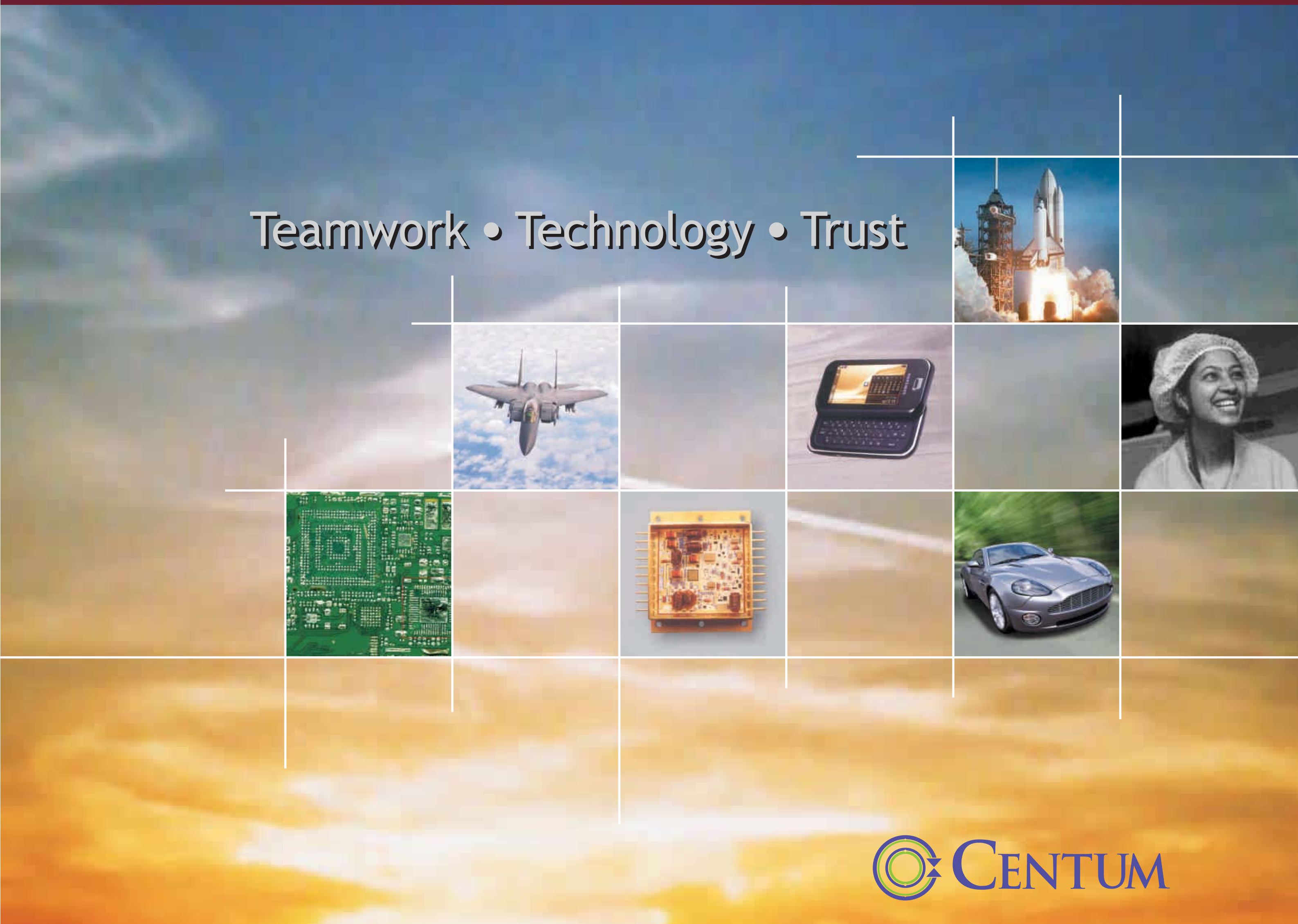

CENTUM ELECTRONICS LIMITED

Annual Report 2010 - 11

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

Centum Electronics Limited

Board of Directors

Apparao V Mallavarapu, *Managing Director*

S. Krishnan, *Director*

Dr. P. Rama Rao, *Director*

Manoj Nagrath, *Director*

Rajiv C Mody, *Director*

Manny Marimuthu, *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 - Specialised Mid-Corporate Branch
Kumarapark West, 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 18th Annual General Meeting

Notice is hereby given that the Eighteenth 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 Thursday, 11 August 2011 at 11.00 am to transact the following business:-

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2011 and Profit and Loss Account for the year ended 31st March 2011 and the Reports of the Directors and Auditors thereon.
2. To declare dividend for the financial year 2010-11
3. To appoint a Director in place of Dr. P Rama Rao 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 Resolution:

5. "RESOLVED THAT pursuant to the provisions of Section 293(1)(e) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the Board of Directors of the Company (hereinafter referred to as "the Board") be and is hereby authorised to contribute, from time to time, to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, such amount or amounts, as the Board may in its absolute discretion deem fit provided however that the total amount that may be so contributed in any financial year of the Company shall not exceed Rs. 30,00,000/- (Rupees Thirty Lakhs only) or five percent of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding, whichever is greater."

   "RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion deem necessary and/or expedient for implementing and giving effect to this Resolution and to settle any questions, difficulties or doubts that may arise in this regard on behalf of the Company."

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 9 August 2011 to 11 August 2011 (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 (2010-11).
   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:

Under Section 293(1)(e) of the Companies Act, 1956 ("the Act"), the Board of Directors of a public company cannot, except with the consent of its Members, contribute to charitable and other funds not directly relating to the business of the company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed Rs.50,000/- (Rupees Fifty Thousand only) or 5% (five per cent) of the company's average net profit as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately preceding, whichever is greater.

The Company proposes to obtain the enabling approval of the Members of the Company for making contribution to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, during any financial year, for an amount of upto Rs.30,00,000/- (Rupees Thirty Lakhs only) or five percent of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding, whichever is greater.

As the Members may be aware, the Company has always believed in strengthening and uplifting the communities across the country. With an ongoing focus on education, development of children, health for all and assistance to poor people, the Company would like to earmark funds for its 'Social Responsibility Initiatives' and hence the above recommendation for making contribution to charitable and other funds.

The Directors, therefore, recommend the proposed Ordinary Resolution as set out in the Notice.

None of the Directors of Company is, concerned or interested in the said Ordinary Resolution

By the order of the Board
for **Centum Electronics Limited**

Place: Bangalore
Date: 26 May 2011

Apparao V Mallavarapu
Managing Director

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

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 Professor 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 has received the Presidential honours Padma Shri in the year 1989, Padma Bhushan in the year 2001 and Padma Vibhushan in the year 2010.

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

Directors' Report

Your Directors have pleasure in presenting their Eighteenth Annual Report on the business and Operations of your Company and the audited Statement of Accounts for the year ended 31st March 2011.

FINANCIAL HIGHLIGHTS

Rs.Millions

Year ended March 31	2011	2010
Revenue	1892.46	1109.00
Profit before Depreciation and Interest	171.18	94.64
Depreciation	74.04	75.28
Interest	31.47	16.21
Profit before tax	65.67	3.15
Proposed Dividend including distribution tax	14.40	14.43

PERFORMANCE

During the current year of operations, your company has registered a revenue of Rs. 1892.46 million and posted Profit before Taxes of Rs. 65.67 million.

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 third full year of operations, Centum Rakon India Private Limited has registered revenue of Rs. 729.47 million and posted Profit before Taxes of Rs. 44.52 million.

DIVIDEND

A dividend of 10% on the paid up share capital of the company is recommended. The dividend payout is Rs. 12.35 million and the tax on dividend for the year is Rs. 2.05 million.

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 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

There were no changes in the composition of the Board of Directors.

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

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 2011 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 2011 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.

Directors' Report (contd...)

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	Apparao V Mallavarapu	S. Krishnan
Date: May 26, 2011	Managing Director	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 continues to accord priority to energy conservation. Company's 'energy saving' team is committed to minimize the energy consumption and is implementing 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:

- Improved the average Power Factor from 0.972 to 0.98 and reduced the demand charges
- Improved Chiller Condenser Cooling efficiency by doing descaling of Condenser.
- Monitored LT voltage & found to be less (395V-400V), diiscussed with BESCOM and improved the Voltage.
- Top 20 power guzzlers identified & controlled the switch ON & OFF time.
- Optimized the compressed air pressure setting.
- Internal energy audit including load balancing study was carried out to understand the power losses.
- Installed energy meters to monitor the top 10 power guzzlers like Furnaces, Chillers, air compressors etc. on daily basis and fixed the limits to control the cost.
- All Computer users are strongly advised to fully switch off the system at the end of the day.
- As per the regular PM checklist, Completely arrested Compressed air & all the gas leakages in the shop floor.

2. TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT

- Six different types of DC-DC convertors have been developed and delivered for Space Applications
- Three different types of modules were developed for defence applications
- Several new processes have been developed and qualified for defence applications in thin film assembly technology areas
- IPC Class III products launched during the current year for medical electronics customers.
- Conformal coating process developed and implemented for mass production assemblies.
- DFM (Design for manufacturability) Capability installed using Valor software.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings and Outgo are reported in Notes to Accounts No. 19 (m) & (l) and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March, 2011.

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	4,16,666 options (each option represents one share)
2	Options granted	2,31,500
3	Pricing Formula	Closing price, prior to the date of the meeting of the Compensation Committee in which Options are granted
4	Options vested	39,400
5	Options exercised	31,850
6	Number of shares arising as a result of exercise of option	31,850
7	Options lapsed/surrendered	1,06,500
8	Variation of terms of options	NA
9	Money realized by exercise of options	Rs. 1,006,460
10	Total number of options in force	93,150
11	Grant to senior management personnel	Gopinath Vedprakash 7400 Vinod S Chippalkatti 12200 P M Unnikrishnan 9400 Desikan KS 11100 Sandhya Thyagarajan 7100 Perry Duffill 10600 Rudra B Jadeja 5200 G Jagadish Singh 10300 Rahul Khare 9900
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 Dinesh A U 3200 Phanishekar P 3200 S Ganesan 3300 G G Satish Prabhu 3700 P Vijay 3300
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	Rs. 2.64
15	Impact on Net Profit and EPS	Profit after tax reduced by Rs. 1,012,888 EPS reduced by Rs. 0.08
16	Method used to estimate the fair value of options	Black Scholes model
17	Significant Assumptions used a. Dividend Yield b. Risk free interest rate c. Expected Life of Option d. Expected Volatility	 10% 5.7-6.5% 1-4 years 75.26%

For and on behalf of the Board

Place: Bangalore
Date: May 26, 2011

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.

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 Consumer, Medical, Strategic electronics, Communications, Automotive and Industrial segments

As a company we operate in Strategic Electronics, Communication, Industrial, Medical and Wellness industry segments.

STRATEGIC ELECTRONICS

a. Defense

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.

To accelerate 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 only 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.

The Defense Procurement Policy (DPP) of Government of India 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 to meet their offset obligations. Also in some cases, the DPP calls for Buy & Make requirements, due to which many multinational companies are planning to manufacture the products in India either thro' licensing agreement or joint ventures.

