

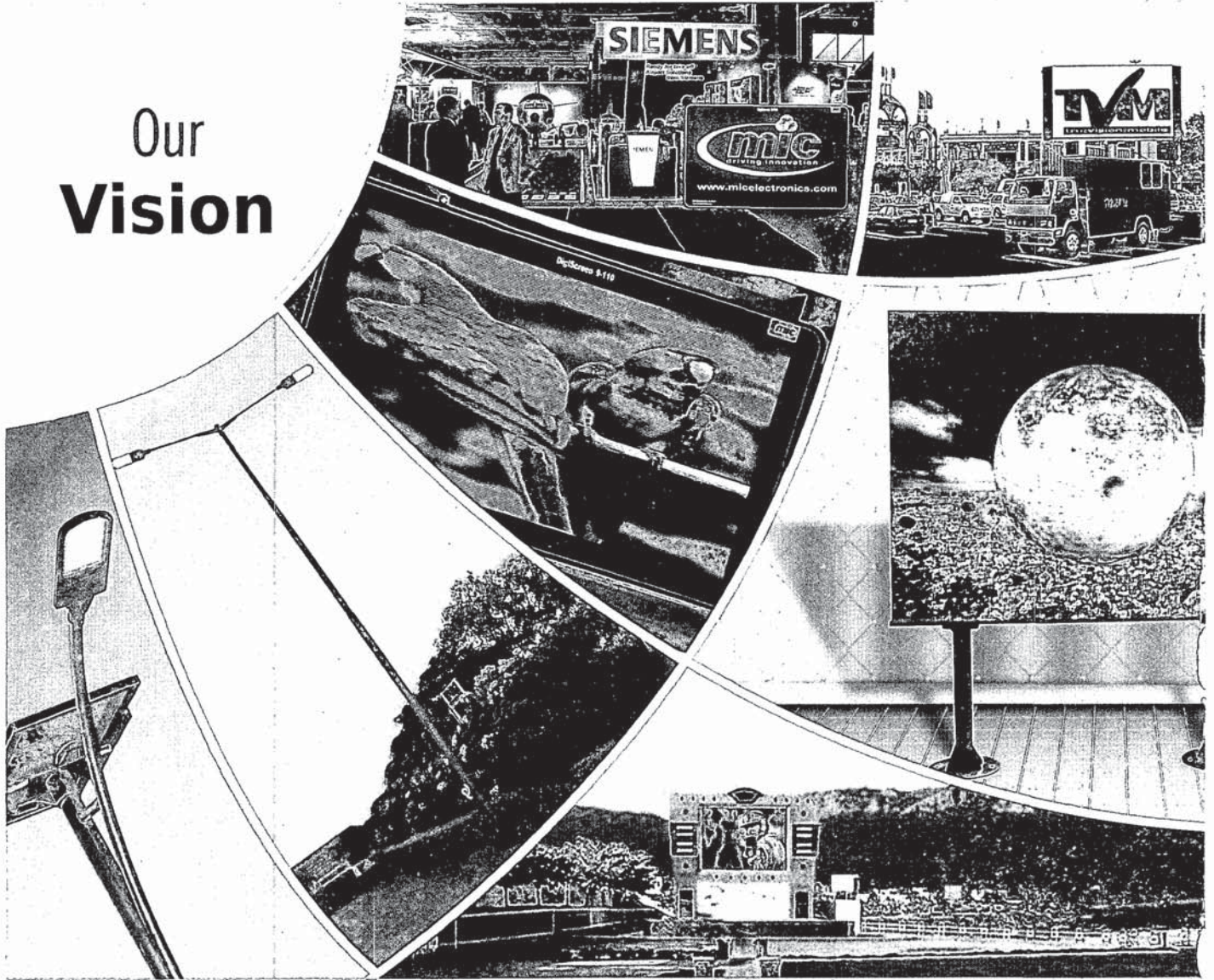
TrueColor LED Display



MIC Electronics Limited

19th Annual Report 2006-07

Our Vision



A Bold Dream

To be a pioneer and Global Leader in design & development of True Color LED Video Displays, eco-friendly LED Lighting Solutions in addition to the products pertaining to Infotech and Communication benchmarked to global standards.



