on account of foreign currency denominated payables not hedged is as follows:

Particulars	Year ended 31 March 2010		Year ended 31 March 2009	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	5,580,659	255,702,843	174,181	8,979,050
EUR	97,724	6,009,430	70,781	4,852,735
GBP	582	6,648,489	10,240	757,425
JPY	13,379,764	44,074	126,800	66,887
SGD	-	-	19,600	666,984
Total		268,404,836		15,323,081

The Company's foreign currency exposure on account of foreign currency denominated receivables not hedged is as follows:

Particulars	Year ended 31 March 2010		Year ended 31 March 2009	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	2,680,885	119,489,099	15,746	788,402
GBP	1,373	94,785	23,624	1,587,985
Total		119,583,884		2,376,387

w) **Provision for stamp duty charges**

Based on a demand notice dated 12 February 2010 received from District Registrar, Stamps and Registration Department, Karnataka, the Company has estimated and provided Rs 11,174,165 towards additional stamp duty liability against a claim of Rs 16,281,302 in the aforementioned demand notice, payable pursuant to the demerger of EMS business from Centum Electronics Limited (formerly known as Solelectron Centum Electronics Limited) on 1 October 2006, as per the Scheme of Amalgamation approved by the Honourable High Court of Karnataka effective 13 July 2007. The differential amount of Rs 5,107,137 has been disclosed as a contingent liability [refer schedule 19(a)].

The movement in the provision is as under:

	As at 31 March 2010	As at 31 March 2009
Opening balance	-	-
Add: Provision made during the year	11,174,165	-
Closing balance	11,174,165	-

-
- x) The tax liability of the Company is higher than the net profits due to the higher depreciation allowance in the books as compared with the allowance allowed under the Indian Income Tax rules. The above difference in depreciation is not fully offset by a deferred tax asset as the deferred tax asset to the extent it gets reversed during the tax holiday period is not recognized as at the current balance sheet date.
- y) The Board of Directors have proposed a dividend of 10% for the year ended 31 March 2010 on the total issued capital including the equity shares to be issued pursuant to the Scheme of Amalgamation. Accordingly, the proposed dividend of Rs 12,333,333 as at 31 March 2010 includes the dividend proposed and accrued on the 4,933,333 shares which are to be issued pursuant to the Scheme of Amalgamation.
- z) Previous year's figures have been re-grouped/re-arranged wherever necessary to conform to current year's presentation and are not strictly comparable with the current year figures [refer schedule 19(b)].

for Centum Electronics Limited

Apparao V. Mallavarapu
Managing Director

S. Krishnan
Director

Place : Bangalore
Date : 12 August 2010

Ellroy Furtado
Company Secretary

K.S. Desikan
Chief Financial Officer

Cash Flow Statement

	Year ended 31 March 2010 (Rs.)	Year ended 31 March 2009 (Rs.)
Cash flow from operating activities		
Profit before tax	3,149,936	5,671,901
Adjustments		
Provision for doubtful debts	-	1,101,483
Bad debts written off	707,895	-
Loss on sale of assets	1,612,183	401,098
Depreciation	75,279,590	19,328,753
Interest income	(8,014,239)	(7,899,983)
Interest expense	16,205,269	7,716,080
Operating cash flows before working capital changes	88,940,634	26,319,332
(Increase) / decrease in sundry debtors	(65,400,392)	(16,701,949)
(Increase) / decrease in inventories	(23,561,099)	(1,114,043)
(Increase) / decrease in loans and advances	6,755,451	19,448,825
Increase / (decrease) in current liabilities and provisions	42,125,388	13,046,460
Cash generated from / (used in) operations	48,859,982	40,998,625
Income taxes	(26,145,672)	(18,984,924)
Net cash generated from/(used in) operating activities	22,714,310	(22,013,701)
Cash flow from investing activities		
Proceeds from sale of fixed assets	417,034	600,001
Interest received	7,370,688	10,588,080
Purchase of fixed assets	(35,580,582)	(20,661,882)
Net cash generated from/(used in) investing activities	(27,792,860)	(9,473,801)
Cash flow from financing activities		
Short term loans from bank, net	(107,272,353)	-
Cash credit from bank, net	157,012,874	(20,739,614)
Interest expense	(16,205,269)	(7,716,080)
Dividend and dividend tax paid	(16,256,409)	(8,526,678)
Net cash generated from/(used in) financing activities	17,278,843	(36,982,372)
Net increase/(decrease) in cash and cash equivalents	12,200,293	(24,442,472)
Cash and cash equivalents at the beginning of the year	22,714,013	47,156,485
Cash and cash equivalents acquired pursuant to Scheme of Amalgamation [refer schedule 19(b)]	8,959,110	-
Cash and cash equivalents at the end of the year	43,873,416	22,714,013
<i>Cash and cash equivalents at the end of the year comprise</i>		
Cash and bank balances (refer schedule 10)	43,888,063	22,714,013
Bank overdraft (refer schedule 12)	(14,647)	-
	43,873,416	22,714,013

This is the Cash Flow statement referred to in our report attached

As Per our report attached
for **BSR & Co.**
Chartered Accountants
Firm Registration No. 101248W
Zubin Shekary
Partner
Membership No. 48814
Place : Bangalore
Date : 12 August 2010

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Managing Director

S. Krishnan
Director

Ellroy Furtado
Company Secretary

K.S. Desikan
CFO

Balance Sheet Abstract and Company's General Profile

Registration details

Registration No	13869
State Code	08
Balance Sheet Date	31 March 2010

Capital raised during the year

Public issue	Nil
Rights issue	Nil
Private placement	Nil
Amalgamation	Rs. 4,93,33,330

Position of mobilization and deployment of funds

(in Rs.)

Total liabilities	1,029,234,967
Total Assets	1,029,234,967

Sources of funds

Paid up capital	123,333,330
Reserves and Surplus	640,889,567
Secured loans	265,012,070

Application of funds

Net Fixed Assets	388,534,471
Investments	28,560,000
Net Current Assets	611,616,373
Miscellaneous Expenditure	-
Deferred Tax Asset	524,123

Performance of Company

(In Rs.)

Turnover	1,109,001,016
Total expenditure	1,105,851,080
Profit/Loss before tax	3,149,936
Profit/Loss after tax	(3,132,442)
Earnings per share	(0.25)
Dividend rate(%)	10%

Generic name of the principal products / services of the Company

Item code No (ITC code)	85424000
Product Description	Hybrid Micro Circuit-Active and Passive
Item code No (ITC code)	85170000
Product description	Printed Circuit Board Assembly

for Centum Electronics Limited

Apparao V Mallavarapu
Managing Director

S. Krishnan
Director

Elroy Furtado
Company Secretary

K.S. Desikan
CFO

Place : Bangalore
Date : 12 August 2010

Section 212 of the Companies Act, 1956

Statement on subsidiary company pursuant to Section 212 of the Companies Act, 1956

1	Name of the subsidiary	Centum Rakon India Private Limited
2	Financial period	April 1, 2009 to March 31, 2010
3	Holding Company's interest	51% in equity share capital
4	Shares held by the holding company in the subsidiary	28,56,000 equity shares of Rs. 10/- each fully paid up amounting to Rs. 2.856 crores
5	The net aggregate of the profits & losses of the subsidiary for the current period so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	NIL
	b. not dealt with or provided for in the accounts of the holding company	Profit of Rs. 15,203,438
6	The net aggregate of the profits & losses of the subsidiary for previous financial years so far as it concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	NA
	b. not dealt with or provided for in the accounts of the holding company	Loss of Rs. 11,158,204

Centum Rakon India Private Limited
(formerly Centum Frequency Products Private Limited)

Board of Directors

Apparao V Mallavarapu, *Director*

S. Krishnan, *Director*

Brent John Robinson, *Director*

Darren Paul Robinson, *Director*

Manager

P M Unnikrishnan, GM - Operations

Statutory Auditors

BSR & Co.

Internal Auditors

Ernst & Young Pvt. Ltd.

Bankers

State Bank of India -SSI Branch
Kumara Park, Bangalore.

Registered office

No. 44, KHB Industrial area,
Yelahanka New Township,
Bangalore- 560 106.

Directors' Report

Your Directors have pleasure in presenting their Third Annual Report on the business and Operations of your Company and the audited Statement of Accounts for the period ended 31st March 2010.

FINANCIAL HIGHLIGHTS

Particulars	Rs.Millions	
	March 31 2010	March 31 2009
Turnover	533.87	289.87
Profit before Depreciation and Interest	85.30	22.63
Depreciation	52.88	25.96
Interest	12.30	8.35
Profit before tax	20.11	-11.68
Provision for tax	4.91	1.42
Profit after tax	15.20	-13.10

PERFORMANCE

During the second full year of the operations, the Company posted a turnover of Rs. 533.87 million and Profit Before Tax of Rs. 20.11 million.

EMPLOYEES

The human capital has been recognized as a vital factor in achieving the goals and objectives of the organization. Emphasis is placed to build a network of dedicated and experienced professionals who would strive for organizational growth by maximizing the effectiveness while the policies and practices would foster employees' satisfaction, retention and productivity.

There are no employees whose details are required to be mentioned under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

DIRECTORS

There were no changes that had occurred in the composition of the Board of Directors.

Mr. S Krishnan is an independent director of Centum Electronics Limited who has been appointed in line with clause 49 of the Listing Agreement applicable to the parent Company, Centum Electronics Limited.

Mr. Apparao V mallavarapu, Director shall retire by rotation and being eligible, offers himself for re-appointment.

The required resolution for re-appointment of the aforesaid director has been included in the notice convening ensuing Annual General Meeting.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of Companies (Amendment) Act, 2000, the Directors confirm that:

- in the preparation of annual accounts for the year ended 31st March 2010 all the applicable Accounting Standards had been followed along with the proper explanations relating to material departures, if any;
- accounting policies were adopted and applied 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 31st March 2010 and of the profit or loss of the Company for year ended on that date;

-
- iii. proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
 - iv. the Directors had prepared the annual accounts on a going concern basis.

AUDITORS

M/s BSR & Co., Chartered Accountants, Statutory Auditors of the company were re-appointed as the statutory auditors at the 2nd Annual General Meeting held on July 8, 2009 and will retire at the forthcoming annual general meeting and they are eligible for re-appointment. Your Directors recommend the re-appointment of the above Statutory Auditors and resolution in this regard forms part of the agenda for the forthcoming Annual General Meeting, requiring approval of the shareholders..

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

The particulars prescribed under subsection (1) (e) of Section 217 of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are given in the annexure included in this report.

ACKNOWLEDGEMENTS

Your Directors thank the customers for their continued patronage and the investors, bankers and vendors for their continued support.

Your Directors acknowledge and thank the invaluable contributions of all the employees, who have demonstrated their skill, teamwork and commitment through their competence, hard work, cooperation and support.

Your Directors would also like to place on record the support received from, the Electronic Hardware Technology Park, the Customs and Excise Departments, the Reserve Bank of India, and all the other Central and State Governmental agencies.

For and on behalf of the Board

Place: Bangalore
Date: 28 May 2010

Apparao V Mallavarapu
Director

S Krishnan
Director

Annexure to the Directors' Report

INFORMATION PURSUANT TO THE SECTION 217(1)(e) OF THE COMPANIES ACT, 1956.

1. CONSERVATION OF ENERGY

The Company continues to accord priority to energy conservation. Company's 'energy saving' team is committed to minimize the energy consumption and has planned to implement several energy saving projects. Consistent efforts are being made for identifying potential areas for energy saving.

Some of the measures your company had undertaken during the period under report in the high priority area of Energy Conservation are:

- Energy Audit was conducted by M/s Schneider Electric Conserve India during Aug09.
- Improved the average Power Factor from 0.96 to 0.972 and reduced the demand charges and planning to improve unity power Factor during the current year.
- Improved Chiller Condenser Cooling efficiency by descaling and running of two Cooling towers for one chiller and hence reduced the Power Consumption.
- Installed 2 TR * 3 Nos of split Air Conditioners at Crystal shopfloor and operated this during night hours instead of running Central airconditioning Chiller and supporting accessories. Thus saved energy costs.
- Completely arrested Compressed air leakages in the shopfloor and hence Compressor loading pattern is reduced and reduced the Power Consumption for Compressors.
- Switched off one Package air conditioner of the 2nd floor office area after 5.30 PM and saved Power Costs.
- Interlock & Transfer of load of 500 KVA & 320 KVA DG sets are done and due to this when the plant load is less we can run only 2 generators of 500 KVA & 320 KVA instead of 500 KVA*2 Numbers and hence savings in the diesel Cost is achieved.

2. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

- Successfully completed ISRO line qualification for TCXO, VCXO and Clock oscillator products.
- Indigenized many MIL grade oscillator product designs and manufacturing.
- Introduced new soft wares and modifications to existing test softwares for productivity and capability enhancement.
- Taken up development and fabrication of many test and measurement systems like - oscillator measured ageing system, helium bomb system, ageing benches etc.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts No. 19(11) & (12) and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2010.