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.

COMMUNICATIONS

This market comprises of Terminal equipments such as the mobile phones, PDA etc. and the infrastructure equipments such as Base Station, Transmission equipments etc. Centum Rakon manufactures Frequency Control Products (FCP) to primarily cater to the infrastructure equipment companies. After consolidation in the past few years, this market is dominated by companies like Ericsson, Nokia Siemens, Alcatel – Lucent, Huawei etc., Although the Telecom market worldwide is increasing, the market is highly competitive and companies are looking for high quality suppliers from the emerging countries to make their products competitive in the market place. We see this as a growing market for our products.

INDUSTRIAL

This sector comprises of segments like Power, Process Automation, Instrumentation, Energy etc. 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. 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. This is growing market for our products and services.

STRATEGIES & BUSINESS OUTLOOK

As a strategy, your company operates in Space, Defense, Aerospace, (Strategic Electronics), Industrial, Communication and Medical Electronics. This is to ensure that the company is not dependent on any one industry segment alone. Also, the strategy of the company is to operate in high technology areas only.

The products & services that your company offers can be classified broadly into "Built to Spec" (BTS) and "Built to Print" (BTP) opportunities.

BTS

Under this business model, the customer gives only the specifications and the company designs, develops prototypes and manufactures the product. As design is the critical factor in functioning of the product, the Value Add is generally higher than the BTP business. However, as the design and development phase involves multiple iterations and certifications, the lead time to take this to mass production is generally long. All of the current communications business which is done by the subsidiary, most of the space business and some of the defense business that the company is involved in, fall under this category.

BTP

In this business model, the customer supplies the design and the company builds the product to the design provided by the customer. The critical success factor of the BTP model is operational excellence thro' efficient supply chain management and lean manufacturing practices. As the design is ready, generally the ramp to the production phase is quicker. All of the current Industrial business, most of the defense business and some of the space business that the company is involved in, fall under this category.

BUSINESS OUTLOOK:

STRATEGIC ELECTRONICS

Your company has established itself as a major player in the Strategic Electronics arena. The strategy will be to continue to consolidate and grow this 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.

Management Discussion & Analysis (contd...)

- Our strategy for this 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, The other approach for this 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.
- The other opportunity in the strategic electronics is that of "off-set" and we see significant potential in this.

INDUSTRIAL ELECTRONICS

Your Company's strategy for this market is to focus on high mix medium-to-low volume opportunities which need very high quality products and also have long product life cycles. This segment has very unique and demanding requirements. The company over the past many years has developed special processes, created specialized infrastructure and human resources and has strong domain knowledge to meet these requirements and make it as a very attractive supplier to the global OEMs. 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.

COMMUNICATIONS

Your company's subsidiary, Centum Rakon manufactures Frequency Control Products (FCP) a critical component in the Telecom Infrastructure business segment. The subsidiary has been delivering high quality products at competitive prices, because of which we are seeing a significant increase in the market share. Also we have started to manufacture the key component, Crystal, which was hitherto imported from Rakon, thus making the subsidiary even more competitive. The company is already one of the largest OCXO manufactures in the world and we hope to further increase our position.

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 of better customer satisfaction.

RISK FACTORS

In the Strategic Electronics business as the products are hi-tech and complex, the approval and certification cycles can get much longer than originally planned. This can result in delays in deliveries affecting the revenues. Also 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.

A large portion of our Industrial & Communication segments 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 decrease in demand for their products & services, our sales will also get affected.

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.

FINANCIAL CONDITION

SHARE CAPITAL

The share capital of the company stands at Rs.123.48 million.

LOANS

The Secured Loans have increased by Rs. 114.16 million from Rs. 265.01 million as on 31st March 2010 to Rs. 379.17 million as on 31st March 2011

FIXED ASSETS

The Capital expenditure for 2010-11 is Rs. 34.76 million.

WORKING CAPITAL

Inventories has gone up by Rs. 74.29 million from Rs 411.23 million as on 31st March 2010 to Rs 485.52 million as on 31st March 2011.

Receivables has gone up by Rs. 170.58 million from Rs. 290.03 million as on 31st March 2010 to Rs. 460.61 million as on 31st March 2011

Current liabilities has gone up by Rs. 81.10 million from Rs. 363.41 million as on 31st March 2010 to Rs.444.51 million as on 31st March 2011.

CASH FLOWS

	Rs. million
Cash flows from Operating activities	(48.55)
Cash inflows in Financing activities	(31.23)
Cash outflows in Investing activities	68.76

RESULTS OF OPERATIONS

The business operation for 2010-11 resulted in the Company, achieving sales of Rs. 1864.44 million as against Rs. 1070.25 million for 2009-10.

The Profit before tax for the year 2010-11 is Rs. 65.67 million as against Rs. 3.15 million for the year 2009-10.

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	APPARAO V MALLAVARAPU
CFO	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 6 members. There are 4 independent directors on the Board of the company.

The composition of the Board of Directors as at 31 March 2011 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	2	3
Mr. S. Krishnan	Non-Executive and Independent	Director	1	2
Dr. P Rama Rao	Non-Executive and Independent	Director	-	1
Mr. Manoj Nagrath	Non-Executive and Independent	Director	1	2
Mr. Rajiv C Mody	Non-Executive and Independent	Director	5	2
Mr. Manny Marimuthu	Non-Executive and Non-Independent	Director	3	-

- 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 four times during the financial year 2010-11 i.e. on 29 May 2010, 12 August 2010, 25 October 2010 and 8 February 2011. 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	4	Yes
Mr. S. Krishnan	3	No
Dr. P Rama Rao	4	Yes
Mr. Manoj Nagrath	4	Yes
Mr. Rajiv C Mody*	1	Yes
Mr. Manny Marimuthu@	-	No

Report on Corporate Governance (contd...)

* Appointed as director w.e.f. 7 August 2010

@ Appointed as director w.e.f. 9 August 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 2010-11. 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. Rajiv C Mody as Additional Director w.e.f. 7 August 2010 and Mr. Manny Marimuthu as Additional Director w.e.f. 9 August 2010.

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 over 22 years of experience in the technology business.

Mr. Rajiv C Mody does not hold any shares in the Company

Mr. Manny Marimuthu is a Fellow Member of CIMA and is having experience around 15 years 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 in the Company

F) RE-APPOINTMENT OF DIRECTORS

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

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

Dr. Rama Rao has over 240 technical publications, including journal papers, edited volumes and published conference proceedings, to his credit and he has served on the editorial boards of national and international journals. He has been elected Fellow of The Royal Academy of Engineering (U.K.), Third World Academy of Sciences (Trieste, Italy), Ukranian Academy of Sciences (Kiev), Indian National Science Academy, Indian Academy of Sciences, National Academy of Sciences, India and Indian National Academy of Engineering. He was elected President, Indian Academy of Sciences in 1995 for a three year term. Subsequently he was elected President, Indian National Academy of Engineering in 2001 for a two year term. He has been also General President, Indian Science Congress Association (1997-98), President Indian Institute of Metals (1990-91) and President Materials Research Society of India (1992-94). He has just been elected President, Indian Nuclear Society. He was earlier President, International Congress on Fracture (1989-93) and more recently Vice-President, International Union of Materials Research Societies (2002-03).

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 and the Padma Vibhushan in the year 2011. 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.

The directors recommend the re-appointment of Dr. P Rama Rao 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 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. Manoj Nagrath	Chairman	Non Executive
Mr. Apparao V Mallavarapu	Member	Executive
Mr. S. Krishnan	Member	Non Executive
Dr. P. Rama Rao	Member	Non Executive

The Chairman of the Audit Committee is an Independent Director.

The audit committee has met 4 times during the financial year i.e. 29 May 2010, 12 August 2010, 25 October 2010 and 8 February 2011. 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. S. Krishnan	4	3
Dr. P Rama Rao	4	4

The Company Secretary acts as the Secretary to the Committee.

B) REMUNERATION COMMITTEE

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

Mr. Manoj Nagrath	Chairman	Non-executive
Mr. S. Krishnan	Member	Non-executive
Dr. P Rama Rao	Member	Non Executive

Based on approval of the shareholders dated 3 December 2007, the Company has paid remuneration to Non-Executive Directors for the year 2010-11. 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 there was no change in the terms of employment of the Managing director, the Committee has not met 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. Manoj Nagrath	Chairman
Mr. Apparao Mallavarapu	Member

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 1.4.2010 to 31.3.2011

Sl. No.	Nature of Complaints	Opening Balance	Received	Redressed	Pending
1.	Non-receipt of securities	Nil	18	18	Nil
2.	Non-receipt of Dividend Warrants	Nil	6	6	Nil
3.	Non receipt of Annual Reports	Nil	1	1	Nil
4.	Others	Nil	103	103	Nil
	Total	Nil	128	128	Nil

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. Manoj Nagrath	Chairman
Mr. S. Krishnan	Member
Mr. Apparao Mallavarapu	Member

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 year 2009-10, the Committee has granted 88,700 options of which 4,700 options were forfeited.

During the current year, The Committee granted 55,400 options of which 6,000 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.

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

Report on Corporate Governance (contd...)

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
2007-08	27 September 2008	No. 44,KHB Industrial Area, Yelahanka New Township, Bangalore-560064	10:00 AM	-
2008-09	30 July 2009	No. 4, 12th KM, Bellary Road, Opp. Government Flying School, Jakkur, Bangalore - 560064	11:00 AM	1
2009-10	28 September 2010	No. 44,KHB Industrial Area, Yelahanka New Township, Bangalore-560064	3:00 PM	-

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 Business Standard – All editions 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 11 August 2011 at 11 AM

Venue No. 44,KHB Industrial Area, Yelahanka New Township, Bangalore-560106

B. Dates of book closure

9 August 2011 to 11 August 2011 (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	BSE		Sensex		NSE		Nifty	
	High	Low	High	Low	High	Low	High	Low
Apr-2010	127.80	93.00	18,047.86	17,276.80	127.35	94.10	5,399.65	5,160.90
May-2010	129.90	98.95	17,536.86	15,960.15	129.80	97.00	5,278.70	4,786.45
Jun-2010	123.90	100.25	17,919.62	16,318.39	124.25	97.00	5,366.75	4,961.05
Jul-2010	124.00	102.00	18,237.56	17,395.58	123.00	102.00	5,477.50	5,225.60
Aug-2010	121.15	102.50	18,475.27	17,819.99	121.40	102.00	5,549.80	5,348.90
Sep-2010	149.65	103.50	20,267.98	18,027.12	148.10	106.25	6,073.50	5,403.05

Month	BSE		Sensex		NSE		Nifty	
	High	Low	High	Low	High	Low	High	Low
Oct-2010	146.80	129.00	20,854.55	19,768.96	147.70	125.05	6,284.10	5,937.10
Nov-2010	146.50	113.90	21,108.64	18,954.82	146.40	115.05	6,338.50	5,690.35
Dec-2010	139.00	112.35	20,552.03	19,074.57	137.85	111.40	6,147.30	5,721.15
Jan-2011	141.85	93.20	20,664.80	18,038.48	142.10	98.00	6,181.05	5,416.65
Feb-2011	111,95	88.00	18,690.97	17,295.62	113.00	82.40	5,599.25	5,177.70
Mar-2011	102.20	83.05	19,575.16	17,792.17	103.45	80.10	5,872.00	5,348.20

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

F. Registrars and Share transfer agents

Name & Address of the RTA

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: einward.ris@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.