Company Information

Board of Directors	Dr. M.V.Ramana Rao	Managing Director &CEO
	Shri.Harsh Mariwala	Director
	Shri. Ranjan Kapur	Director
	Shri. Somendra Khosla	Director
	Shri. Mangilal Kalani	Director
	Shri. Anil Goyal	Director
	Shri. Y. Harish Chandra Prasad	Director
	Shri. N.Srinivasa Rao	Director
	Shri. Atluri Venkata Ram	Director
	Shri. Vidya Sagar Anisingaraju	Director
	Shri. U.Ramakrishna	Director
	Shri. L.N.Malleswara Rao	Director

Company Secretary
Mrs.G.Bhargavi

Bankers
State Bank of India
SIB Saifabad Br., Hyderabad
Development Credit Bank Ltd
Dr.A.S.Rao Nagar Br., Hyderabad.

Auditors
M/S.Pinnamaneni & Co
Chartered Accountants
Hyderabad

Registered Office
A-4/II, Electronic Complex,
Kushaiguda,
Hyderabad-500062
Andhra Pradesh
Tel: 040-27122222,
Fax:040-27133333
www.micelectronics.com

Registrar and Share transfer Agents

INTIME SPECTRUM REGISTRY LIMITED
C-13, Pannalal Silk Mills Compound, L.B.S.Marg, Bhanup(w),
Mumbai-400078, Maharashtra, Phone: +91 22 2596 0320
Fax: +91 22 2596 0329

Contents

Letter to Shareholders	1
Board of Directors	7
Notice	10
Directors' Report	13
Management Discussion and Analysis Report	19
Corporate Governance Report	22
Stand Alone Financials	
Auditor's Report	35
Balance Sheet	40
Profit and Loss Account	41
Notes on Accounts	50
Cash Flow Statement	58
Balance Sheet Abstract	59
Statement u/s 212 of the Companies Act, 1956	60
Consolidated Financials	
Auditor's Report	63
Balance Sheet	65
Profit and Loss Account	66
Notes on Accounts	73
Cash Flow Statement	80
Financials of Subsidiaries	
MIC Technologies (Aust) Pty Ltd	83
InfoSTEP Inc., USA	101



Letter to Our Shareholders

Dear Shareholders,

The financial year 2006-07 was an important year for MIC and one of the most successful years in the history of your Company. Your Company continued to evolve into a leading global LED Display and LED Lighting solution provider. During the year, the Initial Public Offer of your Company has received an overwhelming response and got oversubscribed by 50 times.

During the year, we have launched India's first 120 inch LED TV and introduced number of LED Display solutions such as perimeter displays for different sports applications, 100mtrs long multicolour ticker with Digital Video Interface (DVI), LED street lighting and emergency lamps for Railways. The R&D focus will be in Networked LED Bill boards with new three in one chip LED for outdoor and indoor applications, 3D stereoscopic LCD/LED Displays, Networked LED lighting, OOH lighting, Street and Industrial Lighting, Lighting solutions for Railways etc.,

To address the growing rental market for LED Video Displays, your company has created a separate business group which will focus in increasing the rental revenues of the company.

Our world's growing appetite for energy demands that individuals, governments and institutions take responsibility for using our energy resources wisely. Your Company can support this new reality by delivering LED technology that vastly increases the energy efficiency of lighting, which reduces electricity demand and helps to protect the environment.

Your company has initiated major steps to become a global company by making investments and tying with various global players around the world that support our desire to become a global leader of the LED Display and LED lighting revolution. The required steps are also initiated for making investments and tying up with global players in Solar and battery technologies which synergises with our LED lighting products immensely.

Over the year, we have strengthened our human resources pool by inducting senior management personnel who have held important positions in large Public and Private sector organisations. With this talented management team, implementing systems to scale up the company in all respects is possible, to meet the new challenges and be successful in the global arena.

The production facilities at Roorkee has been set up during the year and the state of the art production and testing centre housing automated testing and production facilities is coming up very fast at Cherlapally, Hyderabad to meet the increasing demand for our products.