For and on behalf of the Board

Place: Bangalore
Date: 28 May 2010

Apparao V Mallavarapu
Director

S Krishnan
Director

Auditors' Report

To the Members of Centum Rakon India Private Limited (formerly Centum Frequency Products Private Limited)

We have audited the attached balance sheet of Centum Rakon India Private Limited ((formerly Centum Frequency Products Private Limited) ("the Company") as at 31 March 2010 and also the profit and loss account and 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.

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.

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

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

- (a) 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;
- (b) 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;
- (c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (d) 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;
- (e) on the basis of written representations received from the directors, as at 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date;
- (f) 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:
 - (i) in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2010;
 - (ii) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
 - (iii) in the case of the cash flow statement, of the cash flows of the Company for the year ended on that date.

for BSR & Co.
Chartered Accountants
Firm registration number: 101248W

Zubin Shekary
Partner
Membership No. 48814

Bangalore
Date: 28 May 2010

Annexure to the Auditors' Report

Annexure referred to in our report to the members of Centum Rakon India Private Limited (formerly Centum Frequency Products Private Limited) ("the Company") for the year ended 31 March 2010. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) No fixed assets were disposed off during the year. Thus, paragraph 4(i)(c) of the Order is not applicable to the Company.
- (ii) (a) The inventory, except goods-in-transit, has been physically verified by the Management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the 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 inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has taken loan from a company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year and the year end balance of such loan aggregated Rs 98,560,000. The Company has not taken loan from any other firm / other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) In our opinion, the rate of interest and other terms and conditions on which the loan has been taken from the company listed in the register maintained under Section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the Company.
- (c) In the case of the loan taken from a company listed in the register maintained under Section 301 of the Companies Act, 1956, the Company has been regular in repaying the interest amounts as stipulated and there was no stipulation as to repayment of principal amount during the year under audit.
- (e) 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, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods sold are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, with regard to purchase of inventories and fixed assets and with regard to the sale of goods. The Company's operations does not involve sale of services. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section.

-
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs 5 lakhs with each party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time except for purchases of certain items of inventories and fixed assets which are for the Company's specialised requirements and similarly for sale of certain goods for the specialised requirements of the buyers and for which suitable alternative sources are not available to obtain comparable quotations. However, on the basis of information and explanations provided, the same appear reasonable.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the products manufactured by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Customs duty, Excise duty and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities, *except for income tax deducted at source as there were delays in few cases*. As informed to us, the Company did not have any dues on account of Investor Education and Protection Fund, Service tax and Wealth tax.
- There are no dues on account of Cess under section 441A of the Companies Act, 1956 since the date from which the aforesaid Section comes into force has not yet been notified by the Central Government of India.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Custom duty and Excise duty which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company is registered for a period of less than five years and accordingly clause 4(x) of the Order is not applicable.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of its dues to any banks during the year. The Company did not have any outstanding dues to any financial institution or debenture holders during the year.
- (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.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund /nidhi/ mutual benefit fund/ society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
-

Annexure to the Auditors' Report (contd...)

- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the Company have been applied for the purposes for which they have been raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (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 BSR & Co.
Chartered Accountants
Firm registration number: 101248W

Bangalore
Date: 28 May 2010

Zubin Shekary
Partner
Membership No. 48814

Balance Sheet

	SCHEDULE	As at 31 March 2010 Rs.	As at 31 March 2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	3	56,000,000	56,000,000
Reserves and surplus	4	239,527,634	235,482,400
		295,527,634	291,482,400
Loan funds			
Secured loan	5	54,279,065	20,107,828
Unsecured loans	6	196,487,409	185,841,122
		250,766,474	205,948,950
Deferred tax liability, net	19(18)	4,895,110	-
		551,189,218	497,431,350
APPLICATION OF FUNDS			
Fixed assets	7		
Gross block		532,398,609	489,280,112
Less: Accumulated depreciation		(160,003,145)	(107,120,127)
Net block		372,395,464	382,159,985
Capital work-in-progress		9,749,006	27,722,241
		382,144,470	409,882,226
Current assets, loans and advances			
Inventories	8	135,730,732	68,714,161
Sundry debtors	9	161,607,299	91,678,062
Cash and bank balances	10	7,708,462	21,411,148
Loans and advances	11	20,483,031	10,270,803
		325,529,524	192,074,174
Current liabilities and provisions			
Current liabilities	12	150,449,618	113,535,009
Provisions	13	6,035,158	2,148,245
		156,484,776	115,683,254
Net current assets		169,044,748	76,390,920
Debit balance in profit and loss account		-	11,158,204
		551,189,218	497,431,350
Significant accounting policies	2		
Notes to the accounts	19		

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

for **BSR & Co.**

Chartered Accountants

Firm Registration No. 101248W

Zubin Shekary

Partner

Membership No. 48814

Place : Bangalore

Date : 28 May 2010

for **Centum Rakon India Private Limited**

Apparao V. Mallavarapu

Director

S Krishnan

Director

P M Unnikrishnan

GM - Operations (Manager)

Profit and Loss Account

	Schedule	Rs. For the year ended 31 March 2010	Rs. For the year ended to 31 March 2009
INCOME			
Sale of manufactured goods		508,671,806	281,367,374
Less: Excise duty		(1,821,298)	(1,773,436)
Sale of manufactured goods, net		506,850,508	279,593,938
Other income	14	27,016,296	10,274,883
		533,866,804	289,868,821
EXPENDITURE			
Material costs	15	337,357,271	177,849,611
Personnel costs	16	34,779,233	25,490,104
Other expenses	17	73,686,737	61,765,598
Finance expenses	18	15,042,436	10,481,163
Depreciation	7	52,883,018	25,957,814
		513,748,695	301,544,290
Profit /(loss) before tax		20,118,108	(11,675,469)
Income taxes			
- Current		3,519,560	-
- Deferred		4,895,110	1,264,893
- Minimum alternate tax credit entitlement		(3,500,000)	-
- Fringe benefit tax		-	156,094
Profit / (loss) after tax		15,203,438	(13,096,456)
Balance in profit and loss account brought forward		(11,158,204)	1,938,252
Balance carried to the balance sheet		4,045,234	(11,158,204)
Earnings / (loss) per share (par value Rs 10 each)	19(4)		
Basic and diluted		2.71	(2.34)
Weighted average number of equity shares			
Basic and diluted		5,600,000	5,600,000
Significant accounting policies	2		
Notes to the accounts	19		

The schedules referred to above form an integral part of the profit and loss account.

As per our report attached

for **BSR & Co.**
Chartered Accountants
Firm Registration No. 101248W

Zubin Shekary
Partner
Membership No. 48814

Place : Bangalore
Date : 28 May 2010

for **Centum Rakon India Private Limited**

Apparao V. Mallavarapu **S Krishnan**
Director Director

P M Unnikrishnan
GM - Operations (Manager)

Schedules to the Financial Statements

1. Background

Centum Rakon India Private Limited (“the Company”) was incorporated as a private limited company on 17 December 2007 under the Companies Act, 1956. Centum Electronics Limited (“CE”) acquired 100% equity interest in the Company on 1 February 2008 and also agreed to transfer its assets and liabilities pertaining to the Frequency Control Products (“FCP”) division through a Business Transfer Agreement effective 29 February 2008 for a consideration of Rs 127,011,427.

The Company entered into a share subscription agreement on 13 February 2008 with Rakon Limited, New Zealand (“Rakon”) and consequently shareholding in the Company is in the ratio of 51:49 between CE and Rakon (Mauritius) Limited, subsidiary of Rakon as at 31 March 2010.

The Company has been formed principally for the manufacture and supply of electronic products including frequency control products and resistor networks catering to the communications, military, aerospace and industrial electronics markets.

The Company was originally incorporated as Centum Frequency Products Private Limited and subsequently has changed its name to Centum Rakon India Private Limited effective 22 May 2008. The Company has its registered office in Bangalore.

2. Significant accounting policies

a) Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the mandatory Accounting Standards (“AS”) prescribed in the Companies (Accounting Standards) Rules 2006, as amended, and the relevant provisions of the Companies Act, 1956, to the extent applicable.

b) Cash flow statement

Cash flow statement is reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows arising from operating, investing and financing activities of the Company are segregated.

c) Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles (GAAP) in India, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

d) Fixed assets

Fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of the respective assets. Intangible assets are recorded at their acquisition cost. Machinery spares which are specific to a particular item of fixed asset are capitalized at the time of their purchase.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

e) Depreciation

Depreciation is provided on the straight-line method from the date the asset is ready for use.

The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. However, where management’s estimate of the useful life of a fixed asset at the time of acquisition of the fixed asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on management’s estimate of the useful life/ remaining useful life.

Schedules to the Financial Statements (contd...)

Depreciation on assets has been provided at the rates based on the following estimated useful lives of fixed assets:

Asset categories	Years
Plant and machinery	8 - 9 years
Computers	5 - 6 years
Software	5 - 6 years
All other assets	On straight line basis at the rates prescribed under Schedule XIV to the Companies Act, 1956.

For assets acquired/disposed during the year, depreciation is provided from/ upto the date the assets are acquired/disposed. Assets individually costing Rs 5,000 or less are depreciated at the rate of 100%.

Machinery spares are depreciated on a systematic basis over the period of the remaining useful life of the fixed asset for which they are utilized.

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises purchase price and all incidental expenses (other than those subsequently recoverable by the enterprise from the tax authorities) incurred in bringing the inventory to its present location and condition. The basis of determining cost is set out below:

Stores and spares	Weighted average cost method
Raw materials and components	Weighted average cost method
Raw materials in transit	At actual cost
Work-in-progress and finished goods	Weighted average cost including costs of conversion.

Fixed production overheads are allocated on the basis of normal capacity of production facilities.

g) Revenue recognition

Revenue from the sale of finished goods is recognized on transfer of all significant risks and rewards of ownership to the buyer. Sales are accounted inclusive of excise duty and exclude sales tax and trade and quantity discounts and are net of sales returns. Revenue from sale of manufactured goods has been presented both gross and net of excise duty.

Interest on deployment of surplus funds is recognized using the time proportionate method, based on the underlying interest rates.

h) Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the period are recognized in the profit and loss account for the period.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date, the resultant exchange differences are recognized in the profit and loss account.

i) Employee benefits

Defined benefit plans

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods

approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the profit and loss account. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

Other long term benefit

Cost of long term benefits by way of accumulating compensated absences arising during the tenure of service is calculated taking into account the pattern of avilment of leave. Further, in respect of encashment of leave the defined benefit is calculated taking into account all types of increments and qualifying salary projected upto assumed date of encashment. The present value of obligations towards avilment and encashment under such long term benefit is determined based on actuarial valuation carried out by an independent actuary using Projected Unit Credit Method as at the year end. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the profit and loss account. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

Defined contribution plan

Contributions to the recognized provident fund and approved superannuation schemes, which are defined contribution schemes, are charged to the profit and loss account.

j) Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the period. The Company did not have any potentially dilutive equity shares outstanding during the year.

k) Provisions and contingent liabilities

The Company recognizes a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

l) Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets / liabilities are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Assets and liabilities representing current and deferred tax are disclosed on a net basis when there is a legally enforceable right to set off and management intends to settle the asset and liability on a net basis.

Schedules to the Financial Statements (contd...)

The Company provides for and discloses the Fringe Benefit Tax (“FBT”) in accordance with the provisions of Section 115 WC of the Income-tax Act, 1961 and the guidance note on FBT issued by the Institute of Chartered Accountants of India. The Finance Act, 2007 levied FBT on Employees Stock Option Plan. Such FBT liability crystallises on the date of exercise of stock option and is accounted for accordingly. FBT has been abolished with effect from 1 April 2009.

m) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash in flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

n) Stock compensation expense

The Company accounts for stock based compensation expense based on the intrinsic value method as prescribed by the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition/ construction of the qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred.

	Rs As at 31 March 2010	Rs As at 31 March 2009
3. Share capital		
Authorised		
7,000,000 (previous year: 7,000,000) equity shares of Rs 10 each	<u>70,000,000</u>	<u>70,000,000</u>
Issued, subscribed and paid-up		
5,600,000 (previous year: 5,600,000) shares of Rs 10 each fully paid up	<u>56,000,000</u>	<u>56,000,000</u>
<p>Out of the above 2,855,999 (previous year: 2,855,999) equity shares of Rs 10 each are held by Centum Electronics Limited, the holding company, 2,744,000 (previous year: 2,744,000) equity shares of Rs 10 each are held by Rakon (Mauritius) Limited and the balance 1 (previous year: 1) equity share is held by Mr. Apparao V Mallavarapu as a beneficial owner on behalf of Centum Electronics Limited.</p> <p>(Out of the above, 2,846,000 (previous year: 2,846,000) equity shares are allotted as fully paid up pursuant to a contract without payment being received in cash)</p>		
4. Reserves and surplus		
Securities premium account [refer schedule 19(2)]	235,482,400	235,482,400
Profit and loss account balance	<u>4,045,234</u>	<u>-</u>
	<u>239,527,634</u>	<u>235,482,400</u>
5. Secured loan		
Short term packing credit - bank	19,683,770	20,107,828
Cash credit - bank	<u>34,595,295</u>	<u>-</u>
	<u>54,279,065</u>	<u>20,107,828</u>
<p>Packing credit has been obtained from State Bank of India by way of hypothecation of inventories and book debts of the Company. Additionally, it is secured by way of collateral charge on plant and machinery. The loan is repayable with the year.</p> <p>Cash credit obtained from State Bank of India is secured by way of hypothecation on the inventories, book debts and other current assets of the Company. Additionally, it is secured by way of collateral charge on plant and machinery.</p>		
6. Unsecured loan		
Long term loan from Centum Electronics Limited, the holding company*	98,560,000	98,560,000
Long term loan from Rakon (Mauritius) Limited**	95,550,003	85,700,000
Interest accrued and due	<u>2,377,406</u>	<u>1,581,122</u>
	<u>196,487,409</u>	<u>185,841,122</u>

*The above loan is repayable on 29 August 2013.