H. Distribution of shareholding

The distribution of the shareholding as on 31 March 2011 is as follows:

No of equity shares held			No of share holders	% cases	No of shares held
1	-	500	7,742	90.43	813,174
501	-	1,000	391	4.57	310,891
1,001	-	2,000	176	2.06	257,628
2,001	-	3,000	96	1.12	241,362
3,001	-	4,000	39	0.46	139,739
4,001	-	5,000	23	0.26	105,775
5,001	-	10,000	51	0.60	384,305
Above	-	10,000	43	0.50	10,095,359
Total			**8,561**	**100.00**	**12,348,233**

Report on Corporate Governance (contd...)

Shareholding pattern

The shareholding pattern as on 31 March 2011 is as follows:

Particulars	No of shares held	% to total shares
Shareholding of promoter and promoter group		
-Indian Promoters	6,447,864	52.22
-Foreign Promoters	581,480	4.71
Public Shareholding		
-Institutions	9,676	0.08
-Non-institutions	5,309,213	42.99
Total	12,348,233	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 31 March 2011 is as follows:

Particulars	No.of holders	Total Shares	%
Physical	1,926	761,859	6.17
NSDL	4,742	10,408,809	84.29
CDSL	1,893	1,177,565	9.54
Total	**8,561**	**12,348,233**	**100.00**

J. Financial Year

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

K. Financial Calendar

Tentative calendar of events for the financial year 2011-12 is given below:

Sl. No.	Particulars	Tentative dates
1.	Financial reporting for the quarter ending 30 June 2011	Second week of August 2011
2.	Financial reporting for the half year ending 30 September 2011	Second week of November 2011
3.	Financial reporting for the quarter ending 31 December 2011	Second week of February 2012
4.	Financial reporting for the year ending 31 March 2012	Last week of May 2012
5.	Annual General Meeting for the year ended 31 March 2012	August/September 2012

L. Outstanding GDRs/ADRs/warrents

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 Town 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 Town Bangalore-560 106 Phone : +91 80 30046000 Fax : +91 80 30046005 E-mail ID : 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 **Centum Electronics Limited**

Place: Bangalore
Date: 26 May 2011

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 2011 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, 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 : 08 July 2011

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 2011 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 2011 and taken on record by the Board of Directors, we report that none of the directors are disqualified as at 31 March 2011 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 2011;

   (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 Number: 48814

Bangalore
Date: 26 May 2011

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 2011. 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 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. Accordingly, paragraph 4(iii)(e) to 4(iii)(g) of the Order is not applicable.

(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 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.

(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 2011 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 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, Customs duty 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
Income Tax Act, 1961	Disallowance of exemptions	630,673	Assessment Year 2008-09	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	Joint Commissioner of Commercial Taxes (Appeals)-Bangalore
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

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

* The Company has paid Rs 18,660,000 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. Further, the Company has paid Rs 2,766,497 under protest against the amount under dispute.

*** The Company has paid Rs 1,000,000 under protest against the amount under dispute.

(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

Zubin Shekary
Partner
Membership Number: 48814

Bangalore
Date: 26 May 2011

Balance Sheet

	SCHEDULE	As at 31 March 2011 (Rs.)	As at 31 March 2010 (Rs.)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	3	123,482,330	74,000,000
Share capital to be issued pursuant to amalgamation	19(b)	-	49,333,330
Reserves and surplus	4	660,682,429	640,889,567
		784,164,759	**764,222,897**
LOAN FUNDS			
Secured loans	5	**379,173,988**	**265,012,070**
DEFERRED TAX LIABILITY, NET	19(t)	**1,777,459**	-
		1,165,116,206	**1,029,234,967**
APPLICATION OF FUNDS			
FIXED ASSETS	6		
Gross block		843,591,661	808,831,322
Less: Accumulated depreciation		(510,827,771)	(436,785,248)
Net block		332,763,890	372,046,074
Capital work-in-progress		28,260,636	16,488,397
		361,024,526	**388,534,471**
INVESTMENTS	7	**28,560,000**	**28,560,000**
DEFERRED TAX ASSET, NET	19(t)	-	**524,123**
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	485,523,585	411,227,157
Sundry debtors	9	460,613,999	290,030,967
Cash and bank balances	10	32,851,466	43,888,063
Loans and advances	11	241,056,124	229,877,745
		1,220,045,174	975,023,932
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	12	391,407,623	322,487,595
Provisions	13	53,105,871	40,919,964
		444,513,494	363,407,559
NET CURRENT ASSETS		**775,531,680**	**611,616,373**
		1,165,116,206	**1,029,234,967**
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 : 26 May 2011

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Managing Director

S. Krishnan
Director

Ellroy Furtado
Company Secretary

K.S.Desikan
CFO

Profit and Loss Account

	SCHEDULE	Year ended 31 March 2011 (Rs.)	Year ended 31 March 2010 (Rs.)
INCOME			
Sale of manufactured goods		1,721,407,332	1,018,137,468
Less: Excise duty		32,884,038	37,609,669
Sale of manufactured goods, net		1,688,523,294	980,527,799
Service income		175,924,144	89,724,589
Other income	14	28,010,600	38,748,628
		1,892,458,038	**1,109,001,016**
EXPENDITURE			
Material costs	15	1,328,413,140	726,082,848
Personnel costs	16	204,433,846	131,553,640
Other expenses	17	165,761,007	135,132,108
Finance expenses	18	46,756,551	26,628,729
Depreciation	6	74,042,523	75,279,590
Provision for stamp duty on merger/demerger	19(w)	7,379,248	11,174,165
		1,826,786,315	**1,105,851,080**
Profit before taxation		**65,671,723**	**3,149,936**
Income taxes			
- Current year		29,500,000	8,764,216
- Previous year		-	(1,236,773)
- Deferred		2,301,581	(1,245,065)
Profit/(loss) after taxation		**33,870,142**	**(3,132,442)**
Balance in profit and loss account brought forward		231,120,263	248,682,088
Balance available for appropriation		**264,990,405**	**245,549,646**
Appropriation during the year			
- Proposed final dividend		12,348,233	12,333,333
- Corporate dividend tax		2,050,887	2,096,050
Balance carried to the balance sheet		**250,591,285**	**231,120,263**
Earnings per share (par value Rs 10 each)	19(d)		
Basic		2.74	(0.25)
Diluted		2.72	(0.25)
Weighted average number of equity shares			
Basic		12,342,763	12,333,333
Diluted		12,455,153	12,361,076
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 : 26 May 2011

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Managing Director

S. Krishnan
Director

Ellroy Furtado
Company Secretary

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 and commenced commercial production in 1994.

Pursuant to the Scheme of Amalgamation [refer schedule 19(b)], Solectron 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.

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 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 short term benefit

The expected cost of short-term employee benefits in the form of accumulating compensated absences are recognized as the additional amount that the enterprise expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

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 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.

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 2011 (Rs.)	As at 31 March 2010 (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		
12,348,233 (previous year: 7,400,000) equity shares of Rs 10 each, fully paid	123,482,330	74,000,000
	123,482,330	**74,000,000**

Of the above,4,933,333 (previous year: Nil) equity shares of Rs 10 each, have been issued for consideration other than cash pursuant to the amalgamation of Solectron EMS India Limited with the Company

	As at 31 March 2011 (Rs.)	As at 31 March 2010 (Rs.)
4. RESERVES AND SURPLUS		
Securities premium account		
Opening balance	-	-
Add: Additions during the year	321,840	-
Closing balance	321,840	-
General Reserve		
Opening balance	409,769,304	-
Add: Additions pursuant to amalgamation [refer schedule 19(b)]	-	409,769,304
Closing balance	409,769,304	409,769,304
Profit and loss account balance	250,591,285	231,120,263
	660,682,429	**640,889,567**
5. SECURED LOANS		
Short term - From banks		
- Cash credit	172,986,435	176,991,101
- Packing credit	206,187,553	88,020,969
	379,173,988	**265,012,070**

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 Company.

SCHEDULE : 6 FIXED ASSETS

(Amount in Rs.)

Particulars	GROSS BLOCK					ACCUMULATED DEPRECIATION					NET BLOCK	
	As at 1 April 2010	Additions on account of merger [Refer Schedule 19(b)]	Additions during the year	Deletions during the year	As at 31 March 2011	As at 1 April 2010	Additions on account of merger [Refer Schedule 19(b)]	Charge for the year	Deletions during the year	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010
Tangible assets, owned												
Freehold land	4,409,383	-	-	-	4,409,383	-	-	-	-	-	4,409,383	4,409,383
Leasehold improvements	907,699	-	4,477,064	-	5,384,763	162,008	-	896,031	-	1,058,039	4,326,724	745,691
Building	59,323,293	-	202,500	-	59,525,793	13,627,725	-	1,981,725	-	15,609,450	43,916,343	45,695,568
Plant and machinery	617,936,908	-	23,612,335	-	641,549,243	371,977,033	-	58,180,725	-	430,157,758	211,391,485	245,959,875
Electrical installations	27,712,044	-	209,683	-	27,921,727	8,361,837	-	1,308,155	-	9,669,992	18,251,735	19,350,207
Computers	26,987,746	-	2,967,168	-	29,954,914	18,293,971	-	6,621,329	-	24,915,300	5,039,614	8,693,775
Office equipments	19,630,040	-	2,844,324	-	22,474,364	3,961,998	-	1,037,074	-	4,999,072	17,475,292	15,668,042
Furniture and fixtures	18,447,654	-	119,244	-	18,566,898	6,627,143	-	1,224,387	-	7,851,530	10,715,368	11,820,511
Vehicles	8,212,933	-	-	-	8,212,933	2,583,140	-	1,520,082	-	4,103,222	4,109,711	5,629,793
Total (A)	**783,567,700**	**-**	**34,432,318**	**-**	**818,000,018**	**425,594,855**	**-**	**72,769,508**	**-**	**498,364,363**	**319,635,655**	**357,972,845**
Intangible assets, owned												
Computer software	25,263,622	-	328,021	-	25,591,643	11,190,393	-	1,273,015	-	12,463,408	13,128,235	14,073,229
Total (B)	**25,263,622**	**-**	**328,021**	**-**	**25,591,643**	**11,190,393**	**-**	**1,273,015**	**-**	**12,463,408**	**13,128,235**	**14,073,229**
Total (A+B)	**808,831,322**	**-**	**34,760,339**	**-**	**843,591,661**	**436,785,248**	**-**	**74,042,523**	**-**	**510,827,771**	**332,763,890**	**372,046,074**
Previous year	*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*	

Schedules to the Financial Statements (contd...)