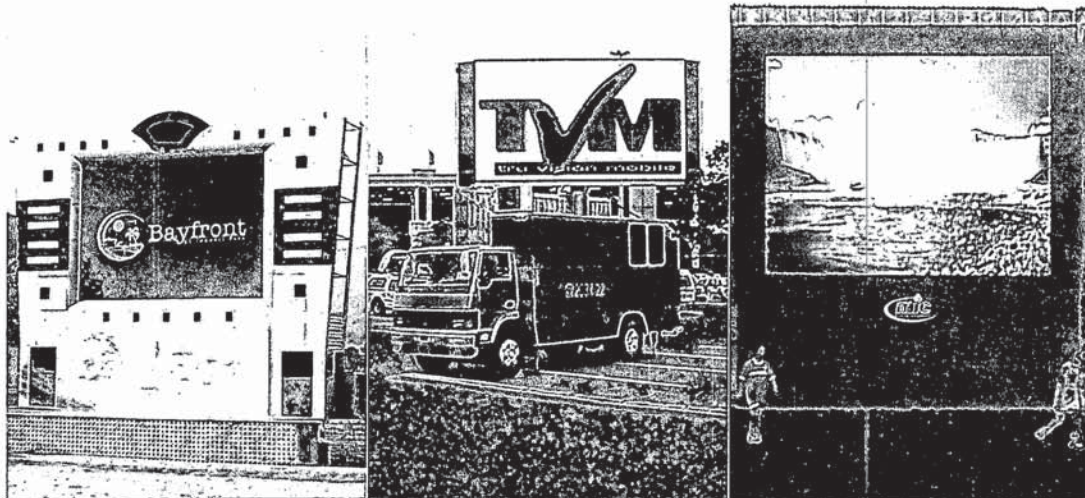
I would like to take this opportunity to thank all the shareholders of MIC, my fellow board members, our clients, business associates and all our employees who have made significant contributions in making this company a global LED solutions provider.

With Best wishes for the New Year

Dr. M.V.Ramana Rao
Managing Director & CEO

LED Video Displays

...a Realistic Perspective



The Out Of Home(OOH) mass communication media is transforming itself, from the traditional techniques involving bill boards, hoardings, cut-outs, wall posters, banners, news paper advertisements, ad-campaigns etc., conveying a pre-fixed information and aptly called as static advertisements, to dynamic media utilizing LED video displays.

The True color LED video display contains light emitting diodes (LEDs) of three basic colors Red, Green and Blue to form a pixel. Such pixels are placed in matrix to form a module. LED modules are then arranged in a matrix to form LED display. By controlling the glow and intensity of each LED digitally, images are produced on the LED Display screen.

Video display screens are essentially gigantic television screens comprising of full-color LED matrices. These screens have all the capabilities of a home television set. Current LED technology enables the screens to be bright and their images to appear with a high-definition resolution. LED video screens can be made as large as desired and can be installed indoors or outdoors fixed or mobile, although, like message reader boards, the majority are placed outdoors unlike LCD, plasma, CRT televisions, LCD projection system where these apparatus work only indoor or in the dark. The LED screens are of any size, any shape, any color, any time, any format OOH displays.

The market for full-color video LED signs is expanding rapidly and is no longer confined solely to high-revenue-generating industries. In addition to the well known use of LED video screens in sports stadia, at music concerts, as spectacles, and as billboards, moderately sized screens are used at trade shows, in transportation hubs, and at retail establishments.

The enormous applications of these LED video displays also popularly known as LED video walls include Sports Stadiums, Sport-events, Sports Perimeter Ground Displays, Outdoor Advertising & Entertainment, Billboards, Mobile Billboards, Product Launches, Digital Theatres, Theme Parks, Indoor Advertising & Entertainment, Shopping malls, Convention Centers, Airports, Bus & Rail stations, Universities etc.

LED Video Displays

...a Realistic Perspective

NEW GENERATION NETWORKED DISPLAYS

Networked Display Boards are multi-located display devices operational with centralized information & control. Networked Display Boards are mainly useful for conveying the latest information in terms of text messages, graphic messages and also still, animated & video clippings to the targeted viewers located at any specific area at any given time from Centralized Information Control Room.

In LED Video displays either networked or stand alone, advertisers can change their messages online instantaneously. This is truly the next revolution in out-of-home advertising. Not only are digital displays nimble, but they also allow outdoor Ad agencies to sell the same real estate more than once, which has its own obvious appeal. This has become very popular and is a commercial success in USA.

It's possible that given the mobile lifestyle of today's consumers, billboards can reach more people more reliably than TV commercials. A survey released by the Association of National Advertisers and Forrester Research USA found that 78% of advertisers think traditional TV commercials have become less effective. Since TV audiences are so fragmented, outdoor ads are a surer way to reach more people more frequently than other forms of advertising.

