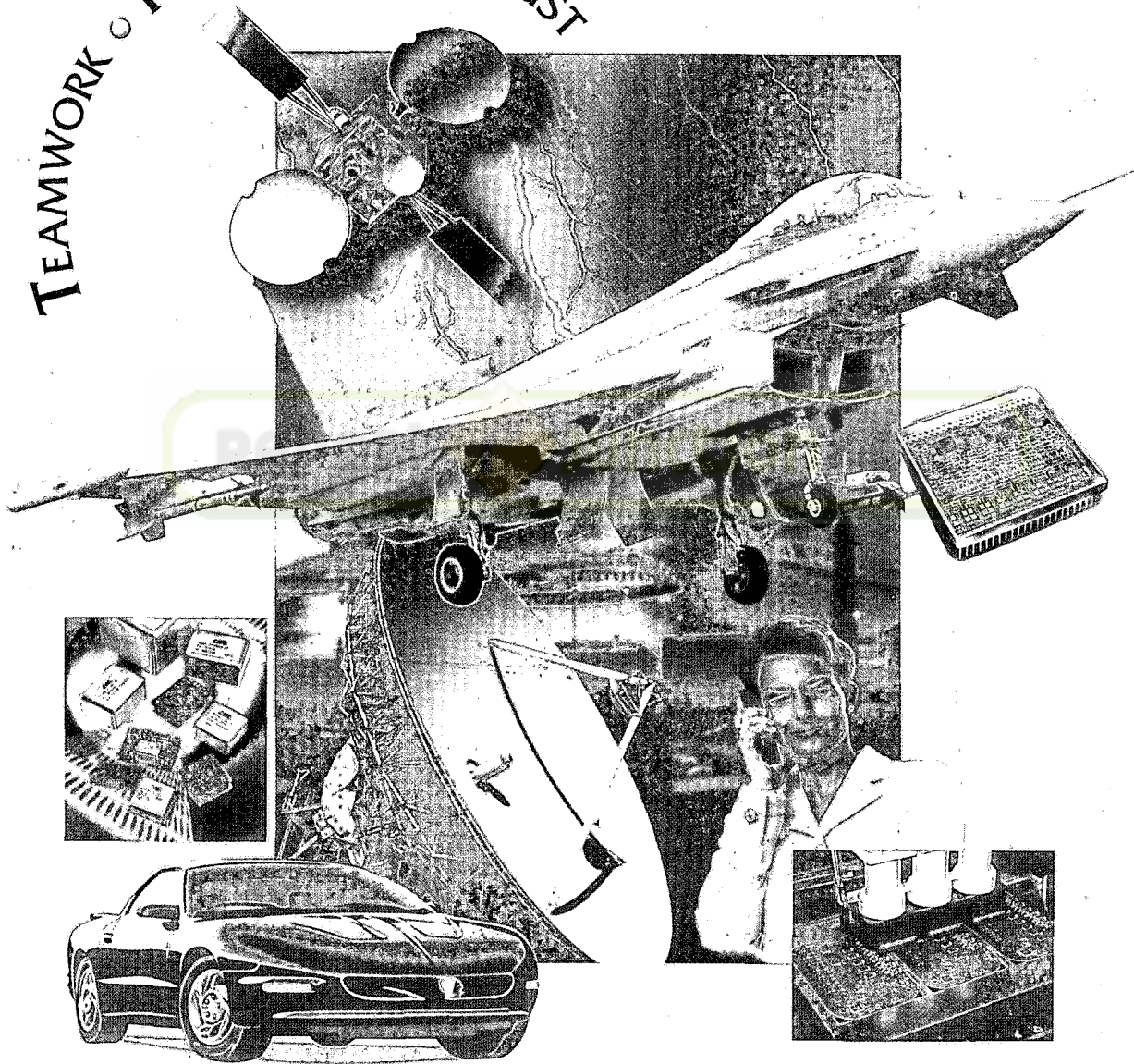




SOLECTRON CENTUM

TEAMWORK • TECHNOLOGY • TRUST



Annual Report 2006 - 07

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.