	As at 31 March 2011 (Rs.)	As at 31 March 2010 (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	6,835,592	1,717,217
Raw materials and components	329,211,987	303,640,105
Raw material in transit	1,163,577	539,374
Work-in-progress	148,312,429	105,330,461
	485,523,585	**411,227,157**
9. SUNDRY DEBTORS*		
Unsecured		
Debts outstanding for a period exceeding six months		
- considered good	29,697,586	3,423,112
- considered doubtful	3,745,574	2,555,177
	33,443,160	5,978,289
Other debts		
- considered good	430,916,413	286,607,855
	464,359,573	292,586,144
Less: Provision for doubtful debts	(3,745,574)	(2,555,177)
	460,613,999	**290,030,967**

* Includes amounts due from the companies under the same management as defined under Section 370(1B) of the Companies Act, 1956

- Centum Industries Private Limited	-	64,525
- Centum Rakon India Private Limited	7,719,765	3,897,999

* Maximum amount oustanding during the year from companies under same management as defined under Section 370(1B) of the Companies Act, 1956:

- Centum Industries Private Limited	64,525	457,811
- Centum Rakon India Private Limited	7,719,765	13,071,351

	As at 31 March 2011 (Rs.)	As at 31 March 2010 (Rs.)
10. CASH AND BANK BALANCES		
Cash in hand	301,596	108,517
Cheques in hand	-	8,571,000
Balances with scheduled banks		
- in current accounts*	1,214,952	3,081,838
- in EEFC accounts	174,895	2,946,122
- in margin money accounts	30,721,926	28,729,771
Balances with non scheduled banks		
- in current accounts		
Citibank NA., USA **	438,097	450,815
	32,851,466	**43,888,063**

*Includes balance in unclaimed dividend account Rs 627,224 (Previous year: Rs 2,059,223)
**Maximum amount outstanding during the year amounts to Rs 6,524,720 (Previous year: Rs 750,928)

	As at 31 March 2011 (Rs.)	As at 31 March 2010 (Rs.)
11. LOANS AND ADVANCES		
Unsecured, considered good		
Loan to subsidiary company	98,560,000	98,560,000
Advances recoverable in cash or in kind or for value to be received	41,420,650	38,165,271
Advance to suppliers*	15,742,136	24,082,772
Deposits	9,992,046	9,987,265
Prepaid expenses	10,434,895	7,467,151
Interest accrued but not due	1,791,471	2,024,999
Balances with government authorities	8,897,295	1,252,365
Advance tax and tax deducted at source [net of provision for tax of Rs 94,202,611 (Previous year: Rs 81,618,074)]	54,217,631	48,337,922
	241,056,124	**229,877,745**
Unsecured, considered doubtful		
Advances recoverable in cash or in kind or for value to be received	1,361,015	3,723,228
Deposits	316,000	316,000
Less: Provision for doubtful advances	(1,677,015)	(4,039,228)
	241,056,124	**229,877,745**

* Includes

Amounts due from the companies under the same management as defined under Section 370(1B) of the Companies Act, 1956

- Centum Industries Private Limited (included in advance to suppliers)	1,679,538	7,367,479

Maximum amount oustanding during the year from companies under same management as defined under Section 370(1B) of the Companies Act, 1956

- Centum Industries Private Limited (included in advance to suppliers)	7,367,479	9,381,800

Schedules to the Financial Statements (contd...)

	As at 31 March 2011 Rs.	As at 31 March 2010 Rs.
12. CURRENT LIABILITIES		
Sundry creditors		
- dues to micro and small enterprises [refer schedule 19(n)]	6,806,828	142,944
- dues to others	340,204,847	287,504,227
Book overdraft	-	14,647
Advances received from customers	33,520,799	22,458,911
Unclaimed dividend	627,224	2,059,223
Other liabilities	10,247,925	10,307,643
	391,407,623	**322,487,595**
13. PROVISIONS		
Taxation [net of advance tax and tax deducted at sources of Rs 78,605,224 (Previous year: Rs 59,756,023)]	9,078,756	7,045,793
Gratuity	7,845,831	4,893,238
Compensated absences	3,228,751	3,377,385
Provision for stamp duty charges [refer schedule 19 (w)]	18,553,413	11,174,165
Proposed final dividend	12,348,233	12,333,333
Corporate dividend tax	2,050,887	2,096,050
	53,105,871	**40,919,964**

	For the year ended 31 March 2011 Rs.	For the year ended 31 March 2010 Rs.
14. OTHER INCOME		
Interest income on:		
- bank deposits [tax deducted at source Rs 183,560 (previous year: Rs 213,496)]	1,845,757	2,012,781
- loan given to subsidiary [tax deducted at source Rs 591,360(previous year: Rs 1,340,028)]	5,913,600	5,913,600
- income tax refund	-	87,858
Foreign exchange gain, net	10,951,609	25,269,190
Rental income	3,698,400	2,300,400
Commission income	4,843,182	2,108,816
Liabilities no longer required written back	-	395,880
Miscellaneous income	758,052	660,103
	28,010,600	**38,748,628**
15. MATERIAL COSTS		
Raw materials, components and packing materials consumed	1,371,395,108	713,133,482
Movement in work in progress		
Opening		
Work in progress	105,330,461	118,279,827
	105,330,461	118,279,827
Closing		
Work in progress	148,312,429	105,330,461
	148,312,429	105,330,461
Decrease (increase) in inventories of work-in-progress	(42,981,968)	12,949,366
	1,328,413,140	**726,082,848**
16. PERSONNEL COSTS		
Salaries,wages and allowances	177,437,533	112,534,463
Contribution to provident and other funds	10,852,731	6,619,901
Staff welfare expenses	16,143,582	12,399,276
	204,433,846	**131,553,640**

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	For the year ended 31 March 2011 Rs.	For the year ended 31 March 2010 Rs.
17. OTHER EXPENSES		
Power and fuel	22,392,051	17,882,112
Rent	10,409,541	8,448,721
Repairs and maintenance		-
- Building	8,203,125	6,372,940
- Plant and machinery	8,594,619	8,775,637
Insurance	4,849,974	4,253,491
Rates and taxes	2,351,084	1,879,316
Professional and consultancy	22,793,584	22,173,761
Selling and marketing	7,768,276	18,229,012
Travelling and conveyance	23,040,652	14,640,501
Purchase of services	23,132,863	10,031,307
Postage, telephones and telegrams	4,199,795	3,954,982
Printing and stationery	3,778,399	3,631,807
Donation	2,025,800	2,860,150
Advertisement and promotion	2,407,434	2,642,925
Security charges	3,103,835	2,480,105
Commission paid to non executive directors	720,000	-
Entertainment expenses	3,366,444	873,021
Recruitment and training	8,127,736	805,598
Bad debts written-off	-	707,895
Provision for doubtful debts	1,190,397	-
Directors sitting fees	125,999	1,120,000
Loss on sale of fixed asset	-	1,612,183
Miscellaneous expenses	3,179,399	1,756,644
	165,761,007	**135,132,108**
18. FINANCE EXPENSES		
Interest on short term loans	31,446,941	16,205,269
Other financial charges	15,309,610	10,423,460
	46,756,551	**26,628,729**

19. NOTES ON ACCOUNTS

a) **Capital commitment and contigent liabilities**

	As at 31 March 2011	Rs As at 31 March 2010
Capital commitment		
Estimated amount of contracts remaining to be executed on capital account (net of advances)	95,505,150	50,664,967
Contingent liabilities		
Claims against the Company not acknowledged as debts in respect of:		
Income tax	34,015,175	33,384,502
Sales tax	5,106,330	5,106,330
Excise duty	9,988,320	9,988,320
Stamp duty [refer schedule 19(w)]	5,107,137	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 27 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 2011	Year ended 31 March 2010
Audit fees	2,000,000	2,000,000
Out of pocket expenses reimbursed	72,340	66,463
Total	2,072,340	2,066,463

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

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

Rs.

	Year ended 31 March 2011	Year ended 31 March 2010
Profit / (loss) for the year	33,870,142	(3,132,442)
Weighted average number of equity shares outstanding at the beginning of the year (in numbers)	12,333,333	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.	9,430	-
Weighted average number of equity shares outstanding during the year - (in numbers)	12,342,763	12,333,333
Face value of equity shares	10	10
Earnings / (loss) per share - basic	**2.74**	**(0.25)**
Weighted average number of equity shares outstanding during the year - basic	12,342,763	12,333,333
Add: Effect of dilutive issues of stock options	112,390	27,743
Weighted average number of equity shares and potential equity shares outstanding during the year	12,455,153	12,361,076
Earnings / (loss) per share -dilutive	**2.72**	**(0.25)**

e) **Particulars of installed capacity**

Products	As at 31 March 2011	As at 31 March 2010
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	Year ended 31 March 2011	Year ended 31 March 2010
Modules	213,977	185,070
Electronic Manufacturing Services - Printed Circuit Board Assembly	596,351	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 materals and components consumed**

Components	Year ended 31 March 2011		Year ended 31 March 2010	
	Quantity (Nos)	Rs.	Quantity (Nos)	Rs.
Integrated circuits	6,835,679	461,452,271	3,944,993	260,499,221
Others	-	601,159,445	-	289,973,075
Total	-	1,062,611,716	-	550,472,296
Raw materials	Year ended 31 March 2011		Year ended 31 March 2010	
	Quantity (Nos)	Rs.	Quantity (Nos)	Rs.
PCB	1,563,691	119,691,939	1,626,259	53,427,477
Base and case	8,361	11,607,249	43,478	11,032,570
Paste	15,918	6,648,137	116,011	10,540,340
Others	-	170,836,067	-	87,660,799
Total	-	308,783,392	-	162,661,186

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 materals and components consumed**

Components	Year ended 31 March 2011		Year ended 31 March 2010	
	%	Rs.	%	Rs.
Imported	86.26	916,610,510	91.44	503,352,383
Indigenous	13.74	146,001,206	8.56	47,119,913
Total	100.00	1,062,611,716	100.00	550,472,296
Raw materials	Year ended 31 March 2011		Year ended 31 March 2010	
	%	Rs.	%	Rs.
Imported	71.82	221,772,594	69.79	113,527,964
Indigenous	28.18	87,010,798	30.21	49,133,222
Total	100.00	308,783,392	100.00	162,661,186

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

Products	Year ended 31 March 2011		Year ended 31 March 2010	
	Quantity (Units)	Value Rs.	Quantity (Units)	Value Rs.
Modules	213,977	234,017,654	185,070	172,616,915
Services	-	175,924,144	-	89,724,589
Electronic Manufacturing Services - Printed Circuit Boards Assembly	596,351	1,440,095,806	244,567	818,670,059
Others	-	47,293,872	-	26,850,494
Total		1,897,331,476		1,107,862,057

k) **CIF value of imports**

Rs

Products	Year ended 31 March 2011	Year ended 31 March 2010
Capital goods	18,742,854	11,374,732
Raw materials and components	1,173,200,172	638,055,688
Stores and spares	29,390	408,766
Total	1,191,972,416	649,839,186