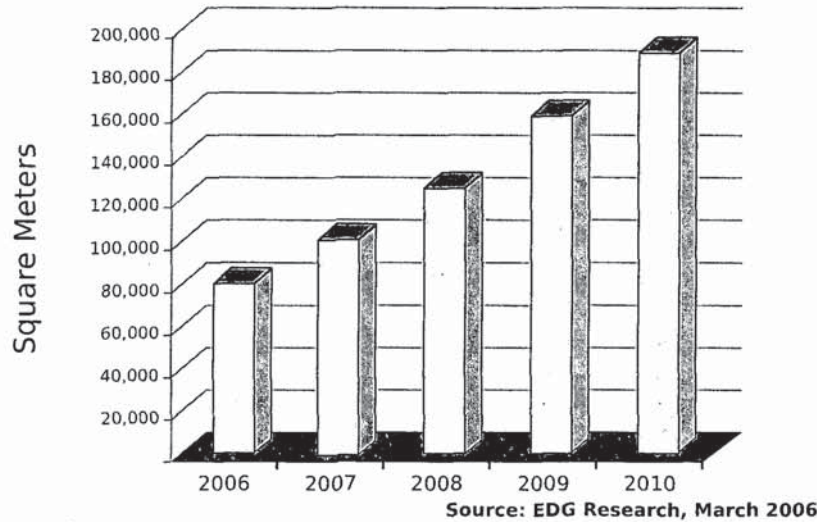
On one selling point the outdoor industry is on solid ground; much improved metrics. The challenge has been not just to deliver the size of an audience that sees an ad but to determine how many in the audience notice it. This has been carried-out with the help of 'Npod', a GPS based device, where this gadget counts the number of passings by of a particular onlooker whose results are very encouraging when compared to viewing of static billboards. As the target consumers are increasingly outdoors, out-of-home ads are a surefire way to get our message to them.

It is in billboards that the LED video screen has come into its own as a new kind of media platform for advertising. The electronic billboard is a powerful interface between advertiser and the public- people who barely give a traditional billboard a passing glance may be more compelled by the dynamic display of an LED billboard. One study showed that 94% of people passing moving-message billboards could recall them while only 43% could recall non-moving billboards, another study documented sales increases of 107% for products advertised on moving-message billboards and only 54% for those on static signs (cited in S. McIntyre 1999). Since the digital billboards are electronic and digitally controlled, there are always new ways to adjust the operations and content in order to maintain a fresh mode of presentation.

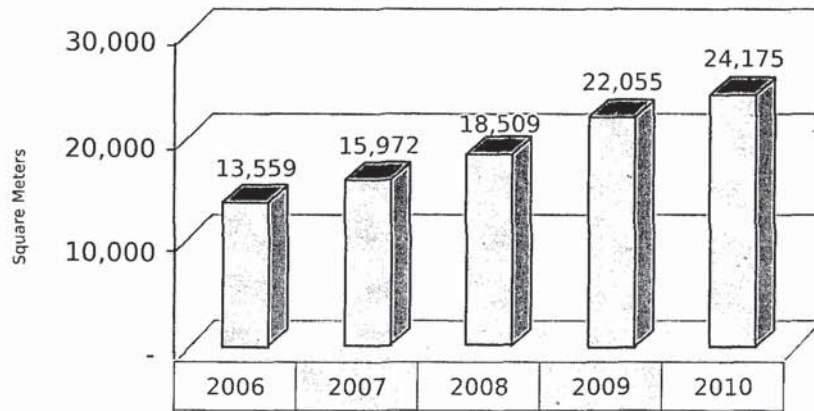
MARKET FORECASTS

The Outdoor market forecast is heavily influenced by the need to support a modest 10%- 11% yearly sales growth coupled with a 10% decline in yearly pricing. Due to the acceptability of the newer LCD technology in the Indoor market, the Outdoor market will outperform it in Square Meters produced. The charts below present what the distribution of the Outdoor and Indoor units from 2006-2010 might look like based on the current distribution model.