**The above loan is repayable in four instalments on 2 April 2014, 5 August 2014, 30 January 2015 and 20 June 2015.

Schedules to the Financial Statements (contd...)

SCHEDULE : 7 FIXED ASSETS

Particulars	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK	
	As at 1 April 2009	Additions during the year	As at 31 March 2010	As at 1 April 2009	Charge for the year	As at 31 March 2010	As at 31 March 2010	As at 31 March 2009
Tangible assets, owned								
Lease hold improvements	1,103,723	130,061	1,233,784	91,392	235,188	326,580	907,204	1,012,331
Plant and machinery*	347,210,652	29,043,556	376,254,208	90,597,679	35,998,467	126,596,146	249,658,062	256,612,973
Electrical installations	18,298,683	2,743,303	21,041,986	5,841,820	951,030	6,792,850	14,249,136	12,456,863
Computers	4,276,347	77,871	4,354,218	3,301,029	405,118	3,706,147	648,071	975,318
Office equipment	924,217	-	924,217	373,946	40,219	414,165	510,052	550,271
Furniture	3,495,433	261,240	3,756,673	1,359,157	222,797	1,581,954	2,174,719	2,136,276
Total (A)	375,309,055	32,256,031	407,565,086	101,565,023	37,852,819	139,417,842	268,147,244	273,744,032
Intangible assets, owned								
Intellectual property	112,357,152	10,862,466	123,219,618	4,860,152	14,802,518	19,662,670	103,556,948	107,497,000
Computer software	1,613,905	-	1,613,905	694,952	227,681	922,633	691,272	918,953
Total (B)	113,971,057	10,862,466	124,833,523	5,555,104	15,030,199	20,585,303	104,248,220	108,415,953
Total (A) + (B)	489,280,112	43,118,497	532,398,609	107,120,127	52,883,018	160,003,145	372,395,464	382,159,985
Previous year	129,897,910	359,382,202	489,280,112	81,162,313	25,957,814	107,120,127	382,159,985	

* includes interest capitalised of Rs 21,183 (previous year: Rs 1,891,545)

	Rs As at 31 March 2010	Rs As at 31 March 2009
8. Inventories		
Stores and spares	31,231	543,719
Raw materials and components	74,485,360	27,161,925
Raw material in transit	3,485,837	2,920,999
Work-in-progress	57,728,304	38,087,518
	<u>135,730,732</u>	<u>68,714,161</u>
9. Sundry debtors		
<i>Unsecured</i>		
Debts outstanding for a period exceeding six months		
- considered good	567,633	-
- considered doubtful	220,621	460,852
	<u>788,254</u>	<u>460,852</u>
Other debts (considered good)	161,039,666	91,678,062
	<u>161,827,920</u>	<u>92,138,914</u>
Less: provision for doubtful debts	(220,621)	(460,852)
	<u>161,607,299</u>	<u>91,678,062</u>
* Includes amounts due from the companies under the same management as defined under Section 370(1B) of the Companies Act, 1956		
- Soletron EMS India Limited	3,285,435	42,433
- Centum Electronics Limited	609,041	34,580
* Maximum amount outstanding during the year from companies under same management as defined under Section 370(1B) of the Companies Act, 1956:		
- Soletron EMS India Limited	3,285,435	914,696
- Centum Electronics Limited	663,852	34,580
10. Cash and bank balances		
Cash in hand	5,960	20,590
Balances with scheduled banks		
- in current accounts	4,918,329	10,577,620
- in EEFC accounts	1,401,236	9,945,938
- in margin money accounts	1,382,937	867,000
	<u>7,708,462</u>	<u>21,411,148</u>

Schedules to the Financial Statements (contd...)

	Rs As at 31 March 2010	Rs As at 31 March 2009
11. Loans and advances		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received*	498,611	1,279,187
Advance to suppliers	6,043,966	3,238,947
Deposits	10,000	10,000
Prepaid expenses	991,373	539,784
Accrued interest	7,051	-
Balances with government authorities	9,412,683	5,188,977
Advance tax and tax deducted at source [net of provision Rs 175,654 (previous year: Rs 156,094)]	3,519,347	13,907
	<u>20,483,031</u>	<u>10,270,802</u>
<i>Unsecured, considered doubtful</i>		
Advance to suppliers	1,368,779	1,368,779
	<u>21,851,810</u>	<u>11,639,581</u>
Less: Provision for doubtful advances	<u>(1,368,779)</u>	<u>(1,368,779)</u>
	<u>20,483,031</u>	<u>10,270,802</u>
* Includes		
Amounts due from the companies under the same management as defined under Section 370(1B) of the Companies Act, 1956		
- Solectron EMS India Limited	-	92,650
Maximum amount outstanding during the year from companies under same management:		
- Solectron EMS India Limited	92,650	92,650
12. Current liabilities		
Trade creditors		
- dues to micro and small enterprises [refer schedule 19(13)]	33,032	48,305
- dues to others	146,364,023	110,632,919
Advances received from customers	2,222,824	427,594
Interest accrued but not due	109,877	121,990
Other liabilities	1,719,862	2,304,201
	<u>150,449,618</u>	<u>113,535,009</u>
13. Provisions		
Provision for tax [net of advance tax and tax deducted at source of Rs 1,707,759 (previous year: Rs 1,462,376)]	3,302,948	48,331
Gratuity	1,777,789	1,417,326
Compensated absences	954,421	682,588
	<u>6,035,158</u>	<u>2,148,245</u>

	Rs	Rs
	For the year ended 31 March 2010	For the year ended 31 March 2009
14. Other income		
Interest on margin money [tax deducted at source Rs 8,629 (previous year: Rs Nil)]	76,210	-
Foreign exchange gain, net	24,167,482	10,082,487
Other reimbursements [net of cost reimbursements amounting to Rs 3,350,249 (previous year: Rs Nil)]	1,343,432	-
Miscellaneous income	1,429,172	192,396
	27,016,296	10,274,883
15. Material costs		
Raw materials, components and packing materials consumed	356,998,057	177,885,194
Movement in work in progress		
<i>Opening</i>		
Work in progress	38,087,518	38,051,935
	38,087,518	38,051,935
<i>Closing</i>		
Work in progress	57,728,304	38,087,518
	57,728,304	38,087,518
Decrease in inventories of work-in-progress	(19,640,786)	(35,583)
	337,357,271	177,849,611
16. Personnel costs		
Salaries, wages and allowances	32,557,646	23,842,708
Contribution to provident and other funds	2,200,479	1,613,374
Staff welfare expenses	21,108	34,022
	34,779,233	25,490,104

Schedules to the Financial Statements (contd...)

	Rs	Rs
	For the year ended 31 March 2010	For the year ended 31 March 2009
17. Other expenses		
Power and fuel	4,297,275	3,864,836
Rent	2,561,109	2,826,569
Repairs and maintenance		
- Building	129,934	139,523
- Plant and machinery	4,814,797	2,338,458
Insurance	2,188,740	1,354,410
Rates and taxes	44,894	386,602
Professional and consultancy	51,479,269	43,834,816
Outside services	2,931,533	2,106,979
Travelling and conveyance	571,445	2,160,200
Printing and stationery	545,552	-
Directors sitting fees	16,000	-
Provision for doubtful debts	-	419,964
Freight outwards	2,892,552	881,970
Provision for doubtful advances	-	1,368,779
Miscellaneous expenses	1,213,637	82,492
	73,686,737	61,765,598
18. Finance expenses		
Interest on packing credit facilities	552,329	2,249,029
Interest on cash credit facilities	2,410,730	-
Interest on long term loan	9,335,954	6,102,986
Other financial charges	2,743,423	2,129,148
	15,042,436	10,481,163

19. Notes to the accounts

1) Capital commitments and contingent liabilities

Particulars	As at 31 March 2010	As at 31 March 2009
Estimated amount of contracts remaining to be executed on capital account (net of advances)	15,713,935	23,317,000

- 2) Centum Electronics Limited ("CE") took over 100% equity interest in the Company and also agreed to transfer its assets and liabilities pertaining to the Frequency Control Products ("FCP") division through a Business Transfer Agreement effective 29 February 2008 for a consideration of Rs 127,011,427. The Company issued 2,846,000 equity shares to Centum Electronics Limited on 3 March 2008 as a part consideration for the transfer of the FCP business.

The Company entered into a share subscription agreement on 13 February 2008 with Rakon Limited, New Zealand ("Rakon") whereby Rakon agreed to subscribe to 2,744,000 shares of Rs 10 each at a premium of Rs 85.82 per share in the Company. These shares have been allotted on 25 March 2008 to Rakon (Mauritius) Limited (Rakon Mauritius), subsidiary of Rakon. Pursuant to this transaction the shareholding in the Company is in the ratio of 51:49 between CE and Rakon Mauritius.

3) Auditors' remuneration excluding service tax (included under professional and consultancy)

	Year ended 31 March 2010	Year ended 31 March 2009
Audit fees	500,000	500,000
Out of pocket expenses reimbursed	5,098	14,189
Total	505,098	514,189

4) Earnings / (loss) per share

The computation of earnings per share is set out below:

Particulars	Year ended 31 March 2010 Rs	Year ended 31 March 2009 Rs
Profit for the year/period	15,203,438	(13,096,456)
Weighted average number of equity shares outstanding during the year/period (in numbers)	5,600,000	5,600,000
Face value of equity shares	10	10
Earnings / (loss) per share - basic and dilutive	2.71	(2.34)

5) Capacity and production :

a) Particulars of installed capacity

Products	31 March 2010 Units	31 March 2009 Units
Frequency control products	-	-

Note: The figures for installed capacity are as certified by the Management and not verified by the auditors, being a technical matter. Further, we are informed by management that the installed capacity cannot be quantified.

Schedules to the Financial Statements (contd...)

b) Particulars of production

Products	31 March 2010 Units	31 March 2009 Units
Frequency control products	603,521	1,034,093

6) Details of opening & closing inventories of manufactured items :

Finished goods - There is no opening or closing stock of finished goods.

7) Particulars of raw materials and components consumed

Components	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Quantity Units	Value Rs	Quantity Units	Value Rs
Crystals	683,763	148,260,277	541,029	54,519,490
Integrated Circuits	3,800,137	26,714,765	560,418	6,931,444
PCBA assembly	32,395	4,209,067	48,055	17,621,066
Others	-	92,003,031	-	23,124,510
Total		271,187,140		102,196,510

Raw materials	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Quantity Units	Value Rs	Quantity Units	Value Rs
Blanks	1,054,101	6,438,505	535,750	8,986,913
Base	1,736,306	24,914,347	606,249	21,316,644
PCB	1,575,273	23,922,935	443,758	10,556,842
Others	-	30,535,130	-	34,828,285
Total		85,810,917		75,688,684

Note: No other individual item of raw materials and components consumed account for 10% or more of the total consumption during the year.

8) Particulars of raw materials and components consumed

Components	For the year ended 31 March 2010		For the year ended 31 March 2009	
	%	Rs	%	Rs
Imported	91.87	249,135,838	87.47	89,391,674
Indigenous	8.13	22,051,302	12.53	12,804,836
Total	100.00	271,187,140	100.00	102,196,510

Raw materials

	For the year ended 31 March 2010		For the year ended 31 March 2009	
Raw Materials	%	Rs	%	Rs
Imported	98.01	84,100,847	96.93	73,368,344
Indigenous	1.99	1,710,070	3.07	2,320,340
Total	100.00	85,810,917	100.00	75,688,684

9) Particulars in respect of sale of manufactured products (including excise duty)

	For the year ended 31 March 2010		For the year ended 31 March 2009	
Products	Quantity Nos.	Value Rs	Quantity Nos.	Value Rs
Frequency control products	603,521	508,671,806	1,034,093	281,367,374
Total	603,521	508,671,806	1,034,093	281,367,374

10) CIF value of imports

Products	For the year ended 31 March 2010 Rs	For the year ended 31 March 2009 Rs
Capital goods	26,800,872	147,786,919
Raw materials and components (including goods in transit)	372,422,192	171,480,858
Total	399,223,064	319,267,777

11) Expenditure in foreign currency (on payment basis)

Products	For the year ended 31 March 2010 Rs	For the year ended 31 March 2009 Rs
Travel	870,705	1,929,570
Interest on loan	1,664,744	-
Professional and consultancy	9,737,691	4,852,973
Total	12,273,140	6,782,543

12) Earnings in foreign currency

Products	For the year ended 31 March 2010 Rs	For the year ended 31 March 2009 Rs
Sales of manufactured goods	465,896,872	219,861,497
Total	465,896,872	219,861,497

Schedules to the Financial Statements (contd...)