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

Rs

	Year ended 31 March 2011	Year ended 31 March 2010
Travelling and conveyance	3,896,529	1,419,181
Selling and marketing expenses	4,465,233	6,104,094
Professional and consultancy	841,047	8,881,153
Salaries, wages and allowances	14,672,895	481,628
Other financial charges	538,574	290,336
Recruitment and training	5,606,960	-
Entertainment expenses	945,439	-
Printing and stationary	19,772	-
Postage, telephone and telegram	688,240	-
Rent	213,406	-
Rates and taxes	75,754	-
Insurance	20,524	-
Miscellaneous expenses	120,264	-
Total	32,104,637	17,176,392

Schedules to the Financial Statements (contd...)

m) **Earnings in foreign currency**

Rs

	Year ended 31 March 2011	Year ended 31 March 2010
Sale of manufactured goods	1,146,195,438	561,695,732
Service income	995,810	1,465,242
Total	1,147,191,248	563,161,974

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 2011 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 2011	Year ended 31 March 2010
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	6,806,828	142,944
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;	108,928	-
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	123,168	14,240
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 2011	As at 31 March 2010
Obligations at year beginning	**4,893,238**	**2,692,573**
Obligation acquired on account of amalgamation	-	1,608,796
Service Cost	1,421,344	1,225,342
Past service cost	1,423,010	-
Benefits paid	(79,923)	-
Interest cost	481,309	372,357
Actuarial loss/ (gain)	(293,147)	(1,005,830)
Obligations at year end	**7,845,831**	**4,893,238**

		Rs.
Particulars	As at 31 March 2011	As at 31 March 2010
Change in plan assets		
Plans assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions	-	-
Benefits paid	-	-
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	7,845,831	4,893,238
Net liability recognized in the balance sheet	**7,845,831**	**4,893,238**
Gratuity cost for the year		
Service cost	1,421,344	1,225,342
Past service cost	1,423,010	-
Benefits paid	(79,923)	-
Interest cost	481,309	372,357
Expected return on plan assets	-	-
Actuarial loss/ (gain)	(293,147)	(1,005,830)
Net gratuity cost	**2,952,593**	**591,869**
Assumptions:		
Discount rate	8.0%	7.80%
Expected rate of return on plan assets	Not applicable	Not applicable
Expected rate of salary increase	7.0%	7.00%-8.00%
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

Schedules to the Financial Statements (contd...)

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.

Rs.

Primary segment information	Year ended 31 March 2011	Year ended 31 March 2010
Segment revenue		
Products	290,908,494	221,618,400
Services	1,601,549,544	887,382,616
	1,892,458,038	**1,109,001,016**
Segment result		
Products	22,987,121	3,014,860
Services	42,684,602	135,076
Profit before taxation	**65,671,723**	**3,149,936**
Income taxes		
-Current year	29,500,000	8,764,216
-Previous year	-	(1,236,773)
-Deferred	2,301,581	(1,245,065)
Profit / (loss) after taxation	**33,870,142**	**(3,132,442)**
Primary segment information	As at 31 March 2011	As at 31 March 2010
Segment assets		
Products	359,271,585	480,179,441
Services	990,470,037	863,601,040
Unallocated corporate assets	259,888,078	48,862,045
Total assets	**1,609,629,700**	**1,392,642,526**
Segment liabilities		
Products	201,834,770	181,218,136
Services	590,353,842	440,155,700
Unallocated corporate liabilities	33,276,330	7,045,793
Total liabilities	**825,464,942**	**628,419,629**
Capital expenditure [including CWIP]		
Products	34,202,865	4,776,690
Services	12,329,701	30,803,892
Total capital expenditure	**46,532,566**	**35,580,582**

	As at 31 March 2011	As at 31 March 2010
Depreciation		
Products	17,463,755	19,050,255
Services	56,578,768	56,229,335
	74,042,523	**75,279,590**

Secondary segment disclosures:

Rs.

Geographic segment	Year ended 31 March 2011	Year ended 31 March 2010
Revenues		
India	745,266,789	545,840,042
Europe	80,855,899	244,576,241
USA	791,792,692	301,925,992
Rest of world	274,542,658	16,658,741
	1,892,458,038	**1,109,001,016**
Segment assets		
India	1,285,335,348	1,264,458,185
Europe	10,451,146	42,032,736
USA	200,288,871	65,746,842
Rest of world	113,554,335	20,404,763
	1,609,629,700	**1,392,642,526**

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 416,666 shares (includes 166,666 shares in pursuant to the merger of Solectron EMS India Limited with the Company) 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 2011	Weighted average exercise price	Year ended 31 March 2010	Weighted average exercise price
Options outstanding at the beginning of the year	81,100	31.60	72,500	150.30
Granted during the year	55,400	118.50	88,700	31.60
Exercised during the year	14,900	31.60	-	-
Forfeited / lapsed during the year	8,300	123.35	80,100	139.55
Options outstanding at the end of the year	**113,300**	**69.49**	**81,100**	**31.60**
Exercisable at the end of the year	**4,800**	-	-	-

The weighted average share price of the options exercised as at the date of exercise was Rs 31.60. There were 55,400 equity shares were given as options during the current year. The options outstanding as at 31 March 2011 had an exercise price of Rs 69.49 and the weighted average remaining contractual life of 11.37 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:

Rs

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Profit / (loss) for the year	33,870,142	(3,132,442)
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determines under the fair value method	1,012,888	419,318
Adjusted net profit	32,857,254	(3,551,760)
Basic earnings per share as reported	2.74	(0.25)
Pro forma basic earnings per share	2.66	(0.29)
Diluted earnings per share as reported	2.72	(0.25)
Pro forma diluted earnings per share	2.64	(0.29)

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 2011	Year ended 31 March 2010
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	75.26%	70.96%

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

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:

Rs.

Particulars	Year ended 31 March 2011	Year ended 31 March 2010
Sale of goods and services		
Parties under common control	-	602,000
Centum Industries Private Limited		
- Sale of goods and services	-	602,000
Subsidiary		
Centum Rakon India Private Limited	45,856,814	39,374,064
- Service income	39,511,549	33,872,867
- Sale of goods	6,345,265	5,501,197
Other Income		
Subsidiary		
Centum Rakon India Private Limited	9,612,000	8,214,000
- Interest income on loan	5,913,600	5,913,600
- Rental income	3,698,400	2,300,400
Purchase of goods and services		
Parties under common control	15,640,705	10,824,357
Centum Industries Private Limited	15,640,705	10,824,357
Subsidiary	3,319,459	6,003,212
Centum Industries Private Limited	3,319,459	6,003,212
Managerial remuneration including sitting fees		
Key management personnel	9,432,000	9,432,000
Managerial remuneration	9,432,000	9,432,000

Schedules to the Financial Statements (contd...)

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

Rs.

Particulars	As at 31 March 2011	As at 31 March 2010
Sundry debtors	7,719,765	3,962,524
Parties under common control		
Centum Industries Private Limited	-	64,525
Subsidiary		
Centum Rakon India Private Limited	7,719,765	3,897,999
Sundry creditors	3,063,185	4,353,569
Subsidiary		
Centum Rakon India Private Limited	282,433	3,285,435
Parties under common control		
Centum Industries Private Limited	2,780,752	1,068,134
Advances to suppliers		
Parties under common control		
Centum Industries Private Limited	1,679,538	7,367,479
Loan to subsidiary		
Subsidiary		
Centum Rakon India Private Limited	98,560,000	98,560,000
Investment		
Subsidiary		
Centum Rakon India Private Limited	28,560,000	28,560,000
Managerial Remuneration payable		
Key Management Personnel	156,252	143,706

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 10,409,541 (previous year: Rs 8,448,721).

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 3,698,400 (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 2011 and 31 March 2010, respectively are as under:

Rs.

	As at 31 March 2011	As at 31 March 2010
Deferred tax asset/(liability)		
Fixed assets	(14,552,203)	(14,864,134)
Provision for doubtful debts	1,244,186	975,914
Provision for doubtful advances	557,062	462,609
Provision for inventory obsolescence	-	6,838,720
Current liabilities and provisions	10,973,496	7,111,014
Deferred tax asset / (liability), net	**(1,777,459)**	**524,123**

u) **Managerial remuneration**

Rs.

	Year ended 31 March 2011	Year ended 31 March 2010
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 2011	Year ended 31 March 2010
Profit before taxation	65,671,723	3,149,936
Add:		
Director's remuneration	9,432,000	9,432,000
Depreciation as per the accounts	74,042,523	75,279,590
Less:		
Depreciation as per section 350 of the Companies Act, 1956*	74,042,523	75,279,590
Net Profit on which commission is payable	75,103,723	12,581,936
Maximum managerial remuneration payable	3,755,186	629,097
Excess managerial remuneration accrued	5,676,814	8,802,903

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

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 2011		Year ended 31 March 2010	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	9,022,041	402,715,514	5,580,659	255,702,843
EUR	403,691	25,896,696	97,724	6,009,430
GBP	15,618	1,137,818	582	6,648,489
JPY	7,904	4,343	13,379,764	44,074
SGD	5,724	206,540	-	-
SEK	2,620	19,807	-	-
Total		**429,980,718**		**268,404,836**

Schedules to the Financial Statements (contd...)

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

Particulars	Year ended 31 March 2011		Year ended 31 March 2010	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	7,089,522	316,388,067	2,680,885	119,489,099
GBP	-	-	1,373	94,785
Total		**316,388,067**		**119,583,884**

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 Solectron 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)].

Further, the Company has provided Rs 7,379,248 during the current year towards stamp duty payable pursuant to the merger of Solectron EMS India Limited with the Company.

