



CENTUM ELECTRONICS LIMITED

Annual Report 2007 - 08

Centum Electronics Limited*(formerly Soletron Centum Electronics Limited)***Notice of the 15th Annual General Meeting**

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of Centum Electronics Limited will be held at our Registered Office at 44, KHB Industrial Area, Yelahanka New Township, Bangalore-560064 on Saturday, September 27, 2008 at 10.00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2008 and Profit and Loss Account for the year ended 31st March 2008 and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the financial year 2007-08
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 Statutory Auditors and fix their remuneration.

SPECIAL BUSINESS

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

5. **"RESOLVED THAT** Dr. P Rama Rao 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 20, 2008 to September 27, 2008 (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 Karvy 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 (2007-08).
 - 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:**

The Board of Directors of the company appointed Dr. P Rama Rao as an Additional Director with effective from 18th August 2008. 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"), Dr. P Rama Rao 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 Dr. P Rama Rao as a Director of the company.

Dr. P Rama Rao 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.

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. In 1991, he 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 has received the Presidential honours Padma Shri in the year 1989 and Padma Bhushan in the year 2001.

Your Directors feel that the appointment of Dr. P Rama Rao 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.

No Director other than Dr. P Rama Rao is in any way concerned or interested in the said resolution. Dr. P Rama Rao does not hold any equity shares of the Company.

By the Order of the Board
For Centum Electronics Limited

Place: Bangalore
Date: 25 August 2008

Apparao V Mallavarapu
Managing Director

Brief details of directors 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 re-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 equity shares of the Company

The Information of Dr. P Rama Rao to be appointed as a Director is provided in the Explanatory statement pursuant to Section 173(2) of the Companies Act which is a part of the Notice.

Centum Electronics Ltd

Regd. Office: No. 44 KHB Industrial Area, Yelahanka New Township, Bangalore- 560 064

PROXY FORM

I/We of
 being a Member/(s) of Centum Electronics Limited hereby appoint ofor
 failing him/her ofor
 failing him/her
 as my/our proxy to vote for me/us on my/our behalf at the FIFTEENTH ANNUAL GENERAL MEETING of the Company, to
 be held on Saturday, September 27, 2008 at 10.00 A M at Centum Electronics Limited, 44 KHB Industrial Area,
 Yelahanka New Town, Bangalore - 560 064 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- 560 064

ATTENDANCE SLIP**Fifteenth Annual General Meeting - Saturday, September 27, 2008 at 10.00 a.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 Fifteenth Annual General Meeting of the Company held at
 Centum Electronics Limited, 44 KHB Industrial Area, Yelahanka New Town, Bangalore - 560 064.

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 10.00 am Near Shantala silks in Majestic, Barton Centre in MG Road, Druvadesh Honda in Mehkri Circle.

QUALITY POLICY

All our products and services 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 continually improve a documented system and enhance quality of all our products, processes and services and *promote customer trust and satisfaction.*

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Centum Electronics Limited

Board of Directors

Apparao V Mallavarapu, *Managing Director*

Som Mittal, *Director*

S. Krishnan, *Director*

Dr. P. Rama Rao, *Director*

Chief Financial Officer (CFO)

K S Desikan

Company Secretary

Ellroy Furtado

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.

Centum Electronics Limited*(formerly Soletron Centum Electronics Limited)***Directors' Report**

Your Directors have pleasure in presenting their Fifteenth Annual Report on the business and Operations of your Company and the audited Statement of Accounts for the year ended 31st March 2008.

FINANCIAL HIGHLIGHTS

	Rs.Millions	
Year ended March 31	2008	2007
Turnover	499.58	1007.70
Profit before Depreciation and Interest	144.18	209.28
Depreciation	24.35	34.55
Interest	10.34	13.27
Profit before tax	109.49	161.46
Provision for tax	42.78	34.71
Profit after tax	66.71	34.71
Proposed Dividend including distribution tax	8.66	-

PERFORMANCE

During a full year of operations post demerger of the EMS Business, your company, has registered a turnover of Rs.499.58 million and posted Profit Before Taxes of Rs. 109.49 million.

CORPORATE RESTRUCTURING

As the shareholders are aware, your company had two businesses one being Systems & Modules and the other being Frequency Control Product (FCP).

FCP business has witnessed excellent growth since its inception in 1999 and is a hi-tech electronics product with its own niche markets. We currently offer a partial range of FCP and would like to increase the product range. Also to further grow and consolidate our position, we have to introduce new technologies and explore wider markets. This could be achieved faster, by way of a strategic partnership with a global leader in the FCP business that would also enable us to gain access to the international markets. However to attract a global leader as a strategic partner it was necessary to create a separate entity which will have independent focus and management to enhance the value to the stake holders.

Pursuant to the approval of the shareholders obtained by Postal Ballot on January 30, 2008, the Frequency Control Product (FCP) business of the Company was transferred to a subsidiary of the Company, Centum Frequency Products Private Limited. As part consideration for the assets, the subsidiary issued 28,56,000 equity shares of face value Rs. 10/- each to the Company.

Rakon Limited of New Zealand (www.rakon.com), a world leader in the FCP business, and your company decided to form a joint venture for the following reasons

- Your company will have access to new technologies and international markets
- Rakon will have access to low cost design & manufacturing capabilities and domestic market.

Rakon through their wholly owned subsidiary, Rakon (Mauritius) Limited, subscribed to 49% of the equity of Centum Frequency Products Private Limited

The name of the subsidiary was changed to Centum Rakon India Private Limited w.e.f. May 22, 2008

DIVIDEND

A dividend of 10% on the paid up share capital of the company is recommended. The dividend payout is Rs. 74,00,000 and the tax on dividend for the year is Rs. 12,57,630.

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.

QUALIFICATION IN AUDITOR'S REPORT OF TRANSACTIONS WITH CENTUM INDUSTRIES PVT. LTD.

The Company had transactions with Centum Industries Pvt. Ltd., a private company in which Mr. Apparao V Mallavarapu, Managing Director is a member and director, from the year 2005-06. The same has been reported under Related Party Transactions in the earlier Annual Reports. The transactions were also conducted at arm's length.

Pursuant to Section 297 of the Companies Act, the Company was required to obtain the prior approval of the Central Government for the transactions with Centum Industries Pvt. Ltd. The company has applied for the permission and also for the condonation by the Company Law Board.

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 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 has introduced a Employee Stock Option Plan (ESOP) as approved by the shareholders.

Pursuant to the approval of the shareholders on December 3, 2007, the Compensation Committee granted 87,400 options to the employees of the Company.

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:

During the year, Mr. Perry G Hayes, Mr. Kevin Sachs, Mr. Joe Tang and Mr. Cyrus Jal Bharucha have resigned from the board. The Board of Directors wish to place on record their appreciation of the valuable services rendered by these directors during his tenure.

Mr. S Krishnan was appointed as an Additional director w.e.f. September 11, 2007

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 appointment/re-appointment of the aforesaid director have been included in the notice convening ensuing Annual General Meeting.

Centum Electronics Limited*(formerly Soletron Centum Electronics Limited)***Directors' Report (contd...)**

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 2008 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 2008 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.

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: 29 June 2008

Apparao V Mallavarapu
Managing Director

S. Krishnan
Director