- 13) The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum in accordance with the 'Micro, Small and Medium Enterprises Development Act, 2006' ('the Act'). Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2010 has been made in the financial statements based on information received and available with the Company. Further in view of the Management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier as at the balance sheet date.

	For the year ended 31 March 2010 Rs	For the year ended 31 March 2009 Rs
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	33,032	48,305
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	-	-
The amount of interest accrued and remaining unpaid at the end of the year	3,858	2,981
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	-	-

14) Related Party

A. Parties where control exists:

- Centum Electronics Limited - Holding Company ('CE')

B. Other related parties where transactions have taken place during the year:

Party having significant influence

- Rakon Limited - (ultimate holding company of Rakon (Mauritius) Limited which holds 49% equity shares in the Company)

Parties under common control

- Rakon (Mauritius) Limited
- Rakon France SAS
- Rakon UK Limited
- Solelectron EMS India Limited

C. Key management personnel

Name of the Director	Representing	Nature of directorship
Mr. Apparao V Mallavarapu	Centum Electronics Limited	Non-Executive
Mr. S. Krishnan	Centum Electronics Limited	Non-Executive
Mr. Darren Robinson	Rakon Mauritius Limited	Non-Executive
Mr. Brent Robinson	Rakon Mauritius Limited	Non-Executive

D. The following is a summary of transactions with related parties by the Company:			Rs
Particulars	For the year ended 31 March 2010	For the year ended 31 March 2009	
Unsecured loan taken			
<i>Parties under common control</i>			
Rakon (Mauritius) Limited	21,006,521	82,195,000	
Professional and consultancy			
<i>Holding Company</i>			
Centum Electronics Limited	31,158,821	35,000,004	
<i>Parties under common control</i>			
Rakon France SAS	16,041,011	7,407,223	
Rent			
<i>Holding Company</i>			
Centum Electronics Limited	2,300,400	2,300,400	
Interest expense			
<i>Holding Company</i>			
Centum Electronics Limited	5,913,600	5,913,600	
<i>Parties under common control</i>			
Rakon (Mauritius) Limited	3,422,355	189,386	
Sales of goods			
<i>Holding Company</i>			
Centum Electronics Limited	1,247,936	33,250	
<i>Parties under common control</i>			
Rakon France SAS	404,146,807	102,343,233	
Rakon UK Limited	52,710,781	114,926,493	
Solectron EMS India Limited	4,755,276	1,805,241	
<i>Parties having significant influence</i>			
Rakon Limited	745,009	5,594	
Reimbursement of cost from			
<i>Parties having significant influence</i>			
Rakon Limited	4,693,681	-	
Purchases of goods and services			
<i>Holding Company</i>			
Centum Electronics Limited	6,732,846	4,501,416	
<i>Parties under common control</i>			
Rakon France SAS	233,911,946	88,498,016	
Rakon UK Limited	14,654,794	6,179,102	
Solectron EMS India Limited	1,482,398	-	
<i>Parties having significant influence</i>			
Rakon Limited	2,534,608	7,067,967	
Purchases of fixed assets			
<i>Parties under common control</i>			
Rakon France SAS	18,792,660	139,554,031	
Rakon UK Limited	348,222	4,542,043	
Rakon (Mauritius) Limited	-	1,891,545	
<i>Parties having significant influence</i>			
Rakon Limited	4,112,340	-	

Schedules to the Financial Statements (contd...)

E. The balances receivable from and payable to related parties are as follows: Rs

Particulars	As at 31 March 2010	As at 31 March 2009
Unsecured loan		
<i>Holding Company</i>		
Centum Electronics Limited	98,560,000	98,560,000
<i>Parties under common control</i>		
Rakon (Mauritius) Limited	97,927,409	87,281,122
Interest accrued but not due		
<i>Parties under common control</i>		
Rakon (Mauritius) Limited	109,877	121,990
Advances recoverable in cash or in kind or for value to be received		
<i>Parties under common control</i>		
Solelectron EMS India Limited	-	92,650
Sundry debtors		
Rakon France SAS	134,023,993	52,342,711
Rakon UK Limited	12,648,650	23,499,732
Rakon Limited	348,506	5,952
Solelectron EMS India Limited	3,285,435	42,433
Sundry creditors		
<i>Holding Company</i>		
Centum Electronics Limited	3,442,086	8,526,763
<i>Parties under common control</i>		
Rakon France SAS	85,054,822	70,823,389
Solelectron EMS India Limited	391,172	-
Rakon UK Limited	11,394,487	6,952,260
Rakon Limited	4,104,611	1,565,244

No remuneration is payable to key management personnel.

15) Segment reporting

The Company operates in only one segment i.e. Components business (Frequency Control Products) and accordingly there are no primary segment disclosures.

Geographic segment	Year ended 31 March 2010 Rs.	Year ended 31 March 2009 Rs.
Segment revenues		
India	40,953,636	59,732,441
Europe	465,007,434	218,635,402
Rest of the world	889,438	1,226,095
	506,850,508	279,593,938

Segment assets		
India	554,278,910	523,798,452
Europe	153,046,579	63,591,001
Rest of the world	348,505	14,566,947
	707,673,994	601,956,400

16) Leases

The Company has taken warehouse premises under cancellable operating lease. The Company intends to renew such leases in the normal course of business. Total lease rentals recognised in the profit and loss account for the year ended 31 March 2010 with respect to the above is Rs 2,561,109 (previous year: Rs 2,826,569).

17) The following table sets out the status of the gratuity plan as required under revised AS 15.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation.

	As at 31 March 2010	Rs. As at 31 March 2009
Change in Projected Benefit Obligations		
Obligations at year beginning	1,417,326	1,002,040
Service cost	275,974	145,979
Interest cost	105,558	85,409
Benefits paid	-	-
Actuarial loss / (gain)	(21,069)	183,898
Obligations at year end	1,777,789	1,417,326
Change in plan assets		
Plan assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain/ (loss)	-	-
Contributions	-	-
Benefits paid	-	-
Plan assets at year end, at fair value	-	-
Reconciliation of present value of obligation and fair value of plans assets		
Fair value of the plan assets at the end of the year	-	-
Present value of defined benefit obligation at the end of the year	1,777,789	1,417,326
Asset/ (liability) recognised in the balance sheet	(1,777,789)	(1,417,326)
	Year ended 31 March 2010	Rs. Year ended 31 March 2009
Gratuity cost for the year		
Service cost	275,974	145,979
Interest cost	105,558	85,409
Expected return on plan assets	-	-
Actuarial loss / (gain)	(21,069)	183,898
Net gratuity cost	360,463	415,286

Schedules to the Financial Statements (contd...)

Assumptions

Interest rate	7.80%	6.70%
Expected rate of return on plan assets	Not applicable	Not applicable
Expected rate of salary increase	7.00%	7.00%
Attrition rate	1%-15%	1%-15%
Retirement age	58 years	58 years

The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

18) Deferred taxes

The composition of deferred tax assets and liabilities of the Company are as under:

Particulars	As at 31 March 2010 Rs.	As at 31 March 2009 Rs.
Deferred tax asset/ (liability)		
Fixed assets	(29,721,388)	(26,674,760)
Provision for doubtful debts and advances	540,237	156,644
Provision for retirement benefits	1,163,933	713,761
Preliminary expenses	339,614	509,420
Accumulated losses	22,782,494	25,294,935
Net deferred tax asset/ (liability)	(4,895,110)	-

19) Employee stock options:

Centum Employee Stock Option Plan 2007

Certain employees of the Company are entitled to the shares of Centum Electronics Limited (parent company) under the Centum ESOP plan 2007. Options will be issued to employees of the Company at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty eight months from the date of grant. The exercise period is ten years from the date of vesting.

Number of options granted, exercised and forfeited	Year ended 31 March 2010	Weighted average exercise price	Year ended 31 March 2009	Weighted average exercise price
Options outstanding at the beginning of the year	27,400	150.3	27,400	150.3
Granted during the year	27,400	31.60	-	-
Exercised during the year	-	-	-	-
Forfeited / lapsed during the year	27,400	150.3	-	-
Options outstanding at the end of the year	27,400	31.60	27,400	150.3
Exercisable at the end of the year	-		6,050	

The weighted average share price of the options exercised as at the date of exercise was Rs Nil. There were 27,400 equity shares were given as options during the current year. The options outstanding as at 31 March 2010 had an exercise price of Rs 31.60 and the weighted average remaining contractual life of 11.64 years.

Pro forma accounting for stock option grants

The Company applies the intrinsic value method of accounting for determining compensation cost for its stock based compensation plan. The Company has therefore adopted the pro forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share Based Payments" issued by the ICAI with effect from 1 April 2005.

Had the compensation been determined using the fair value approach described in the aforesaid Guidance Note, the Company's net profit and basic and diluted earnings per share as reported would have reduced to the pro forma amounts as indicated:

Particulars	Year ended 31 March 2010	Rs Year ended 31 March 2009
Net profit / (loss) as reported	15,203,438	(13,096,456)
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determines under the fair value method	141,669	1,177,478
Adjusted net profit	15,061,769	14,273,934
Basic and diluted earnings per share as reported	2.71	2.34
Pro forma basic and diluted earnings per share	2.69	2.55

The fair value of each option under the 2007 plan is estimated by management on the date of grant using the Black - Scholes model with the following assumptions:

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Dividend yield %	-	-
Expected life	1-4 years	1-4 years
Risk free interest rate	5.7-6.5%	5.7-6.5%
Volatility	70.96%	94.8%

20) The Company's foreign currency exposure on account of foreign currency denominated payables not hedged as on 31 March 2010:

Particulars	As at 31 March 2010		As at 31 March 2009	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	523,608	23,913,162	120,314	6,202,184
EUR	1,455,664	89,421,429	2,576,830	176,667,473
GBP	11,026	761,651	75,303	5,570,162
JPY	5,747,660	2,822,101	918,495	486,802
Total		116,918,343		188,926,621

Schedules to the Financial Statements (contd...)

The Company's foreign currency exposure on account of foreign currency denominated receivables not hedged as on 31 March 2010:

Particulars	As at 31 March 2010		As at 31 March 2009	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	2,190,138	97,767,771	238,512	11,837,376
EUR	823,711	49,084,928	954,095	61,352,694
GBP	35,254	2,364,512	8	691
Total		149,217,211		73,190,761

21) Transfer pricing:

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income-tax Act, 1961. Since the law requires existence of such information and documentation to be contemporaneous in nature, the Company has completed the process of updating the documentation for the international transactions entered into with the associated enterprises relating to the previous year. Further, the Company is in the process of updating the documentation for the international transactions entered into with the associated enterprises during the financial year and expects such records to be in existence latest by September 2010 as required under law. The management is of the opinion that its international transactions are at arm's length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

22) Previous year's figures have been re-grouped/re-arranged wherever necessary to conform to current year's presentation.

for Centum Rakon India Private Limited

Place : Bangalore
Date : 28 May 2010

Apparao V.Mallavarapu
Director

S. Krishnan
Director

P M Unnikrishnan
GM - Operations (Manager)

Cash Flow Statement

	Rs. For the year ended 31 March 2010	Rs. For the year ended 31 March 2010
Cash flow from operating activities		
Profit/(loss) before tax	20,118,108	(11,675,469)
<i>Adjustments</i>		
Depreciation	52,883,018	25,957,814
Interest and other financial charges	15,042,436	10,481,163
Provision for doubtful debts	-	419,964
Provision for doubtful advances	-	1,368,779
Interest income	(76,210)	-
Operating cash flows before working capital changes	87,967,352	26,552,251
(Increase)/Decrease in sundry debtors	(69,929,237)	(42,063,121)
(Increase)/Decrease in inventories	(67,016,571)	(5,084,201)
(Increase)/Decrease in loans and advances	(6,719,677)	6,814,187
Increase/(Decrease) in current liabilities and provisions	37,546,905	76,983,558
Cash generated from operations	(18,151,228)	63,202,674
Income taxes	(245,384)	(1,632,376)
Net cash generated from/ (used in) operating activities	(18,396,612)	61,570,298
Cash flow from investing activities		
Interest income	76,210	-
Purchase of fixed assets	(25,145,262)	(386,598,664)
Net cash used in investing activities	(25,069,052)	(386,598,664)
Cash flow from financing activities		
Cash credit from bank, net	34,171,237	913,630
Interest and finance charges	(12,677,144)	(9,247,898)
Unsecured loan taken	8,268,885	85,700,000
Net cash provided by financing activities	29,762,978	77,365,732
Net increase / (decrease) in cash and cash equivalents	(13,702,686)	(247,662,634)
Cash and cash equivalents at the beginning of the year	21,411,148	269,073,782
Cash and cash equivalents at the end of the year	7,708,462	21,411,148
<i>Cash and cash equivalents at the end of the year comprise</i>		
Cash and bank balances (refer schedule 10)	7,708,462	21,411,148
	7,708,462	21,411,148

This is the cash flow statement referred to in our report attached

As per our report attached

for **BSR & Co.**
Chartered Accountants
Firm Registration No. 101248W

Zubin Shekary
Partner
Membership No. 48814

Place : Bangalore
Date : 28 May 2010

for **Centum Rakon India Private Limited**

Apparao V. Mallavarapu **S Krishnan**
Director Director

P M Unnikrishnan
GM - Operations (Manager)

Balance Sheet Abstract and Company's General Profile

REGISTRATION DETAILS

Registration No	44692
State Code	08
Balance Sheet date	31 March, 2010

CAPITAL RAISED DURING THE YEAR

Public Issue	Nil
Rights Issue	Nil
Private placement	Nil

POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(in Rs.)