The movement in the provision is as under:

Rs

	As at 31 March 2011	As at 31 March 2010
Opening balance	11,174,165	-
Add: Provision made during the year	7,379,248	11,174,165
Closing balance	18,553,413	11,174,165

As Per our report attached
for **BSR & Co.**
Chartered Accountants
Firm Registration No. 101248W
Zubin Shekary
Partner
Membership No. 48814

Place : Bangalore
Date : 26 May 2011

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Managing Director

S. Krishnan
Director

Ellroy Furtado
Company Secretary

K.S. Desikan
CFO

Cash Flow Statement

	Year ended 31 March 2011 (Rs.)	Year ended 31 March 2010 (Rs.)
Cash flow from operating activities		
Profit before tax	65,671,723	3,149,936
Adjustments		
Bad debts written off	-	707,895
Loss on sale of assets	-	1,612,183
Depreciation	74,042,523	75,279,590
Interest income	(7,759,357)	(8,014,239)
Interest expense	31,446,941	16,205,269
Operating cash flows before working capital changes	**163,401,830**	**88,940,634**
(Increase) / decrease in sundry debtors	(170,583,032)	(65,400,392)
(Increase) / decrease in inventories	(74,296,428)	(23,561,099)
(Increase) / decrease in loans and advances	(5,532,198)	6,755,451
Increase / (decrease) in current liabilities and provisions	71,803,493	42,125,388
Cash generated from / (used in) operations	**(15,206,335)**	**48,859,982**
Income taxes	(33,346,746)	(26,145,672)
Net cash generated from/(used in) operating activities	**(48,553,081)**	**22,714,310**
Cash flow from investing activities		
Proceeds from sale of fixed assets	-	417,034
Interest received	7,992,885	7,370,688
Purchase of fixed assets	(39,218,189)	(35,580,582)
Net cash generated from/(used in) investing activities	**(31,225,304)**	**(27,792,860)**
Cash flow from financing activities		
Short term loans from bank, net	(118,166,585)	(107,272,353)
Issue of share capital	470,840	-
Cash credit from bank, net	(4,004,666)	157,012,874
Interest expense	(31,446,941)	(16,205,269)
Dividend and dividend tax paid	(14,429,383)	(16,256,409)
Net cash generated from/(used in) financing activities	**68,756,435**	**17,278,843**
Net increase/(decrease) in cash and cash equivalents	(11,021,950)	12,200,293
Cash and cash equivalents at the begining of the year	43,873,416	22,714,013
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	**32,851,466**	**43,873,416**
Cash and cash equivalents at the end of the year comprise		
Cash and bank balances (refer schedule 10)	**32,851,466**	43,888,063
Book overdraft (refer schedule 12)	-	(14,647)
	32,851,466	**43,873,416**

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 : 26 May 2011

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 2011

Capital raised during the year

Public issue	Nil
Rights issue	Nil
Private placement	Nil
Exercise of Employee Stock Option	Rs. 1,49,000

Position of mobilization an deployment of funds

	(in Rs.)
Total liabilities	1,165,116,206
Total Assets	1,165,116,206

Sources of funds

Paid up capital	123,482,330
Reserves and Surplus	660,682,429
Secured loans	379,173,988
Deferred Tax Liability	1,777,459

Application of funds

Net Fixed Assets	361,024,526
Investments	28,560,000
Net Current Assets	775,531,680
Miscellaneous Expenditure	-

Performance of Company

	(In Rs.)
Turnover	1,892,458,038
Total expenditure	1,826,786,315
Profit/Loss before tax	65,671,723
Profit/Loss after tax	33,870,142
Earnings per share	2.74
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

Place : Bangalore
Date : 26 May 2011

Ellroy Furtado
Company Secretary

K.S. Desikan
CFO

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, 2010 to March 31, 2011
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. 31,059,421
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	Profit of Rs. 4,045,234

Statement on subsidiary pursuant to Circular No: 51/12/2007-CL-III dt. February 8, 2011 issued by Ministry of Corporate Affairs

Pursuant to the said circular, The Board of Directors of the Company has passed a resolution at its meeting held on May 26, 2011 consenting for not attaching the balance sheet of the subsidiary, Centum Rakon India Private Limited and other documents required to be attached to the balance sheet as required by law to the balance sheet of the Company.

The Company hereby undertakes that annual accounts of the subsidiary, Centum Rakon India Private Limited and the related detailed information shall be made available to shareholders of the Company and the subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary company shall also be kept for inspection by any shareholders at the head office of the Company at 44, KHB Industrial Area, Yelahanka New Town, Bangalore -560106. The Company shall furnish a hard copy of details of accounts of subsidiary to any shareholder on demand.

The company hereby discloses in the consolidated balance sheet the following information in aggregate for its subsidiary, Centum Rakon India Private Limited

S. No.	Particulars	Amount
1	Capital	Rs. 56,000,000
2	Reserves	Rs. 270,587,055
3	Total Assets	Rs. 678,111,841
4	Total Liabilities	Rs. 678,111,841
5	Details of investment (except in case of investment in the subsidiaries)	NIL
6	Turnover	Rs. 729,469,191
7	Profit before taxation	Rs. 44,517,634
8	Provision for taxation	Rs. 13,458,213
9	Profit after taxation	Rs. 31,059,421
10	Proposed dividend	NIL

Consolidated Financial Results
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 (collectively referred to as the 'Centum Group') as at 31 March 2011, 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. 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 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 31 March 2011;

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

Zubin Shekary
Partner
Membership No. 48814

Bangalore
Date: 26 May 2011

Consolidated Balance Sheet

	SCHEDULE	As at 31 March 2011 Rs.	As at 31 March 2010 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	3	123,482,330	74,000,000
Share capital to be issued pursuant to scheme of amalgamation	19(b)	-	49,333,330
Reserves and surplus	4	799,133,631	763,488,100
		922,615,961	**886,821,430**
LOAN FUNDS			
Secured loans	5	446,992,515	319,291,135
Unsecured loans	6	166,792,936	97,927,409
		613,785,451	**417,218,544**
MINORITY INTEREST		**158,599,494**	**143,368,499**
DEFERRED TAX LIABILITY, NET	19(k)	**20,130,782**	**4,370,987**
		1,715,131,688	**1,451,779,459**
APPLICATION OF FUNDS			
FIXED ASSETS	7		
Gross block		1,453,550,770	1,341,229,930
Less: Accumulated depreciation		(728,285,859)	(596,788,392)
Net block		725,264,911	744,441,538
Capital work-in-progress		48,281,461	26,237,407
		773,546,372	**770,678,945**
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	699,886,191	545,957,285
Sundry debtors	9	645,205,406	443,927,888
Cash and bank balances	10	39,262,293	51,596,525
Loans and advances	11	191,302,261	151,800,776
		1,575,656,151	1,193,282,474
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	12	567,958,823	465,226,837
Provisions	13	66,112,013	46,955,122
		634,070,836	512,181,959
NET CURRENT ASSETS		**941,585,315**	**681,100,515**
		1,715,131,688	**1,451,779,460**
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

Bangalore
Date: 26 May 2011

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Managing Director

S. Krishnan
Director

Ellroy Furtado
Company Secretary

K.S. Desikan
CFO

Consolidated Profit and Loss Account

	SCHEDULE	Rs. For the year ended 31 March 2011	Rs. For the year ended 31 March 2010
INCOME			
Sale of manufactured goods		2,434,997,998	1,515,304,866
Less: Excise duty		34,556,949	39,430,967
Sale of manufactured goods, net		2,400,441,049	1,475,873,899
Service income		138,913,922	57,960,538
Other income	14	23,783,981	55,442,109
		2,563,138,952	1,589,276,546
EXPENDITURE			
Material cost	15	1,763,404,980	1,049,677,748
Personnel costs	16	263,103,428	166,332,873
Other expenses	17	228,231,601	175,359,627
Finance expenses	18	59,308,627	35,757,565
Depreciation	7	131,497,467	128,162,608
Provisions for stamp duty on merger / demerger	19(m)	7,379,248	11,174,165
		2,452,925,351	**1,566,464,586**
Profit before taxation and minority interest		**110,213,601**	**22,811,960**
Income taxes			
- Current / Minimum alternative tax		38,550,000	12,283,776
- Prior year		-	(1,236,773)
- Deferred		15,759,794	3,650,045
- Minimum alternate tax credit entitlement		(9,050,000)	(3,500,000)
Profit after taxation,before minority interest		**64,953,807**	**11,614,912**
Minority interest		15,230,996	7,226,201
Profit after taxation and minority interest		**49,722,811**	**4,388,711**
Balance in profit and loss account brought forward		233,622,772	243,663,444
Balance available for appropriation		**283,345,583**	**248,052,155**
Appropriation during the year			
- Proposed final dividend		12,348,233	12,333,333
- tax on dividend		2,050,887	2,096,050
Balance carried to the balance sheet		**268,946,463**	**233,622,772**
Earnings per share (par value Rs 10 each)	19(d)		
Basic		4.03	0.36
Diluted		3.99	0.33
Weighted average number of equity shares			
Basic		12,342,763	12,333,333
Diluted		12,455,153	12,361,076
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: 26 May 2011

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Managing Director

S. Krishnan
Director

Ellroy Furtado
Company Secretary

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 (together referred to as “Centum” or “Group”) are primarily involved in the manufacture of Advanced Microelectronics Modules, Frequency Control Products, Printed Circuit Board Assembly (PCBA) and Resistor Networks catering to the communications, military, aerospace and industrial electronics markets. Centum Rakon India Private Limited was incorporated on 17 December 2007. Centum is headquartered in Bangalore, India.

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.

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 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 (including the related intellectual property)	8 - 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 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

Contributions payable to the recognised provident fund, which is a defined contribution scheme, are charged to the consolidated profit and loss account on accrual basis.

Gratuity costs, which is defined benefit scheme, are accrued based on actuarial valuation at the balance sheet date, carried out by independent actuary.

The expected cost of short-term employee benefits in the form of accumulating compensated absences are recognized as the additional amount that the enterprise expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

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. 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 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.

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

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

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 2011 Rs.	As at 31 March 2010 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		
12,348,233 (previous year: 7,400,000) equity shares of Rs 10 each, fully paid	**123,482,330**	**74,000,000**

Of the above, 4,933,333 (previous year: Nil) equity shares of Rs 10 each, have been issued for consideration other than cash pursuant to the amalgamation of Solectron EMS India Limited with the Company.

	As at 31 March 2011 Rs.	As at 31 March 2010 Rs.
4. RESERVES AND SURPLUS		
Securities Premium Account		
- Opening balance	120,096,024	-
- Add: Additions during the year	321,840	120,096,024
- Closing balance	120,417,864	120,096,024
General Reserve		
- Opening balance	409,769,304	-
- Add: Additions pursuant to amalgamation	-	409,769,304
- Closing balance	409,769,304	409,769,304
Profit and loss account balance	268,946,463	233,622,772
	799,133,631	763,488,100
5. SECURED LOAN		
Short term - from bank		
- Cash credit	223,465,097	211,586,396
- Packing credit	223,527,418	107,704,739
	446,992,515	**319,291,135**

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).

	As at 31 March 2011 Rs.	As at 31 March 2010 Rs.
6. UNSECURED LOANS		
Long term		
Long term loan from Rakon (Mauritius) Limited*	107,755,250	97,927,409
Short term		
Packing credit loan from bank	59,037,686	-
	166,792,936	**97,927,409**

*The above loan is repayable in five instalments on 2 April 2014, 5 August 2014, 30 January 2015, 20 June 2015 and 2 July 2016.

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

SCHEDULE : 7 FIXED ASSETS

(Amount in Rs.)