Soletron Centum Electronics Limited

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Soletron Centum Electronics Ltd

Board of Directors

Perry G Hayes, *Chairman*

Apparao V Mallavarapu, *Managing Director*

Kevin Sachs, *Director*

Cyrus Jal Bahrucha, *Alternate Director to Mr. Kevin Sachs*

Joe Tang, *Director*

Som Mittal, *Director*

Chief Financial Officer (CFO)

K S Desikan

Company Secretary

E.A. Karthikeyan

Statutory Auditors

BSR & Co.

Ernst & Young Pvt. Ltd. - Internal Auditors

Bankers

State Bank of India - SSI Branch

Kumara Park, 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- 560 064.

Soletron Centum Electronics Limited

Notice of the 14th Annual General Meeting

Notice is hereby given that the Fourteenth Annual General Meeting of the Member of Soletron Centum Electronics Limited will be held at our Registered Office at 44, KHB Industrial Area, Yelahanka New Township, Bangalore-560064 on December 3, 2007 at 11.00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2007 and Profit and Loss Account for the year ended 31st March 2007 and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Som Mittal who retires by rotation and being eligible, offers himself for re-appointment.
3. 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 Resolution**:

4. **"RESOLVED THAT** Mr. Krishnan, whose term of office as an Additional Director, pursuant to section 260 of the Companies Act, 1956, expires at this Annual General Meeting and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, whose period of office shall be liable for retirement by rotation.

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

5. **"RESOLVED THAT** pursuant to Sec 309 (4) of the Companies Act, 1956 and all the other applicable provisions of the Act, remuneration by way of Commission and or any other remuneration of Rs. 2,00,000/- (Rupees Two Lakhs Only) be paid annually to each independent non-executive directors for their guidance/counsel to the

Company, on matter relating to the Corporate Affairs".

6. **"RESOLVED THAT** pursuant to Sec 309 (4) of the Companies Act, 1956 and all the other applicable provisions of the act, the said commission/ remuneration to the Independent non-executive director of Rs. 2,00,000/- (Rupees Two Lakhs Only) shall be payable for the financial year 2005-06"also.
7. **"RESOLVED THAT** subject to the approval of the Central Government under Section 21 and other applicable provisions, if any, under the Companies Act 1956, the name of the Company be changed from "Soletron Centum Electronics Limited" to "Centum Electronics Limited" and accordingly the name "Soletron Centum Electronics Limited" wherever it appears in the Memorandum and Articles of Association and in all other records of the Company be substituted by the name "Centum Electronics Limited".
8. **"RESOLVED THAT** the Employee Stock Option Plan (Centum ESOP 2007) be and is hereby approved and, pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment for the time being in force); in accordance with the Articles of Association of the Company and Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (including any statutory modification or re-enactment thereof) and subject to such approvals, consents, permissions and sanctions, as may be required from such other appropriate authorities and subject to such terms and conditions and stipulations, if any while granting such approvals, permissions and sanctions, the Board of Directors of the Company, (which term shall be deemed to include "Compensation Committee", or any "Sub Committee" thereof, constituted by the Board to exercise its powers, including the powers conferred by this resolution) be and is hereby authorized, on behalf of the Company to grant, issue, offer and allot 250,000 options (two hundred and fifty

thousands options only) from time to time in one or more tranches, convertible into equity shares of nominal value of Rs10/- (Rupees ten only) each, at such price and on such terms and conditions as may be specified and determined, to the permanent employees of the Company (including Executive Directors but excluding the Promoters, and Promoter Directors, under Centum ESOP - 2007 of the Company for the benefit of the employees, *inter alia*, on the broad terms and conditions as given in the Explanatory Statement annexed to the notice convening this Annual General Meeting”.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to determine and frame all other terms and conditions of the issue of the said options convertible into equity shares of Rs 10/- (Rupees ten only) each as the Board may in its absolute discretion deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to seek listing of such equity shares of face value of Rs.10/- (Rupees ten only) each at all such Stock Exchanges where the Equity Shares of the Company are listed.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolutions, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion, deem necessary or desirable for such purpose, including without limitation, the entering into contracts, agreements and any other arrangements with power to settle any questions, difficulties or doubts that may arise in regard to any such issue, conversion and the allotment thereof as it may in its absolute discretion deem fit”.

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. An explanatory statement pursuant to section

173(2) of the Companies Act, 1956 in respect of the Special Business is set out in the Annexure.