Total liabilities	551,189,218
Total Assets	551,189,218

SOURCES OF FUNDS

(in Rs.)

Paid up capital	56,000,000
Reserves and Surplus	239,527,634
Secured loans	54,279,065
Unsecured loans	196,487,409
Deferred Tax Liability	4,895,110

APPLICATION OF FUNDS

Net Fixed Assets	382,144,470
Investments	-
Net Current Assets	169,044,748

PERFORMANCE OF THE COMPANY

(in Rs.)

Turnover	533,866,804
Total expenditure	513,748,695
Profit/Loss before tax	20,118,108
Extraordinary income	-
Profit/Loss after tax	15,203,438
Earnings per share	2.71
Dividend rate(%)	NIL

GENERIC NAME OF THE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

Item code no (ITC code)	85416000
Product description	Frequency Controlled Products

Bangalore
28 May 2010

for Centum Rakon India Private Limited

Apparao V Mallavarapu
Director

S. Krishnan
Director

P M Unnikrishnan
GM - Operations (Manager)

Consolidated
Centum Electronics Limited
(formerly Soletron Centum Electronics Limited)

Auditors' Report

To the Board of Directors of Centum Electronics Limited

We have audited the attached consolidated balance sheet of Centum Electronics Limited ("the Company") and its subsidiary Centum Rakon India Private Limited (formerly Centum Frequency Products Private Limited) (collectively referred to as the 'Centum Group') as at 31 March 2010, the consolidated profit and loss account and the consolidated cash flow statement of the Centum Group for the year ended on that date, annexed thereto [in which are incorporated the results of erstwhile Soletron EMS India Limited with an appointed date of 1 April 2009 on its amalgamation with the Company as fully explained in Schedule 19(b) of the financial statements]. These consolidated 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 draw attention to note (b) of schedule 19 to the consolidated financial statements, which states that these consolidated financial statements have been prepared pursuant to the Scheme of Amalgamation of erstwhile Soletron EMS India Limited with the Company (Scheme of Amalgamation) being approved by the Honourable High Court of Karnataka and filed with the Registrar of Companies on 30 July 2010, to give effect to the Scheme of Amalgamation and represent the consolidated financial position of Centum Electronics Limited subsequent to the implementation of the Scheme of Amalgamation. The consolidated financial statements of Centum Electronics Limited for the year ended 31 March 2010, prior to giving effect to the Scheme of Amalgamation referred to earlier, were previously audited by us and our audit opinions were issued on 29 May 2010.

We also draw attention to note (a) of schedule 2 to the financial statements which states that these consolidated financial statements have been prepared solely to give effect to the Scheme of Amalgamation and do not consider facts or circumstances which arose subsequent to the date of adoption by the Board of Directors i.e. 29 May 2010 of the earlier consolidated financial statements (prior to giving effect to the Scheme of Amalgamation) prepared for the year ended 31 March 2010. Accordingly, our procedures on these consolidated financial statements have been restricted solely to the amendment of the financial statements as described in note (b) of Schedule 19 to the consolidated financial statements.

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 misstatements. 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.

We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS 21), Consolidated Financial Statements prescribed by Companies (Accounting Standards) Rules, 2006.

In our opinion and to the best of our information and according to the explanations given to us, the 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 state of affairs of the Centum Group as at March 31, 2010;
- b) in the case of the consolidated profit and loss account, of the profit of the Centum Group for the year ended on that date; and
- c) in the case of the consolidated cash flow statement, of the cash flows of the Centum Group for the year ended on that date.

for BSR & Co.
Chartered Accountants
Firm registration number: 101248W

Bangalore
Date: 12 August 2010

Zubin Shekary
Partner
Membership No. 48814

Consolidated Balance Sheet

	SCHEDULE	As at 31 March 2010 Rs.	As at 31 March 2009 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	3	74,000,000	74,000,000
Share capital to be issued pursuant to scheme of arrangement	19(b)	49,333,330	-
Reserves and surplus	4	763,488,100	363,759,469
		886,821,430	437,759,469
LOAN FUNDS			
Secured loans	5	319,291,135	40,086,055
Unsecured loans	6	97,927,409	87,281,122
		417,218,544	127,367,177
MINORITY INTEREST			
DEFERRED TAX LIABILITY, NET	19(k)	143,368,499	136,142,298
		4,370,987	11,615,068
		1,451,779,460	712,884,012
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	7	1,341,229,930	851,707,776
Less: Accumulated depreciation		(596,788,392)	(318,091,246)
Net block		744,441,538	533,616,530
Capital work-in-progress		26,237,407	27,795,951
		770,678,945	561,412,481
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	545,957,285	142,459,620
Sundry debtors	9	443,927,888	107,111,240
Cash and bank balances	10	51,596,525	44,125,161
Loans and advances	11	151,800,776	76,980,208
		1,193,282,474	370,676,229
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	12	465,226,837	195,050,361
Provisions	13	46,955,122	24,154,337
		512,181,959	219,204,698
NET CURRENT ASSETS			
		681,100,515	151,471,531
		1,451,779,460	712,884,012
SIGNIFICANT ACCOUNTING POLICIES			
NOTES TO THE ACCOUNTS			
	2		
	19		

The schedules referred to above form an integral part of the balance sheet.

As per our report attached.

for **BSR & Co.**
Chartered Accountants
Firm Registration No. 101248W

Zubin Shekary
Partner
Membership No. 48814

Bangalore
Date: 12 August 2010

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Managing Director

Elroy Furtado
Company Secretary

S. Krishnan
Director

K.S. Desikan
CFO

Consolidated Profit and Loss Account

	SCHEDULE	Rs. For the year ended 31 March 2010	Rs. For the year ended 31 March 2009
INCOME			
Sale of manufactured goods		1,515,304,866	435,827,527
Less: Excise duty		39,430,967	4,418,580
Sale of manufactured goods, net		1,475,873,899	431,408,947
Service income		57,960,538	23,902,282
Other income	14	55,442,109	12,597,275
		1,589,276,546	467,908,504
EXPENDITURE			
Material cost	15	1,049,677,748	229,822,039
Personnel costs	16	166,332,873	95,506,034
Other expenses	17	186,533,792	87,497,278
Finance expenses	18	35,757,565	16,344,673
Depreciation	7	128,162,608	45,286,566
		1,566,464,586	474,456,590
Profit / (loss) before taxation and minority interest		22,811,960	(6,548,086)
Income taxes			
- Current year		12,283,776	1,700,000
- Previous year		(1,236,773)	-
- Deferred		3,650,045	624,999
- Minimum alternate tax credit entitlement		(3,500,000)	-
- Fringe benefit tax		-	1,073,423
Profit / (loss) after taxation, before minority interest		11,614,912	(9,946,508)
Share of minority interest in the profit/(loss) of subsidiary		7,226,201	(6,684,078)
Profit/(loss) after taxation and minority interest		4,388,711	(3,262,430)
Balance in profit and loss account brought forward		243,663,444	255,583,504
Balance available for appropriation		248,052,155	252,321,074
Appropriation during the year			
- Proposed final dividend		12,333,333	7,400,000
- tax on dividend		2,096,050	1,257,630
Balance carried to the balance sheet		233,622,772	243,663,444
Earnings per share (par value Rs 10 each)	19(d)		
Basic		0.36	(0.44)
Diluted		0.36	(0.44)
Weighted average number of equity shares	19(d)		
Basic		12,333,333	7,400,000
Diluted		12,361,076	7,400,000
SIGNIFICANT ACCOUNTING POLICIES	2		
NOTES TO THE ACCOUNTS	19		

The schedules referred to above form an integral part of the profit and loss account.

As per our report attached.

for **BSR & Co.**
Chartered Accountants
Firm Registration No. 101248W

Zubin Shekary
Partner
Membership No. 48814

Bangalore
Date: 12 August 2010

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Managing Director

Ellroy Furtado
Company Secretary

S. Krishnan
Director

K.S. Desikan
CFO

Schedules to the Consolidated Financial Statements

1. BACKGROUND

Centum Electronics Limited (“the Company”) along with its majority owned and controlled subsidiary, Centum Rakon India Private Limited (formerly Centum Frequency Products Private Limited) (together referred to as “Centum” or “Group”) are primarily involved in the following activities:

- manufacture of Advanced Microelectronics Modules, Frequency Control Products and Resistor Networks catering to the communications, military, aerospace and industrial electronics markets; and
- manufacture of printed circuit board assembly (PCBA) and Repair and Return business catering to the automobile, communications and industrial electronics markets

Centum Rakon India Private limited was incorporated on 17 December 2007. Centum is headquartered in Bangalore, India.

Pursuant to the Scheme of Amalgamation [refer schedule 19(b)] Solelectron EMS India Limited has been amalgamated with the Company with an appointed date of 1 April 2009.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of consolidated financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the mandatory Accounting Standards (“AS”) prescribed in the Companies (Accounting Standards) Rules 2006, the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Securities and Exchange Board of India, to the extent applicable.

The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standard on Consolidated Financial Statements as specified in the Companies (Accounting Standards) Rules, 2006. The financial statements of Centum Electronics Limited - the parent Company and Centum Rakon India Private Limited have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gain /loss. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group. Minority interests have been excluded. Minority interests represent that part of the net profit or loss and net assets of subsidiaries that are not, directly or indirectly, owned or controlled by the Company.

These financial statements have been prepared solely to give effect to the Scheme of Amalgamation and do not consider facts or circumstances which arose subsequent to the date of adoption by the Board of Directors i.e. 29 May 2010 of the earlier consolidated financial statements (prior to giving affect to the Scheme of Amalgamation) prepared for the year ended 31 March 2010.

b) Cash flow statement

Cash flow statement is reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows arising from operating, investing and financing activities of the Group are segregated.

c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

d) Fixed assets

Fixed assets are carried at cost of acquisition less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of

Schedules to the Consolidated Financial Statements (contd...)

the respective assets. Intangible assets are recorded at their acquisition cost. Machinery spares which are specific to a particular item of fixed asset are capitalized at the time of their purchase.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

e) Depreciation

Depreciation is provided on the straight-line method from the date the asset is ready for use.

The rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956 are considered as the minimum rates. However, where management's estimate of the useful life of a fixed asset at the time of acquisition of the fixed asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on management's estimate of the useful life/ remaining useful life.

Depreciation on assets has been provided at the rates based on the following estimated useful lives of fixed assets:

Asset categories	Years
Plant and machinery	5 - 9 years
Leasehold improvements	5 years
Computers	5 - 6 years
Software	5 - 6 years
All other assets	On straight line basis at the rates prescribed under Schedule XIV to the Companies Act, 1956.

Freehold land is not depreciated.

For assets acquired/ disposed during the year, depreciation is provided for from/upto the date the assets are acquired/ disposed. Assets individually costing Rs 5,000 or less are depreciated at the rate of 100%.

Machinery spares are depreciated on a systematic basis over the period of the remaining useful life of the fixed asset for which they are utilized.

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises purchase price and all incidental expenses (other than those subsequently recoverable by the Group from the tax authorities) incurred in bringing the inventory to its present location and condition. The basis of determining cost is set out below:

Stores and spares	Weighted average cost method
Raw materials and components	Weighted average cost method
Work-in-progress and finished goods	Weighted average cost including costs of conversion.
Goods in transit	At actual cost

Fixed production overheads are allocated on the basis of normal capacity of production facilities.

g) Revenue recognition

Revenue from the sale of products and materials is recognized on transfer of all significant risks and rewards of ownership to the buyer. Sales are accounted inclusive of excise duty and exclude sales tax and trade and quantity discounts and are net of sales returns. Revenue from sale of manufactured goods has been presented both gross and net of excise duty.

Revenue from services is recognized as and when services are rendered as per the terms of the contract.