Particulars	GROSS BLOCK					ACCUMULATED DEPRECIATION					NET BLOCK	
	As at 1 April 2010	Additions on account of merger [Refer Schedule 19(b)]	Additions during the year	Deletions during the year	As at 31 March 2011	As at 1 April 2010	Additions on account of merger [Refer Schedule 19(b)]	Charge for the year	Deletions during the year	As at 31 March 2011	As at 31 March 2011	As at 31 March 2010
Tangible assets, owned												
Freehold land	4,409,383	-	-	-	4,409,383	-	-	-	-	-	4,409,383	4,409,383
Leasehold improvements	2,141,484	-	11,214,699	-	13,356,183	488,587	-	1,527,465	-	2,016,052	11,340,131	1,652,897
Building	59,323,293	-	202,500	-	59,525,793	13,627,725	-	1,981,725	-	15,609,450	43,916,343	45,695,568
Plant and machinery*	1,117,410,734	-	71,457,104	-	1,188,867,838	518,235,848	-	112,845,430	-	631,081,278	557,786,560	599,174,886
Electrical installations	48,754,029	-	20,294,012	-	69,048,041	15,154,687	-	2,646,488	-	17,801,175	51,246,866	33,599,342
Computers	31,341,964	-	3,846,901	-	35,188,865	22,000,119	-	6,930,605	-	28,930,724	6,258,141	9,341,845
Office equipments	20,554,256	-	3,315,889	-	23,870,145	4,376,163	-	1,085,943	-	5,462,106	18,408,039	16,178,093
Furniture and fixtures	22,204,327	-	1,435,875	-	23,640,202	8,209,096	-	1,457,043	-	9,666,139	13,974,063	13,995,231
Vehicles	8,212,933	-	-	-	8,212,933	2,583,140	-	1,520,082	-	4,103,222	4,109,711	5,629,793
Total (A)	**1,314,352,403**	**-**	**111,766,980**	**-**	**1,426,119,383**	**584,675,365**	**-**	**129,994,781**	**-**	**714,670,146**	**711,449,237**	**729,677,038**
Intangible assets, owned												
Computer software	26,877,527	-	553,860	-	27,431,387	12,113,027	-	1,502,686	-	13,615,713	13,815,674	14,764,500
Total (B)	**26,877,527**	**-**	**553,860**	**-**	**27,431,387**	**12,113,027**	**-**	**1,502,686**	**-**	**13,615,713**	**13,815,674**	**14,764,500**
Total (A+B)	**1,341,229,930**	**-**	**112,320,840**	**-**	**1,453,550,770**	**596,788,392**	**-**	**131,497,467**	**-**	**728,285,859**	**725,264,911**	**744,441,538**
Previous year	*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*	

* includes interest capitalised of Rs Nil (previous year: Rs 21,183).

	As at 31 March 2011 Rs.	As at 31 March 2010 Rs.
8. INVENTORIES		
Stores and spares	6,875,980	1,292,363
Raw materials and components	385,288,115	377,580,946
Raw material in transit	20,550,500	4,025,211
Work-in-progress	287,171,596	163,058,765
	699,886,191	**545,957,285**
9. SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
- considered good	30,339,086	3,990,745
- considered doubtful	3,789,156	2,775,798
	34,128,242	6,766,543
Other debts		
- considered good	614,866,320	439,937,143
	648,994,562	446,703,686
Less: Provision for doubtful debts	(3,789,156)	(2,775,798)
	645,205,406	**443,927,888**
10. CASH AND BANK BALANCES		
Cash in hand	304,661	114,477
Cheques in hand	-	8,571,000
Balances with scheduled banks		
- in current accounts*	1,841,672	8,000,167
- in EEFC accounts	2,012,723	4,347,358
- in margin money accounts	34,665,140	30,112,708
Balances with non scheduled banks		
- in current accounts		
Citibank NA., USA **	438,097	450,815
	39,262,293	**51,596,525**

*Includes balance in unclaimed dividend account Rs 627,224 (Previous year: Rs 2,059,223)

**Maximum amount outstanding during the year amounts to Rs 6,524,720 (Previous year: Rs 750,928)

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

	As at 31 March 2011 Rs.	As at 31 March 2010 Rs.
11. LOANS AND ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	44,843,212	38,663,882
Advance to suppliers	23,300,395	30,126,738
Deposits	13,797,046	9,997,265
Prepaid expenses	12,189,539	8,458,524
Minimum alternate tax credit entitlement	12,550,000	3,500,000
Interest accrued but not due	1,845,684	2,032,050
Balances with government authorities	28,105,877	10,665,048
Advance tax and tax deducted at source [net of provision for tax of Rs 97,878,265 (Previous year: Rs 81,793,728)]	54,670,508	48,357,269
	191,302,261	151,800,776
Unsecured, considered doubtful		
Advances recoverable in cash or in kind or for value to be received	1,361,015	5,092,007
Deposits	316,000	316,000
Less: Provision for doubtful advances	(1,677,015)	(5,408,007)
	191,302,261	**151,800,776**
12. CURRENT LIABILITIES		
Sundry creditors		
- dues to micro and small enterprises	6,931,218	175,976
- dues to others	502,816,771	426,157,874
Book overdraft	-	14,647
Advances received from customers	43,981,291	24,681,735
Interest accrued but not due	181,455	109,877
Unclaimed dividend	627,224	2,059,223
Other liabilities	13,420,864	12,027,505
	567,958,823	**465,226,837**
13. PROVISIONS		
Taxation [net of advance tax and tax deducted at sources of Rs 80,127,806 (Previous year: Rs 58,726,026)]	18,103,822	10,348,741
Gratuity	10,750,247	6,671,027
Compensated absences	4,305,411	4,331,806
Provision for stamp duty charges [refer schedule 19 (m)]	18,553,413	11,174,165
Proposed final dividend	12,348,233	12,333,333
Corporate dividend tax	2,050,887	2,096,050
	66,112,013	**46,955,122**

	For the year ended 31 March 2011 (Rs.)	For the year ended 31 March 2010 (Rs.)
14. OTHER INCOME		
Interest income on:		
- bank deposits [tax deducted at source Rs 196,619 (previous year : Rs 473,365)]	1,982,803	2,088,991
- income tax refund	-	87,858
Other reimbursements [net of cost reimbursements amounting to Rs Nil (previous year: Rs 3,350,249)]	-	1,343,432
Liabilities no longer required written back	-	395,880
Foreign exchange gain, net	19,426,539	49,436,672
Miscellaneous income	2,374,639	2,089,276
	23,783,981	**55,442,109**
15. MATERIALS COST		
Raw materials, components and packing materials consumed	1,887,517,811	1,056,369,168
Movement in work in progress		
Opening		
Work in progress	163,058,765	74,878,461
	163,058,765	74,878,461
Add: Work in progress acquired pursuant to amalgamation [refer Schedule 19(b)]	-	81,488,884
Closing		
Work in progress	287,171,596	163,058,765
	287,171,596	163,058,765
(Increase) / Decrease in inventories of work-in-progress	(124,112,831)	(6,691,420)
	1,763,404,980	**1,049,677,748**
16. PERSONNEL COSTS		
Salaries and wages	230,611,085	145,092,109
Contribution to provident and other funds	14,542,544	8,820,380
Staff welfare expenses	17,949,799	12,420,384
	263,103,428	**166,332,873**

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

	For the year ended 31 March 2011 (Rs.)	For the year ended 31 March 2010 (Rs.)
17. OTHER EXPENSES		
Purchase of services	29,070,841	12,962,840
Travelling and conveyance	25,915,472	15,211,946
Professional and consultancy	42,634,278	42,494,210
Power and fuel	30,713,699	22,179,387
Rates and taxes	3,727,176	1,924,210
Insurance	8,782,852	6,442,231
Repairs & Maintenance		
- Plant and machinery	15,529,174	13,590,434
- Building	8,841,770	6,502,874
- Others	143,091	-
Postage, telephones and telegrams	4,255,781	3,954,982
Advertisement and promotion	2,495,134	2,642,925
Selling and marketing	7,768,276	21,121,564
Recruitment and training	8,419,262	805,598
Printing and stationery	4,933,235	4,177,359
Entertainment expenses	3,366,444	873,021
Bad debts written-off	-	707,895
Provision for doubtful debts	1,190,397	-
Rent	13,557,765	8,709,430
Security charges	3,103,835	2,480,105
Donation	2,025,800	2,860,150
Commission paid to non executive directors	720,000	-
Directors sitting fees	135,999	1,136,000
Loss on sale of fixed asset	-	1,612,183
Freight outward	6,631,714	-
Miscellaneous expenses	4,269,606	2,970,283
	228,231,601	**175,359,627**
18. FINANCE EXPENSES		
Interest on cash credit facilities	33,825,803	18,615,999
Interest on packing credit facilities	1,838,033	552,329
Interest on long term loan	3,528,661	3,422,354
Other financial charges	20,116,130	13,166,883
	59,308,627	**35,757,565**

19. NOTES ON ACCOUNTS

a) **Capital commitment and contigent liabilities**

	As at 31 March 2011 (Rs.)	As at 31 March 2010 (Rs.)
Capital Commitment		
Estimated amount of contracts remaining to be executed on capital account (net of advances)	133,364,972	66,378,902
Contingent liabilities		
Claims against the Company not acknowledged as debts in respect of:		
Income tax	34,015,175	33,384,502
Sales tax	5,106,330	5,106,330
Excise duty	9,988,320	9,988,320
Stamp duty [refer schedule 19(m)	5,107,137	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 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 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 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 Amalgmations" 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 2011 (Rs.)	Year ended 31 March 2010 (Rs.)
Audit fees	2,500,000	2,500,000
Out of pocket expenses reimbursed	95,090	71,561
Total	2,595,090	2,571,561

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

The computation of earnings per share is set out below:

	Year ended 31 March 2011 (Rs.)	Year ended 31 March 2010 (Rs.)
Profit/(loss) for the year	49,722,811	4,388,711
Weighted average number of equity shares outstanding at the beginning of the year (in numbers)	12,333,333	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
Weighted average number of equity shares issued during the year.	9,430	-
Weighted average number of equity shares outstanding during the year (in numbers)	12,342,763	12,333,333
Face value of equity share	10	10
Earnings/(loss) per share - basic	4.03	0.36
Weighted average number of equity shares outstanding during the year - basic	12,342,763	12,333,333
Add: Effect of dilutive issues of stock options	112,390	27,743
Weighted average number of equity shares and potential equity shares outstanding during the year	12,455,153	12,361,076
Earnings/(loss) per share - dilutive	3.99	0.36

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

Name of the subsidiary	Country of incorporation	Holding as at 31 March 2011
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 2011 (Rs.)	As at 31 March 2010 (Rs.)
Obligations at year beginning	**6,671,027**	**4,109,899**
Obligation acquired on account of amalgamation	-	1,608,796
Service cost	1,845,695	1,501,316
Past service cost	1,886,985	-
Interest cost	647,835	477,915
Benefits paid	(79,923)	-
Actuarial loss/ (gain)	(221,372)	(1,026,899)
Obligations at year end	**10,750,247**	**6,671,027**
Change in plan assets		
Plans assets at year beginning, at fair value	-	-
Expected return on plan assets	-	-
Actuarial gain / (loss)	-	-
Contributions by employer	-	-
Benefits paid	-	-
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	10,750,247	6,671,027
Net liability recognized in the balance sheet	**10,750,247**	**6,671,027**
Gratuity cost for the year		
Service cost	1,845,695	1,501,316
Past service cost	1,886,985	
Interest cost	647,835	477,915
Benefits paid	(79,923)	-
Expected return on plan assets	-	-
Actuarial loss/ (gain)	(221,372)	(1,026,899)
Net gratuity cost	**4,079,220**	**952,332**
Assumptions:		
Discount rate	8.00%	7.80%
Expected rate of return on plan assets	Not applicable	Not applicable
Expected rate of salary increase	7.00%	7.00%-8.00%
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