3. Register of members and Share Transfer books will remain closed from 26th November 2007 to 28th November 2007 (both days inclusive) for the purpose of AGM.
4. 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 Karvy Computershare Private Limited giving the relevant details.
5. 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.
6. 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 (2006-07).
 - 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.4:

The Board of Directors of the Company appointed Mr. Krishnan as an Additional Director with effective

Soletron Centum Electronics Limited

Notice of the 14th Annual General Meeting (contd...)

from 11th Sep 2007. He is appointed in the category of independent director. Pursuant to Article 23 of the Articles of Association of the Company, read with Section 260 of the Companies Act, 1956 ("the Act"), Mr. Krishnan holds office only up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member of the Company under Section 257 of the Act, signifying their intention to propose the appointment of Mr. Krishnan as a Director of the company.

Mr. 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. Krishnan holds 50 shares in your Company.

Your Directors feel that the appointment of Mr. Krishnan would be in the best interest of the Company and accordingly recommend the passing of the resolution proposed at Item No.4 of the Notice.

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

Item No.5 & 6:

The Board of Directors at their meeting held on 27th June 2007, had approved the payment of Rs. 2,00,000 (Rupees Two Lakhs only) to the Independent Non-executive Directors, for their guidance/counsel to the Company, on matter relating to the Corporate Affairs.

Mr. Som Mittal is an interested party to the resolution on item No. 6

Both M/s Som Mittal and Krishnan are interested parties to the resolution on item No.5

Item No.7

The Services business of the Company was demerged into a separate Company, called Soletron EMS India Limited thro' a demerger scheme approved by the Hon'ble High Court of Karnataka with effect from 1st Oct 2006. Also, the Indian promoters and the foreign promoters (CMAC Holdings Ltd - part of

Soletron). have bought and sold the shares to facilitate change of management control. Hence the change of name is proposed to reflect the above mentioned change in the management control.

Item No.8

Consequent to the change in the management control and considering the growth potential of the business and the importance of talent management, it is proposed to have an "Employee Stock Option Plan". It is hoped that this plan will help the company in attracting and retaining good talent in the market and also aggressively grow the business.

A stock option plan (Centum ESOP - 2007 or Plan) for issue of options convertible into equity shares to the employees and directors of the Company is being formulated in line with the guidelines issued by Securities and Exchange Board of India. The Board of Directors has, at its meeting held on 27th October 2007 constituted a Compensation Committee consisting of three directors for administration and superintendence, including formulating of terms and conditions of the Centum ESOP - 2007.

The issue of options shall be in conformity with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999 (hereinafter referred as "Guidelines").

The broad terms and conditions of Centum ESOP - 2007 are as under:

a) The total number of options to be granted:

The total number of options that may be granted under Centum ESOP - 2007 in one or more tranches are 250,000 (Two hundred and fifty thousand only) in aggregate which would result in additional 250,000 equity shares of Rs 10/- each in the Company on exercise of such options.

b) Class of Allottees:

The Company shall formulate Centum ESOP - 2007 for issue of shares to its permanent employees. Centum ESOP - 2007 would be applicable to all such permanent employees whether working in India or out of India, a director

of the Company whether whole time director or not but excluding promoters, and promoter director.

c) Requirements of vesting, period of vesting and maximum period within which the options shall be vested:

The minimum period of vesting is one year from the date of grant of option and the maximum period shall be not more than four years. The Compensation Committee shall decide on the vesting schedule in respect of employees. The vesting may also happen in one or more tranches as may be decided and approved by the Compensation Committee.

d) Exercise price or pricing formula:

As per the SEBI Guidelines, the Company granting options to its employees pursuant to Employee Stock Option Scheme will have the freedom to determine the exercise price subject to conforming to the accounting policies specified in clause 13.1 of the Guidelines. The exercise price of an option that shall be the "Market Price" as is decided by the Compensation Committee in accordance with the Guidelines.

e) Exercise period and process of exercise:

The exercise period of the options shall be ten years from the date of vesting of the options. In order to exercise the options, such employee or director shall give an exercise notice as per the draft provided in the Plan to the designated officer along with the full consideration of the option to be exercised. The employee or director may apply for exercise of options in any number of lots from the date of vesting. The Plan provides for specific time frames, under which the employee or director may exercise the options. The options shall not be permitted to be exercised after the expiry of the above mentioned exercise period. After this date, all the options vested and remain unexercised under the Plan will lapse.