Interest on deployment of surplus funds is recognized using the time proportionate method, based on underlying interest rates.

h) Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the respective transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the consolidated profit and loss account of the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date, the resultant exchange differences are recognized in the consolidated profit and loss account.

i) Employee benefits

Defined benefit plans

The Company's gratuity plan is a defined benefit plan. The present value of gratuity obligation under such defined benefit plans is determined based on actuarial valuation carried out by an independent actuary using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the profit and loss account. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

Other long term benefit

Cost of long term benefits by way of accumulating compensated absences arising during the tenure of service is calculated taking into account the pattern of availment of leave. Further, in respect of encashment of leave the defined benefit is calculated taking into account all types of increments and qualifying salary projected upto assumed date of encashment. The present value of obligations towards availment and encashment under such long term benefit is determined based on actuarial valuation carried out by an independent actuary using Projected Unit Credit Method as at the year end. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the profit and loss account. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

Defined contribution plan

Contributions to the recognized provident fund and approved superannuation schemes, which are defined contribution schemes, are charged to the profit and loss account.

j) Earnings per share

In determining earnings per share, the Group considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the year, unless issued at a later date.

k) Provisions and contingent liabilities

The Group recognizes a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

Schedules to the Consolidated Financial Statements (contd...)

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

l) Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax in respect of timing differences which originate during the tax holiday period but reverse after the tax holiday period is recognised in the period in which the timing differences originate. For this purpose the timing difference which originates first is considered to reverse first. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets / liabilities are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realised.

Assets and liabilities representing current and deferred tax are disclosed on a net basis when there is a legally enforceable right to set off and management intends to settle the asset and liability on a net basis.

The Group provides for and discloses the Fringe Benefit Tax ("FBT") in accordance with the provisions of Section 115 WC of the Income-tax Act, 1961 and the guidance note on FBT issued by ICAI. The Finance Act, 2007 levied FBT on Employees Stock Option Plan. Such FBT liability crystallises on the date of exercise of stock option and is accounted for accordingly. FBT has been abolished with effect from 1 April 2009.

m) Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash in flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the consolidated profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

n) Borrowing costs

Borrowing costs directly attributable to the acquisition/ construction of the qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense in the year in which they are incurred.

o) Stock compensation expense

The Group accounts for stock based compensation expense based on the intrinsic value method as prescribed by the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India (ICAI).

	As at 31 March 2010 Rs.	As at 31 March 2009 Rs.
3. SHARE CAPITAL		
Authorised		
15,500,000 (previous year: 15,500,000) equity shares of Rs 10 each	<u>155,000,000</u>	<u>155,000,000</u>
Issued, subscribed and paid-up		
7,400,000 (previous year: 7,400,000) equity shares of Rs 10 each, fully paid	<u>74,000,000</u> <u>74,000,000</u>	<u>74,000,000</u> <u>74,000,000</u>
4. RESERVES AND SURPLUS		
Securities premium account	120,096,024	120,096,024
General Reserve		
- Opening balance	-	-
- Add: Additions pursuant to amalgamation [refer schedule 19(b)]	<u>409,769,304</u>	-
- Closing balance	<u>409,769,304</u>	-
Profit and loss account balance	<u>233,622,772</u>	243,663,445
	<u>763,488,100</u>	<u>363,759,469</u>
5. SECURED LOAN		
From banks (short term)		
- Cash credit	211,586,396	19,978,227
- Packing credit	<u>107,704,739</u>	20,107,828
	<u>319,291,135</u>	<u>40,086,055</u>
Cash credit obtained from State Bank of India is secured by way of hypothecation on the inventories, book debts and other current assets of the Company. Additionally, it is secured by way of collateral charge on plant and machinery and an equitable mortgage of land.		
Packing credit has been obtained from CitiBank by way of hypothecation of inventories, book debts and fixed assets(present and future) of the EMS division of the Company (erstwhile Solectron EMS India Limited).		
6. UNSECURED LOANS		
Long term loan from Rakon (Mauritius) Limited*	95,550,003	85,700,000
Interest accrued and due	<u>2,377,406</u>	1,581,122
	<u>97,927,409</u>	<u>87,281,122</u>

*The above loan is repayable in four instalments on 2 April 2014, 5 August 2014, 30 January 2015 and 20 June 2015.

Schedules to the Consolidated Financial Statements (contd...)

SCHEDULE : 7 FIXED ASSETS

(Amount in Rs.)

Particulars	GROSS BLOCK					ACUMULATED DEPRECIATION					NET BLOCK	
	As at 1 April 2009	Additions on account of merger (Refer Schedule 19b)	Additions during the year	Deletions during the year	As at 31 March 2010	As at 1 April 2009	Additions on account of merger (Refer Schedule 19b)	Charge for the year	Deletions during the year	As at 31 March 2010	As at 31 March 2010	As at 31 March 2009
Tangible assets, owned												
Freehold land	4,409,383	-	-	-	4,409,383	-	-	-	-	-	4,409,383	4,409,383
Lease hold improvements	1,103,724	1,976,264	475,904	1,414,408	2,141,484	91,391	444,939	659,383	707,126	488,587	1,652,897	1,012,333
Building	58,491,629	-	831,664	-	59,323,293	11,664,079	-	1,963,646	-	13,627,725	45,695,568	46,827,550
Plant and machinery	580,468,716	370,705,350	43,935,401	918,352	994,191,116	270,766,956	132,905,843	95,512,995	612,616	498,573,178	495,617,937	309,701,760
Electrical installations	39,899,839	5,988,393	2,865,797	-	48,754,029	12,424,728	475,592	2,254,367	-	15,154,687	33,599,342	27,475,111
Computers	12,604,447	18,281,256	456,261	-	31,341,964	6,621,740	11,104,122	4,274,257	-	22,000,119	9,341,845	5,982,707
Office equipments	14,435,578	6,009,513	109,165	-	20,554,256	2,754,267	609,839	1,012,057	-	4,376,163	16,178,093	11,681,311
Furniture	17,109,586	7,926,747	403,823	3,235,829	22,204,327	5,810,101	2,519,644	2,098,981	2,219,630	8,209,096	13,995,231	11,299,485
Vehicles	3,433,480	4,779,453	-	-	8,212,933	884,208	241,330	1,457,602	-	2,583,140	5,629,793	2,549,272
Total (A)	731,956,382	415,666,976	49,078,015	5,568,589	1,191,132,784	311,017,470	148,301,309	109,233,288	3,539,372	565,012,695	626,120,089	420,938,912
Intangible assets, owned												
Intellectual Property	112,357,153	-	10,862,466	-	123,219,619	4,860,152	-	14,802,518	-	19,662,670	103,556,949	107,497,001
Computer software	7,394,241	17,139,379	2,343,907	-	26,877,527	2,213,624	5,772,601	4,126,802	-	12,113,027	14,764,500	5,180,617
Total (B)	119,751,394	17,139,379	13,206,373	-	150,097,146	7,073,776	5,772,601	18,929,320	-	31,775,697	118,321,449	112,677,618
Total (A+B)	851,707,776	432,806,355	62,284,388	5,568,589	1,341,229,930	318,091,246	154,073,910	128,162,608	3,539,372	596,788,392	744,441,538	533,616,530
Previous year	473,626,212	-	380,078,766	1,997,202	851,707,776	273,800,783	-	45,286,566	996,103	318,091,246	533,616,530	-

	As at 31 March 2010 Rs.	As at 31 March 2009 Rs.
8. INVENTORIES		
Stores and spares	1,292,363	630,811
Raw materials and components	377,580,946	62,977,224
Raw material in transit	4,025,211	3,973,124
Work-in-progress	163,058,765	74,878,461
	545,957,285	142,459,620
9. SUNDRY DEBTORS		
<i>Unsecured</i>		
Debts outstanding for a period exceeding six months		
- considered good	3,990,745	441,792
- considered doubtful	2,775,798	1,350,658
	6,766,543	1,792,450
Other debts		
- considered good	439,937,143	106,669,448
- considered doubtful	-	285,850
	446,703,686	108,747,748
Less: Provision for doubtful debts	(2,775,798)	(1,636,508)
	443,927,888	107,111,240
10. CASH AND BANK BALANCES		
Cash in hand	114,477	46,336
Cheques in hand	8,571,000	4,144,633
Balances with scheduled banks		
- in current accounts*	8,000,167	11,374,482
- in EEFC accounts	4,347,358	9,945,938
- in margin money accounts	30,112,708	18,613,772
Balances with non scheduled banks		
- in current accounts		
Citibank NA., USA **	450,815	-
	51,596,525	44,125,161

*Includes balance in unclaimed dividend account Rs 2,059,223 (Previous year: Rs 130,952)

**Maximum amount outstanding during the year amounts to Rs 750,928 (Previous year: Rs Nil)

Schedules to the Consolidated Financial Statements (contd...)

	As at 31 March 2010 Rs.	As at 31 March 2009 Rs.
11. LOANS AND ADVANCES		
<i>Unsecured, considered good</i>		
Advances recoverable in cash or in kind or for value to be received	38,663,882	36,829,212
Advance to suppliers	30,126,738	7,314,684
Deposits	9,997,265	3,689,957
Prepaid expenses	8,458,524	3,378,369
Accrued interest	2,032,050	733,734
Balances with government authorities	10,665,048	8,579,947
Advance tax and tax deducted at source [net of provision for tax of Rs 81,793,728 (Previous year: Rs 31,633,703)]	51,857,269	16,454,305
	151,800,776	76,980,208
<i>Unsecured, considered doubtful</i>		
Advances recoverable in cash or in kind or for value to be received	5,092,007	2,729,794
Deposits	316,000	-
Less: Provision for doubtful advances	(5,408,007)	(2,729,794)
	151,800,776	76,980,208
12. CURRENT LIABILITIES		
Book overdraft	14,647	-
Sundry creditors		
- dues to micro and small enterprises	175,976	94,040
- dues to others	426,157,874	135,785,811
Advances received from customers	24,681,735	51,650,455
Interest accrued but not due	109,877	121,990
Other liabilities	12,027,505	7,267,113
Unclaimed dividend	2,059,223	130,952
	465,226,837	195,050,361
13. PROVISIONS		
Taxation [net of advance tax and tax deducted at sources of Rs 58,726,026 (Previous year: Rs 61,218,399)]	10,348,741	9,206,770
Gratuity	6,671,027	4,109,899
Compensated absences	4,331,806	2,180,038
Provision for stamp duty charges [refer schedule 19 (m)]	11,174,165	-
Proposed final dividend	12,333,333	7,400,000
Corporate dividend tax	2,096,050	1,257,630
	46,955,122	24,154,337

	For the year ended 31 March 2010 (Rs.)	For the year ended 31 March 2009 (Rs.)
14. OTHER INCOME		
Interest income on:		
- bank deposits	2,088,991	1,986,383
- income tax refund	87,858	-
Foreign exchange gain, net	49,436,672	8,563,566
Other reimbursements [net of cost reimbursements amounting to Rs 3,350,249 (previous year: Rs Nil)]	1,343,432	-
Liabilities no longer required written back	395,880	1,744,893
Provision for doubtful advances written back	17,913	-
Scrap sales	335,322	-
Miscellaneous income	1,736,041	302,433
	55,442,109	12,597,275
15. MATERIALS COST		
Raw materials, components and packing materials consumed	1,056,369,168	229,150,819
Movement in work in progress <i>Opening</i>		
Work in progress	74,878,461	75,549,681
	74,878,461	75,549,681
Add: Work in progress acquired pursuant to amalgamation [refer Schedule 19(b)]	81,488,884	-
<i>Closing</i>		
Work in progress	163,058,765	74,878,461
	163,058,765	74,878,461
(Increase) / Decrease in inventories of work-in-progress	(6,691,420)	671,220
	1,049,677,748	229,822,039
16. PERSONNEL COSTS		
Salaries, wages and allowances	145,092,109	83,427,131
Contribution to provident and other funds	8,820,380	4,580,243
Staff welfare expenses	12,420,384	7,498,660
	166,332,873	95,506,034

Schedules to the Consolidated Financial Statements (contd...)