Rs

Primary segment information	Year ended 31 March 2011	Year ended 31 March 2010
Segment revenue		
Products	967,319,626	701,893,928
Electronic Manufacturing Services	1,595,819,326	887,382,618
	2,563,138,952	**1,589,276,546**
Segment result		
Products	62,965,903	22,676,884
Electronic Manufacturing Services	47,247,698	135,076
Profit before taxation	**110,213,601**	**22,811,960**
Income taxes		
-Current year	38,550,000	12,283,776
-Previous year	-	(1,236,773)
-Deferred	15,759,794	3,650,045
-Minimum alternate tax credit entitlement	(9,050,000)	(3,500,000)
Profit / (loss) after taxation	**64,953,807**	**11,614,912**

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

Rs

Primary segment information	As at 31 March 2011	As at 31 March 2010
Segment assets		
Products	1,227,980,357	1,052,162,361
Services	988,454,178	859,941,788
Unallocated corporate assets	132,767,988	51,857,270
Total assets	**2,349,202,523**	**1,963,961,419**
Segment liabilities		
Products	646,372,848	478,896,061
Services	588,337,982	440,155,700
Unallocated corporate liabilities	33,276,329	14,719,729
Minority interest	158,599,494	143,368,499
Total liabilities	**1,426,586,563**	**1,077,139,989**
Capital expenditure [including capital work in progress]		
Products	122,035,184	29,921,957
Services	12,329,706	30,803,891
Total capital expenditure	**134,364,900**	**60,725,848**
Depreciation		
Products	74,918,700	71,933,273
Services	56,578,768	56,229,335
	131,497,468	**128,162,608**

Secondary segment:

Rs

Geographic segment	Year ended 31 March 2011	Year ended 31 March 2010
Revenues		
India	716,922,659	560,218,698
Europe	772,349,764	709,583,675
USA	791,792,692	301,925,993
Rest of world	282,073,837	17,548,180
	2,563,138,952	**1,589,276,546**
Segment assets		
India	1,846,604,365	1,682,381,992
Europe	229,657,744	195,079,315
USA	200,288,871	65,746,842
Rest of world	72,651,543	20,753,270
	2,349,202,523	**1,963,961,419**

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 416,666 shares (includes 166,666 shares in pursuant to the merger of Solectron EMS India Limited with the Company) 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 2011**	**Weighted average exercise price**	**Year ended 31 March 2010**	**Weighted average exercise price**
Options outstanding at the beginning of the year	81,100	31.60	72,500	150.30
Granted during the year	55,400	118.50	88,700	31.60
Exercised during the year	14,900	31.60	-	-
Forfeited / lapsed during the year	8,300	123.35	80,100	139.55
Options outstanding at the end of the year	113,300	69.49	81,100	31.60
Exercisable at the end of the year	4,800	-	-	-

The weighted average share price of the options as at the date of exercise was Rs.31.60. There were 55,400 equity shares were given as options during the current year. The options outstanding as at 31 March 2010 had an exercise price of Rs 69.49 and the weighted average remaining contractual life of 11.37 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 2011 (Rs.)	Year ended 31 March 2010 (Rs.)
Net profit/(loss) as reported	49,722,811	4,388,711
Add: Stock based compensation expense determined under the intrinsic value method	-	-
Less: Stock based compensation expense determines under the fair value method	1,012,888	419,318
Adjusted net profit	48,709,932	3,969,393
Basic earnings/ (loss) per share as reported	4.03	0.36
Pro forma basic earnings/ (loss) per share	3.95	0.32
Diluted earnings/ (loss) per share as reported	3.99	0.33
Pro forma diluted earnings/ (loss) per share	3.91	0.36

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 2011	Year ended 31 March 2010
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	75.26%	70.96%

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
- Solectron EMS India Limited *(Merged with the holding company (CEL) with effect from 1 April 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 2011 (Rs.)	Year ended 31 March 2010 (Rs.)
Sale of goods and services		
Associate companies	671,091,583	458,204,597
Centum Industries Private Limited	-	602,000
Rakon France SAS	602,257,347	404,146,807
Rakon UK Limited	67,438,321	52,710,781
Rakon Limited	1,395,915	745,009
Purchases of goods and services		
Associate companies	273,420,409	261,925,705
Rakon France SAS	245,994,456	233,911,946
Rakon UK Limited	8,025,665	14,654,794
Rakon Limited	3,759,583	2,534,608
Centum Industries Private Limited	15,640,705	10,824,357
Purchases of fixed assets		
Associate companies	5,249,253	23,253,222
Rakon France SAS	4,630,953	18,792,660
Rakon UK Limited	-	348,222

Rakon (Mauritius) Limited	-	-
Rakon Limited	618,300	4,112,340
Reimbursements of cost from		
Associate companies		
Rakon Limited	-	4,693,681
Unsecured loan		
Associate companies		
Rakon (Mauritius) Limited	7,348,308	21,006,521
Professional and consultancy		
Associate companies		
Rakon France SAS	14,600,898	16,041,011
Interest expense		
Associate companies		
Rakon (Mauritius) Limited	3,528,662	3,422,355
Managerial Remuneration including sitting fees		
Key Management Personnel		
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 2011 (Rs.)	As at 31 March 2010 (Rs.)
Unsecured loan		
Associate companies		
Rakon (Mauritius) Limited	107,755,250	97,927,409
Interest accrued but not due		
Associate companies		
Rakon (Mauritius) Limited	181,455	109,877
Sundry debtors		
Associate companies	169,594,765	147,085,674
Rakon France SAS	153,266,110	134,023,993
Rakon UK Limited	16,052,427	12,648,650
Rakon Limited	276,228	348,506
Centum Industries Private Limited	-	64,525
Advance to suppliers		
Associate companies		
Centum Industries Private Limited	1,679,538	7,367,479
Sundry Creditors		
Associate companies	101,847,641	101,622,054
Rakon France SAS	96,061,041	85,054,822
Rakon UK Limited	2,487,446	11,394,487
Rakon Limited	518,402	4,104,611
Centum Industries Private Limited	2,780,752	1,068,134
Managerial remuneration payable		
Key Management Personnel	156,252	143,706

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

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 10,790,476 (previous year: Rs 8,709,430).

The Group has taken factory premises under non cancellable operating lease. The Group intends to renew such leases in the normal course of business. Total lease rentals recognized in the profit and loss account for the year ended 31 March 2011 with respect to the above is Rs 2,767,289 (previous year: Rs. Nil).

k) Deferred taxes

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

	As at 31 March 2011 (Rs.)	As at 31 March 2010 (Rs.)
Deferred tax asset/(liability)		
Fixed assets	(43,081,704)	(44,585,522)
Provision for doubtful debts and advances	1,826,168	1,978,760
Current liabilities and provisions	12,660,968	8,274,946
Provision for inventory obsolescence	-	6,838,720
Preliminary expenses	165,960	339,614
Unabsorbed depreciation and business loss	8,297,826	22,782,494
Net deferred tax asset/(liability)	**(20,130,782)**	**(4,370,988)**

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 2011		As at 31 March 2010	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	9,674,930	432,245,684	6,104,267	279,616,005
EUR	3,100,112	198,764,229	1,553,388	95,430,859
GBP	15,618	1,137,818	11,608	7,410,140
JPY	202,904	111,496	19,127,424	2,866,175
CHF	2,906	144,050	-	-
NZD	5,193	179,122	-	-
SGD	5,724	206,540	-	-
SEK	2,620	19,807	-	-
Total		632,808,746		385,323,179

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

Particulars	As at 31 March 2011		As at 31 March 2010	
	Amount (foreign currency)	Amount (INR)	Amount (foreign currency)	Amount (INR)
USD	10,103,472	449,604,643	4,871,023	217,256,870
EUR	639,415	39,848,316	823,711	49,084,928
GBP	45,931	3,258,329	36,627	2,459,297
JPY	6,718,369	3,570,813	-	-
Total		496,282,101		268,801,095

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 Solectron 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)].

Further, the Company has provided Rs 7,379,248 during the current year towards stamp duty payable pursuant to the merger of Solectron EMS India Limited with the Company.

The movement in the provision is as under:

Rs

	As at 31 March 2011	As at 31 March 2010
Opening balance	11,174,165	-
Add: Provision made during the year	7,379,248	11,174,165
Closing balance	18,553,413	11,174,165

As per our report attached.

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

Zubin Shekary
Partner
Membership No. 48814

Bangalore
Date: 26 May 2011

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Managing Director

S. Krishnan
Director

Ellroy Furtado
Company Secretary

K.S. Desikan
CFO

Consolidated Cash Flow Statement

	Year ended 31 March 2011 (Rs.)	Year ended 31 March 2010 (Rs.)
Cash flow from operating activities		
Profit before tax	110,213,601	22,811,960
Adjustments		
Bad debts written off	-	707,895
Loss on sale of assets	-	1,612,183
Depreciation	131,497,467	128,162,608
Interest income	(7,896,403)	(2,176,849)
Interest and other financial charges	49,912,617	25,334,105
Operating cash flows before working capital changes	283,727,282	176,451,902
(Increase) / decrease in sundry debtors	(201,569,340)	(134,855,658)
(Increase) / decrease in inventories	(153,928,907)	(90,121,583)
(Increase) / decrease in loans and advances	(24,324,611)	35,774
Increase / (decrease) in current liabilities and provisions	107,084,562	79,198,322
Cash generated from/(used in) operations	10,988,986	30,708,757
Income taxes	(37,108,169)	(26,391,055)
Net cash generated from/(used in) operating activities	**(26,119,183)**	**4,317,702**
Cash flow from investing activities		
Proceeds from sale of fixed assets	-	417,034
Interest received	8,082,769	1,533,298
Purchase of fixed assets	(127,050,497)	(60,725,848)
Net cash used in investing activities	**(118,967,728)**	**(58,775,516)**
Cash flow from financing activities		
Short term loans from bank, net	118,166,585	(107,272,353)
Issue of share capital	470,840	-
Cash credit from bank, net	9,534,796	191,184,111
Interest and finance charges	(48,977,501)	(22,968,813)
Unsecured loans	68,001,989	8,268,885
Dividend and dividend tax paid	(14,429,383)	(16,256,409)
Net cash generated from/(used in) financing activities	**132,767,326**	**52,955,421**
Net increase in cash and cash equivalents	(12,319,585)	(1,502,393)
Cash and cash equivalents at the begining of the year	51,581,878	44,125,161
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	**39,262,293**	**51,581,878**
Cash and cash equivalents at the end of the year comprise		
Cash and bank balances (refer schedule 10)	39,262,293	51,596,525
Book overdraft (refer schedule 12)	-	(14,647)
	39,262,293	**51,581,878**

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: 26 May 2011

for **Centum Electronics Limited**

Apparao V. Mallavarapu
Managing Director

S. Krishnan
Director

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Company Secretary

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 EIGHTEENTH ANNUAL GENERAL MEETING of the Company, to be held on Thursday, 11 August 2011 at 11.00 a.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

Eighteenth Annual General Meeting Thursday, 11 August 2011 at 11.00 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 Eighteenth 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 9.45 a.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

2Q Reproductions