f) The appraisal process for determining the eligibility of employees and directors to Centum ESOP - 2007:

Options under Centum ESOP - 2007 shall be given to the employees and directors based on the appraisal system. The appraisal process shall include evaluation of an employee or director based on one or more criteria for determining eligibility of the employee or director to be granted options, some of which are enumerated below:

- i Work related or academic performance of the employee;
- ii Length of service in the Company;
- iii Potential of the employee to contribute to the Company's performance;
- iv Position held in the Company;
- v. The extent of contribution made by the employee towards business results, achievement of medium to long term performance plans of the Company, processes and customer satisfaction or employee satisfaction;
- vi High market value/difficulty in replacement;
- vii High risk of losing the employee to competition.

g) Maximum Number of options to be issued per employee or director and in aggregate:

It is proposed that no Eligible Employee shall be granted, in any fiscal year of the Company, Options to purchase more than or equaling 25,000 shares as on the date of Grant (excluding outstanding options, warrants and conversions) and would not in the aggregate exceed 50,000 Equity shares.

h) Method of Valuation:

The Company is granting the options to employees and directors at a price based on the "Market Price", as defined in the Guidelines. The Company shall use Intrinsic Value Method to value the options issued under Centum ESOP - 2007.

i) Accounting Policies:

The Company shall comply with the accounting policies specified in clause 13.1 of Guidelines based on the intrinsic value of the options in respect of the Shares issued under Centum ESOP - 2007.

Soletron Centum Electronics Limited

Notice of the 14th Annual General Meeting (contd...)

j) **Statement:**

Since the Company calculates the employee compensation cost using the intrinsic value of the Stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors Report and also the impact of this difference on profits and on Earnings Per Share (EPS) of the Company shall be disclosed in the Directors Report.

The provisions of the Companies Act, 1956 & Guidelines, contemplate consent of the members by way of special resolution in General Meeting for further issue of shares to persons other than the existing holders of shares.

A copy of the draft Centum ESOP - 2007 is available for inspection at the registered office of the Company and will also be available for inspection during the General Meeting.

The Board of Directors recommends the passing of the proposed resolution as a special resolution and requests your approval for the same.

None of the Directors of the Company are concerned or interested in the said resolution to the extent of any options, which may be granted to them pursuant to Centum ESOP - 2007.

By the Order of the Board
For Soletron Centum Electronics Limited

Place: Bangalore

Date: 06 November 2007

Apparao V Mallavarapu
Managing Director



Directors' Report

Your Directors have pleasure in presenting their Fourteenth Annual Report on the business and Operations of your Company and the audited Statement of Accounts for the year ended 31st March 2007.

FINANCIAL HIGHLIGHT

	Rs.Millions	
Year ended March 31	2007	2006
Turnover	1007.70	885.35
Profit before Depreciation and Interest	209.28	174.03
Depreciation	34.55	35.63
Interest	13.27	11.46
Profit before tax	161.46	126.94
Provision for tax	34.71	27.75
Profit after tax	126.75	99.19
Net Cash from Operations	2.12	(118.84)

PERFORMANCE

Your Company, for the first time has crossed the Rs. 100 crore revenue mark with a turnover of Rs.100.7 crores and posted profits of Rs.16.1 crores which is the highest ever for the Company.

During the year your Company has completed the demerger of Electronic Manufacturing Services (EMS) division into a separate Company called "Solectron EMS India Limited" with effect from 1st October 2006.

EMPLOYEES

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.

As required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended, the details of employees drawing remuneration beyond the specified limits is set out in the Annexure included in this report.

DEMERGER

As the Members are aware, the Company has completed the demerger of the Electronic Manufacturing Services (EMS) division. It may be noted that the Honorable High Court of Karnataka had passed the said order by approving the demerger on 13th July 2007. The demerger takes effect from October 1, 2006 (being the Appointed Date for the Demerger). Necessary compliance with Registrar of Companies and Stock Exchanges etc., has been completed by your Company.

DIRECTORS

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

Mr. Cyrus Jal Bharucha has been appointed as an Alternate Director for Mr. Kevin Sachs w.e.f. 3rd November 2006.

On 01st June 2006 Mr. P.S. Reddy resigned from the Board. The Board of Directors wish to place on record their appreciation for the valuable services rendered by Mr. P.S. Reddy as director during his tenure.