	For the year ended 31 March 2010 (Rs.)	For the year ended 31 March 2009 (Rs.)
17. OTHER EXPENSES		
Power and fuel	22,179,387	9,950,036
Rent	8,709,430	1,889,167
Repairs & Maintenance		
- Building	6,502,874	1,882,251
- Plant and machinery	13,590,434	7,644,350
Insurance	6,442,231	3,441,563
Rates and taxes	13,098,375	1,604,255
Professional and consultancy	42,494,210	22,382,177
Selling and marketing expenses	21,121,564	-
Travelling and conveyance	15,211,946	10,291,132
Purchase of services	12,962,840	9,148,215
Postage, telephones and telegrams	3,954,982	3,070,238
Printing and stationery	4,177,359	2,187,916
Donation	2,860,150	1,644,700
Advertisement and promotion	2,642,925	1,588,066
Security charges	2,480,105	1,216,631
Entertainment expenses	873,021	2,312,562
Recruitment and training	805,598	630,631
Bad debts written-off	707,895	-
Provision for doubtful debts	-	1,521,447
Directors sitting fees	1,136,000	620,000
Provision for doubtful advances	-	1,368,779
Loss on sale of fixed asset	1,612,183	401,098
Miscellaneous expenses	2,970,283	2,702,064
	186,533,792	87,497,278
18. FINANCE EXPENSES		
Interest on cash credit facilities	18,615,999	8,804,731
Interest on packing credit facilities	552,329	1,160,378
Interest on others loans	3,422,354	189,386
Other financial charges	13,166,883	6,190,178
	35,757,565	16,344,673

19. NOTES ON ACCOUNTS

a) Capital commitment and contingent liabilities

	As at 31 March 2010 (Rs.)	As at 31 March 2009 (Rs.)
Capital Commitment		
Estimated amount of contracts remaining to be executed on capital account (net of advances)	66,378,902	23,667,956
Contingent liabilities		
Claims against the Company not acknowledged as debts in respect of:		
Income tax	33,384,502	33,384,502
Sales tax	5,106,330	6,968,273
Excise duty	9,988,320	-
Stamp duty [refer schedule 19(m)]	5,107,137	-

b) Scheme of Amalgamation

a. Background and nature of business

Scheme of Amalgamation

A Scheme of Amalgamation (Scheme of Amalgamation) pursuant to Sections 391 to 394 of the Companies Act, 1956 (the act) and other applicable provisions of act was approved by the Honourable High Court of Karnataka for the merger of Soletron EMS India Limited (the transferor) with Centum Electronics Limited (the transferee).

The transferor company is engaged in the business of electronic manufacturing services (EMS), encompassing the manufacture of printed circuit boards assembly (PCBA), system assembly, repair and return business (the "EMS business").

The Scheme of Amalgamation was approved by the shareholders of the transferor and transferee companies on 26 February 2010. The Honourable High Court of Karnataka sanctioned the Scheme of Amalgamation vide its order dated 16 July 2010. The Scheme of Amalgamation became effective on 30 July 2010 on submission of the order of the High Court of Karnataka with the Registrar of Companies at Bangalore.

b. Salient features of the Scheme of Amalgamation

The salient features of the Scheme of Amalgamation of amalgamation are as follows:

- The appointed date of the Scheme of Amalgamation for the merger is 1 April 2009 (the appointed date).
- The transferee company shall, issue and allot to each member of the transferor company equity shares in the transferee company in the ratio of two equity shares in the transferee company of the face value of Rs 10 per equity share, credited as fully paid up, for every 3 fully paid-up equity share of Rs. 10 each held by the members in the transferor company. No fractional certificates / coupons are to be issued.
- Consequent to the issue of shares as stated above, the issued, subscribed and paid-up equity capital of the transferee company of Rs 74,000,000 comprising of 7,400,000 equity shares of the face value of Rs. 10 each, fully paid-up, shall stand increased to Rs. 123,333,330 comprising of 12,333,333 equity shares of the face value of Rs. 10 each, fully paid-up.
- The Board of Directors of the transferee company shall consolidate all fractional entitlements arising

Schedules to the Consolidated Financial Statements (contd...)

due to the issue of equity shares in terms of preceding paragraph to the shareholders of the transferor company and thereupon issue and allot equity shares in lieu thereof to a separate trust created for the purpose which shall hold the equity shares in trust for and on behalf of the members entitled to such fractional entitlements with the express understanding that such trust shall sell the same at such time or times and at such price or prices to such person or persons, as it deems fit. The said trust shall distribute such net sale proceeds to the members in the same proportion as their respective fractional entitlements bear to the consolidated fractional entitlements.

- Upon the coming into effect of the Scheme of Amalgamation, and with effect from the appointed date, the transferor company shall be deemed to have been carrying on and to be carrying on all business and activities relating to the transferor company and stand possessed of all the estates, assets, rights, title and interest of the transferor company for and on account of, and in trust for, the transferee Company.

c. Accounting treatment

- The above Scheme of Amalgamation is an amalgamation in the nature of merger in accordance with the requirements of Accounting Standard 14- "Accounting for Amalgamations" and has been accounted for accordingly as per the requirements of the standard.
- With effect from the appointed date of the Scheme of Amalgamation, the transferee company have recorded all the assets and liabilities of the transferor company at their respective book values. Further, all transactions between the transferor and the transferee post the appointed date have been eliminated on Amalgamation;
- The net assets of the transferor company acquired by the transferee company in excess of the fresh share capital issued by the transferee company to the shareholders of the transferor company after adjustments of the inter-company investment holdings and inter-company balances, if any, has been adjusted against the General Reserve account of the transferee company in accordance with the requirements of the approved Scheme of Amalgamation.

The merger has been accounted for in the books of the transferee company in the following manner:

	Rs
Particulars	Amount
Assets acquired	
Fixed assets including capital work in progress	278,732,445
Deferred tax assets, net	10,894,126
Net current assets	364,769,385
Total assets (A)	654,395,956
Liabilities acquired	
Secured and unsecured loans	195,293,322
Net assets acquired	459,102,634
Less: fresh share capital to be issued pursuant to merger	49,333,330
Net, excess of assets over liabilities transferred as adjusted by fresh share capital to be issued to be credited to General Reserve of the transferee company	409,769,304

c) **Auditors' remuneration excluding service tax (included under professional and consultancy)**

	Year ended 31 March 2010 (Rs.)	Year ended 31 March 2009 (Rs.)
Audit fees	2,500,000	1,200,000
Out of pocket expenses reimbursed	71,561	38,717
Total	2,571,561	1,238,717

d) **Earnings / (loss) per share**

The computation of earnings per share is set out below:

	Year ended 31 March 2010 (Rs.)	Year ended 31 March 2009 (Rs.)
Profit/(loss) for the year	4,388,711	(3,262,430)
Weighted average number of equity shares outstanding at the beginning of the year (in numbers)	7,400,000	7,400,000
Weighted average number of equity shares to be issued pursuant to Scheme of Amalgamation of amalgamation effective 01 April 2009	4,933,333	-
Earnings/(loss) per share - basic	0.36	(0.44)
Weighted average number of equity shares outstanding during the year - basic	12,333,333	7,400,000
Add: Effect of dilutive issues of stock options	27,743	-
Weighted average number of equity shares and potential equity shares outstanding during the year	12,361,076	7,400,000
Earnings/(loss) per share - dilutive	0.36	(0.44)

e) **Holding of Centum Electronics Limited in its subsidiary:**

Name of the subsidiary	Country of incorporation	Holding as at 31 March 2010
Centum Rakon India Private Limited	India	51%

On 3 March 2008, the Company acquired 100% stake in Centum Rakon India Private Limited (Centum Rakon) by subscribing to 2,856,000 equity shares of Rs 10 each at par in Centum Rakon. Subsequently, on 25 March 2008, Rakon Limited, New Zealand (Rakon Limited / minority holder) acquired 49% stake in Centum Rakon through its wholly owned subsidiary Rakon (Mauritius) Limited.

Schedules to the Consolidated Financial Statements (contd...)

f) **Gratuity plan**

The following table set out the status of the gratuity plan as required under AS 15 - Revised.

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

	As at 31 March 2010 (Rs.)	As at 31 March 2009 (Rs.)
Obligations at year beginning	4,109,899	3,151,594
Obligation acquired on account of amalgamation	1,608,796	-
Service cost	1,501,316	497,351
Interest cost	477,915	265,783
Actuarial loss/ (gain)	(1,026,899)	238,782
Benefits paid	-	(43,611)
Obligations at year end	6,671,027	4,109,899
Change in plan assets		
Plans assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions by employer	-	43,611
Benefits paid	-	(43,611)
Plans assets at year end, at fair value	-	-
Reconciliation of present value of the obligation and the fair value of the plan assets:		
Fair value of plan assets at the end of the year	-	-
Present value of the defined benefit obligations at the end of the year	6,671,027	4,109,899
Net liability recognized in the balance sheet	6,671,027	4,109,899
Gratuity cost for the year		
Service cost	1,501,316	497,351
Interest cost	477,915	265,783
Expected return on plan assets	-	-
Actuarial loss/ (gain)	(1,026,899)	238,782
Net gratuity cost	952,332	1,001,916
Assumptions:		
Discount rate	7.80%	6.90%
Expected rate of return on plan assets	Not applicable	Not applicable
Expected rate of salary increase	7.00%-8.00%	7.00%
Attrition rate	1%-15%	1%-15%
Retirement age	58 years	58 years

The estimate of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

The Group does not have any planned assets.

g) Segment reporting

Primary segment:

The Company operates through two divisions, component business comprising of Modules and Frequency Control Products (Products segment) and Electronic Manufacturing Services (Services segment), which are considered to be the primary segments and geography as the secondary segment.

The accounting principles used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments.

Assets, liabilities, revenues and direct expenses in relation to segments are categorised based on items that are individually identified to that segment, while other items, wherever allocable, are apportioned to the segments on appropriate basis. Certain items are not specifically allocable to individual segments as the underlying services are used interchangeably. The Company, therefore, believes that it is not practicable to provide segment disclosures relating to such items, and accordingly such items are separately disclosed as 'unallocated'.

Geographic segments:

The Company's business is organised into four geographic segments. Revenues are attributable to individual geographic segments based on the location of the customer. The Company's fixed assets are situated in India

The Company operates in only segment i.e. Components [comprising Modules and Frequency Control Products (FCP)] and hence no primary segment disclosures are given.

	Rs	
Primary segment information	Year ended 31 March 2010	Year ended 31 March 2009
Segment revenue		
Products	701,893,928	467,908,504
Electronic Manufacturing Services	887,382,618	-
	1,589,276,546	467,908,504
Segment result		
Products	22,676,884	(6,548,086)
Electronic Manufacturing Services	135,076	-
Profit before taxation	22,811,960	(6,548,086)
Income taxes		
-Current year	12,283,776	1,700,000
-Previous year	(1,236,773)	-
-Deferred	3,650,045	624,999
-Minimum alternate tax credit entitlement	(3,500,000)	-
-Fringe benefit tax	-	1,073,423
Profit / (loss) after taxation	11,614,912	(9,946,508)

Schedules to the Consolidated Financial Statements (contd...)

	Rs	
Primary segment information	As at 31 March 2010	As at 31 March 2009
Segment assets		
Products	1,052,162,361	932,088,710
Electronic Manufacturing Services	859,941,788	-
Unallocated corporate assets	51,857,270	-
Total assets	1,963,961,419	932,088,710
Segment liabilities		
Products	478,896,061	358,186,943
Electronic Manufacturing Services	440,155,700	-
Unallocated corporate liabilities	14,719,729	-
Minority interest	143,368,499	136,142,298
Total liabilities	1,077,139,989	494,329,241
Capital expenditure [including capital work in progress]		
Products	29,921,957	407,874,717
Electronic Manufacturing Services	30,803,891	-
Total capital expenditure	60,725,848	407,874,717
Depreciation		
Products	71,933,273	45,286,566
Electronic Manufacturing Services	56,229,335	-
	128,162,608	45,286,566
Secondary segment:		
	Rs	
Geographic segment	Year ended 31 March 2010	Year ended 31 March 2009
Revenues		
India	560,218,698	237,519,566
Europe	709,583,675	229,058,316
USA	301,925,993	-
Rest of world	17,548,180	1,330,622
	1,589,276,546	467,908,504
Segment assets		
India	1,682,381,992	851,658,756
Europe	195,079,315	65,862,161
USA	65,746,842	-
Rest of world	20,753,270	14,567,793
	1,963,961,419	932,088,710

h) Stock option plans

Employee stock option plan 2007 (Centum ESOP - 2007)

The Centum ESOP -2007 was approved by the board of directors of the Company in October 2007 and by the shareholders in December 2007. The 2007 plan provides for the issue of 250,000 shares to the employees. The plan is administered by a compensation committee. Options will be issued to employees of the Company and also its subsidiary at an exercise price, which shall not be less than the market price immediately preceding the date of grant. The equity shares covered under these options vest over a period ranging from twelve to forty eight months from the date of grant. The exercise period is ten years from the date of vesting.

Number of options granted, exercised and forfeited	Year ended 31 March 2010	Weighted average exercise price	Year ended 31 March 2009	Weighted average exercise price
Options outstanding at the beginning of the year	72,500	150.30	87,400	150.30
Granted during the year	88,700	31.60	-	-
Exercised during the year	-	-	-	-
Forfeited / lapsed during the year	80,100	139.55	14,900	150.30
Options outstanding at the end of the year	80,100	31.60	72,500	150.30
Exercisable at the end of the year	-	-	19,075	-

No options have been exercised by employees during the current and previous year.

There were 88,700 equity shares were given as options during the current year. The options outstanding as at 31 March 2010 had an exercise price of Rs 31.60 and the weighted average remaining contractual life of 11.64 years.

Pro forma accounting for stock option grants

The Company applies the intrinsic value method of accounting for determining compensation cost for its stock based compensation plan. The Company has therefore adopted the pro forma disclosure provisions as required by the Guidance Note on "Accounting for Employee Share Based Payments" issued by the Institute of Chartered Accountants of India with effect from 1 April 2005.

Had the compensation been determined using the fair value approach described in the aforesaid Guidance Note, the Company's net profit and basic and diluted earnings per share as reported would have reduced to the pro forma amounts as indicated:

Particulars	Year ended 31 March 2010 (Rs.)	Year ended 31 March 2009 (Rs.)
Net profit/(loss) as reported	4,388,711	(3,262,430)
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determines under the fair value method	419,318	3,473,726
Adjusted net profit	3,969,391	(6,736,155)
Basic earnings/ (loss) per share as reported	0.36	(0.44)
Pro forma basic earnings/ (loss) per share	0.32	(0.91)
Diluted earnings/ (loss) per share as reported	0.33	(0.44)
Pro forma diluted earnings/ (loss) per share	0.36	(0.91)

Schedules to the Consolidated Financial Statements (contd...)

The fair value of each option under the 2007 plan is estimated by management on the date of grant using the Black - Scholes model with the following assumptions:

Particulars	Year ended 31 March 2010	Year ended 31 March 2009
Dividend yield %	10%	10%
Expected life	1-4 years	1-4 years
Risk free interest rate	5.7-6.5%	5.7-6.5%
Volatility	70.96%	94.83%

i) **Related party transactions**

A. Parties where control exists

Mr. Apparao V Mallavarapu (directly and indirectly exercises 55.58% voting power in the Company)

B. Other related parties where transactions have taken place during the year

Associate companies

- Centum Industries Private Limited
- Soletron EMS India Limited (upto 31 March 2009)
- Rakon (Mauritius) Limited
- Rakon France SAS
- Rakon UK Limited
- Rakon Limited

C. Key executive management personnel represented on the Board

Mr. Apparao V Mallavarapu - Managing Director

The following is a summary of significant transactions with related parties by the Company:

Particulars	Year ended 31 March 2010 (Rs.)	Year ended 31 March 2009 (Rs.)
Sale of goods and services		
<i>Associate companies</i>	<u>458,204,597</u>	248,457,061
Soletron EMS India Ltd	-	19,805,241
Centum Industries Private Limited	602,000	11,376,500
Rakon France SAS	404,146,807	102,343,233
Rakon UK Limited	52,710,781	114,926,493
Rakon Limited	745,009	5,594
Purchases of goods and services		
<i>Associate companies</i>	<u>261,925,705</u>	105,439,035
Rakon France SAS	233,911,946	88,498,016
Rakon UK Limited	14,654,794	6,179,102
Rakon Limited	2,534,608	7,067,967
Centum Industries Private Limited	10,824,357	3,693,950
Purchases of fixed assets		
<i>Associate companies</i>	<u>23,253,222</u>	145,987,619
Rakon France SAS	18,792,660	139,554,031

Particulars	Year ended 31 March 2010 (Rs.)	Year ended 31 March 2009 (Rs.)
Rakon UK Limited	348,222	4,542,043
Rakon (Mauritius) Limited	-	1,891,545
Rakon Limited	4,112,340	-
Reimbursements of cost from		
<i>Associate companies</i>		
Rakon Limited	4,693,681	-
Unsecured loan		
<i>Associate companies</i>		
Rakon (Mauritius) Limited	21,006,521	82,195,000
Professional and consultancy		
<i>Associate companies</i>		
Rakon France SAS	16,041,011	7,407,223
Interest expense		
<i>Associate companies</i>		
Rakon (Mauritius) Limited	3,422,355	189,386
Managerial Remuneration including sitting fees		
<i>Key Management Personnel</i>		
Managerial remuneration	9,432,000	9,432,000
The balances receivable from and payable to related parties are as follows:		
Particulars	As at 31 March 2010 (Rs.)	As at 31 March 2009 (Rs.)
Unsecured loan		
<i>Associate companies</i>		
Rakon (Mauritius) Limited	97,927,409	87,250,625
Interest accrued but not due		
<i>Associate companies</i>		
Rakon (Mauritius) Limited	109,877	121,990
Sundry debtors		
<i>Associate companies</i>	147,085,674	79,114,958
Solectron EMS India Limited	-	2,995,855
Rakon France SAS	134,023,993	52,342,711
Rakon UK Limited	12,648,650	23,499,732
Rakon Limited	348,506	5,952
Centum Industries Private Limited	64,525	270,708
Advance to suppliers		
<i>Associate companies</i>		
Centum Industries Private Limited	7,367,479	2,014,321

Schedules to the Consolidated Financial Statements (contd...)

Particulars	As at 31 March 2010 (Rs.)	As at 31 March 2009 (Rs.)
Advances recoverable in cash or in kind or for value to be received		
<i>Associate companies</i>		
Solectron EMS India Limited	-	3,551,903
Sundry Creditors		
<i>Associate companies</i>	101,622,054	79,340,893
Rakon France SAS	85,054,822	70,823,389
Rakon UK Limited	11,394,487	6,952,260
Rakon Limited	4,104,611	1,565,244
Solectron EMS India Limited	-	-
Centum Industries Private Limited	1,068,134	-
Managerial remuneration payable		
Key Management Personnel	143,706	151,389

j) Leases

The Group has taken office facilities under cancelable operating lease agreement. The Group intends to renew the agreement in the normal course of its business. Total lease rentals recognized in the consolidated profit and loss for the year with respect to the above is Rs 8,709,430 (previous year: Rs 1,889,167)

k) Deferred taxes

The composition of net deferred tax assets and liabilities of the Group are as under:

	31 March 2010 (Rs.)	31 March 2009 (Rs.)
Deferred tax asset/(liability)		
Fixed assets	(44,585,522)	(40,768,637)
Provision for doubtful debts and advances	1,978,760	1,018,858
Current liabilities and provisions	8,274,947	2,330,357
Provision for inventory obsolescence	6,838,720	-
Preliminary expenses	339,614	509,420
Unabsorbed depreciation and business loss	22,782,494	25,294,934
Net deferred tax liability	(4,370,987)	(11,615,068)

l) Un-hedged foreign currency disclosure:

The group's foreign currency exposure on account of foreign currency denominated payables not hedged is as follows:

Particulars	As at 31 March 2010		As at 31 March 2009	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	6,104,267	279,616,005	294,495	15,181,234
EUR	1,553,388	95,430,859	2,647,611	181,520,208
GBP	11,608	7,410,140	85,543	6,327,587
JPY	19,127,424	2,866,175	1,045,295	553,689
SGD	-	-	19,600	666,984
Total		385,323,179		204,249,702

The Company's foreign currency exposure on account of foreign currency denominated receivables not hedged is as follows:

Particulars	As at 31 March 2010		As at 31 March 2009	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	4,871,023	217,256,870	254,258	12,625,778
EUR	823,711	49,084,928	977,719	62,940,679
GBP	36,627	2,459,297	8	691
Total		268,801,095		75,567,148

m) Provision for stamp duty charges

Based on a demand notice dated 12 February 2010 received from District Registrar, Stamps and Registration Department, Karnataka, the Company has estimated and provided Rs 11,174,165 towards additional stamp duty liability against a claim of Rs 16,281,302 in the aforementioned demand notice, payable pursuant to the demerger of EMS business from Centum Electronics Limited (formerly known as Soletron Centum Electronics Limited) on 1 October 2006, as per the Scheme of Amalgamation of arrangement approved by the Honourable High Court of Karnataka effective 13 July 2007. The differential amount of Rs 5,107,137 has been disclosed as a contingent liability [refer schedule 19(a)].

The movement in the provision is as under:

	Rs
	As at 31 March 2010
	As at 31 March 2009
Opening balance	-
Add: Provision made during the year	11,174,165
Closing balance	11,174,165

- n) The Board of Directors have proposed a dividend of 10% for the year ended 31 March 2010 on the total issued capital including the equity shares to be issued pursuant to the Scheme of Amalgamation. Accordingly, the proposed dividend of Rs 12,333,333 as at 31 March 2010 includes the dividend proposed and accrued on the 4,933,333 shares which are to be issued pursuant to the Scheme of Amalgamation.
- o) Previous year's figures have been re-grouped/re-classed wherever necessary to conform to current year's presentation and are not strictly comparable with the current year figures [refer schedule 19(b)].

for Centum Electronics Limited

Apparao V. Mallavarapu
Managing Director

S. Krishnan
Director

Place : Bangalore
Date : 12 August 2010

Ellroy Furtado
Company Secretary

K.S. Desikan
Chief Financial Officer

Consolidated Cash Flow Statement

	Year ended 31 March 2010 (Rs.)	Year ended 31 March 2009 (Rs.)
Cash flow from operating activities		
Profit / (Loss) before tax	22,811,960	(6,548,086)
Adjustments		
Provision for doubtful debts	-	1,521,447
Bad debts written off	707,895	-
Loss on sale of assets	1,612,183	401,098
Depreciation	128,162,608	45,286,566
Interest income	(2,176,849)	(1,986,383)
Provision for doubtful advances	-	1,368,779
Interest expense	25,334,105	12,283,643
Operating cash flows before working capital changes	176,451,902	52,327,064
(Increase) / decrease in sundry debtors	(134,855,658)	(50,203,728)
(Increase) / decrease in inventories	(90,121,583)	(5,653,725)
(Increase) / decrease in loans and advances	35,774	26,263,012
Increase / (decrease) in current liabilities and provisions	79,198,322	81,468,676
Cash generated from/(used in) operations	30,708,757	104,201,299
Income taxes	(26,391,055)	(20,617,304)
Net cash generated from/(used in) operating activities	4,317,702	83,583,995
Cash flow from investing activities		
Proceeds from sale of fixed assets	417,034	600,001
Interest received	1,533,298	4,674,480
Purchase of fixed assets	(60,725,848)	(407,260,542)
Net cash generated from/(used in) investing activities	(58,775,516)	(401,986,061)
Cash flow from financing activities		
Short term loans from bank, net	(107,272,353)	-
Cash credit from bank, net	191,184,111	(19,825,984)
Interest expense	(22,968,813)	(11,050,378)
Dividend and dividend tax paid	(16,256,409)	(8,526,678)
Unsecured loans, net	8,268,885	85,700,000
Net cash generated from/(used in) financing activities	52,955,421	46,296,960
Net increase/(decrease) in cash and cash equivalents	(1,502,393)	(272,105,106)
Cash and cash equivalents at the beginning of the year	44,125,161	316,230,267
Cash and cash equivalents acquired pursuant to Scheme of Amalgamation [refer schedule 19(b)]	8,959,110	-
Cash and cash equivalents at the end of the year	51,581,878	44,125,161
Cash and cash equivalents at the end of the year comprise		
Cash and bank balances (refer schedule 10)	51,596,525	44,125,161
Book overdraft (refer schedule 12)	(14,647)	-
	51,581,878	44,125,161

This is the cash flow statement referred to in our report attached

As per our report attached.

for BSR & Co.
Chartered Accountants
Firm Registration No. 101248W

Zubin Shekary
Partner
Membership No. 48814

Bangalore
Date: 12 August 2010

for Centum Electronics Limited

Apparao V. Mallavarapu
Managing Director

Ellroy Furtado
Company Secretary

S. Krishnan
Director

K.S. Desikan
CFO

Centum Electronics Ltd

Regd. Office: No. 44 KHB Industrial Area, Yelahanka New Township, Bangalore- 560 106

PROXY FORM

I/We of
being a Member/(s) of Centum Electronics Limited hereby appoint of or
failing him/her of or
failing him/her of
as my/our proxy to vote for me/us on my/our behalf at the SEVENTEENTH ANNUAL GENERAL MEETING of the Company,
to be held on Tuesday, September 28, 2010 at 3.00 p.m. at No. 44, KHB Industrial Area, Yelahanka New Township,
Bangalore- 560 106. and at any adjournment thereof.

Reg. Folio No.

No. of shares

For Office Use Only:

Proxy No.

Affix Re.1
Revenue
Stamp

Notes :

1. This Proxy Form should be signed across the stamp as per specimen signature registered with the Company.
2. The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting.
3. A Proxy need not be a member.

Centum Electronics Ltd

Regd. Office: No. 44 KHB Industrial Area, Yelahanka New Township, Bangalore- 560 106

ATTENDANCE SLIP

Seventeenth Annual General Meeting Tuesday, September 28, 2010 at 3.00 p.m.

Name of Member (IN BLOCK LETTERS)

Name of Proxy (IN BLOCK LETTERS)
(Name of the Proxy to be filled in if the proxy attends instead of the Member)

No. of shares held

I /We hereby record my/our presence at the Seventeenth Annual General Meeting of the Company held at
No. 44, KHB Industrial Area, Yelahanka New Township, Bangalore- 560 106.

Member's/Proxy's Signature

Note:

1. Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip to the meeting and handover at the entrance duly signed.
2. Transportation facilities will be provided to the shareholders for attending the AGM as per details given below:
Pick up at 1.45 p.m. Near Shantala Silks in Majestic, Koshy's Hotel at St.Marks Road, Druvadesh Honda in Mehkri Circle.



Regd. & Corporate Office
Centum Electronics Limited
No. 44, KHB Industrial Area
Yelahanka New Township
Bangalore - 560 106. India