Projected Outdoor world market in Sq/meters



Projected Indoor world market in Sq/meters



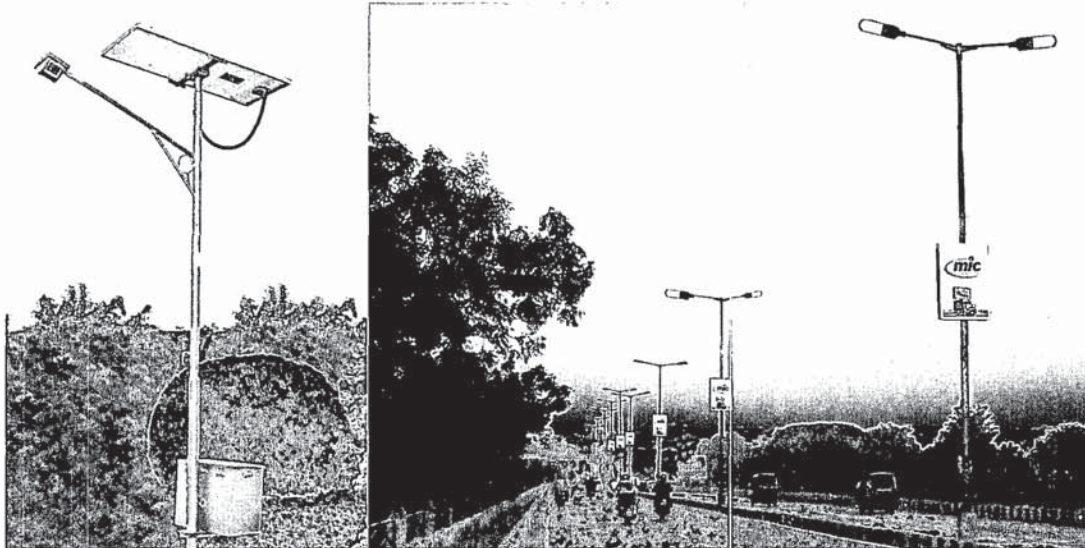
Source: EDG Research, March 2006

Conclusions:

LED signs are more than electronic versions of their static counterparts. Their programmability allows for targeted marketing and interactivity, and, like websites, they can be networked and updated remotely with fresh, topical content. These features of LED signage may one day seem indispensable to the majority of commercial end users, as computers now seem indispensable for businesses of virtually every size and type. The market is open and the products readily available; widespread application of LED signs could transform the nature of outdoor commercial signage. This transformation would be an international phenomenon.

LED Lighting Systems

...Futuristic Eco friendly lighting



A Light Emitting Diode (LED) is a semiconductor device which converts electricity into light.. LED lighting has been around since the 1960s, but is just now beginning to appear in the residential market for space lighting. At first white LEDs were only possible by "rainbow" groups of three LEDs -- red, green, and blue - - by controlling the current to each to yield an overall white light. This changed in 1993 when Nichia created a blue indium gallium chip with a phosphor coating that is used to create the wave shift necessary to emit white light from a single diode. This process is much less expensive for the amount of light generated.

LED Lights are mercury and flicker free, dimmable, more rugged, damage resistant having exceptional properties like directionality, specific color and efficiency when compared to compact fluorescent (CFL) and conventional incandescent bulbs.

The important aspect of LED lighting is considerable Energy saving, which can be achieved through application of low voltage and current to giveout the required light output with additional feature of dimmability to reduce energy consumption further.

LIGHTING ENERGY FACTS

In 2005 the electricity consumed by lighting was 2 650 TWh worldwide, about 19 % of the total global electricity consumption.

Carbon dioxide emissions were 1775 million tonnes, of which approximately 511 million tonnes in IEA member countries.

More than one-quarter of world's population uses liquid fuel (kerosene) to provide lighting. The World Bank intends to change these conditions with a program launched to provide lighting for the 250 million people in sub-Saharan African who have no access to power. Similar programmes are also underway in India.

Worldwide demand for lighting fixtures is forecast to increase around six percent per year through 2010 to US\$98 billion. This increase is because of accelerating global economic growth, which will stimulate construction and manufacturing activity, the two principal determinants of lighting fixture demand.

LED Lighting Systems

...Futuristic Eco friendly lighting

Light Emitting Diodes

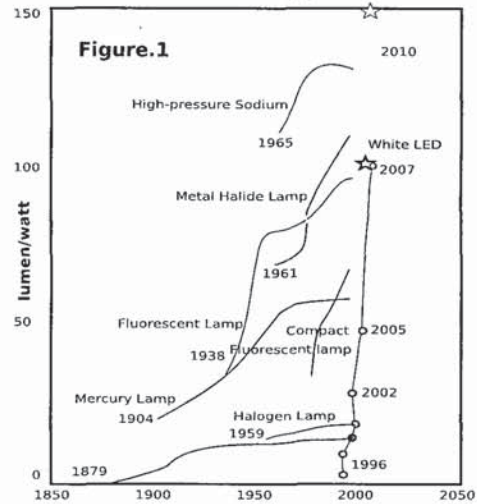
Fig.1 shows the rapid growth in White LED technology when compared to the slow growth in other lighting sectors like incandescent, halogen, mercury vapor, fluorescent lamp, metal halide lamp etc.

The technology trends reveal that lumen per watt output of white LED will reach 200 by 2010 out performing all other technologies. At the same time the cost per lumen output is falling steadily making LED lighting more affordable.

According to one scenario

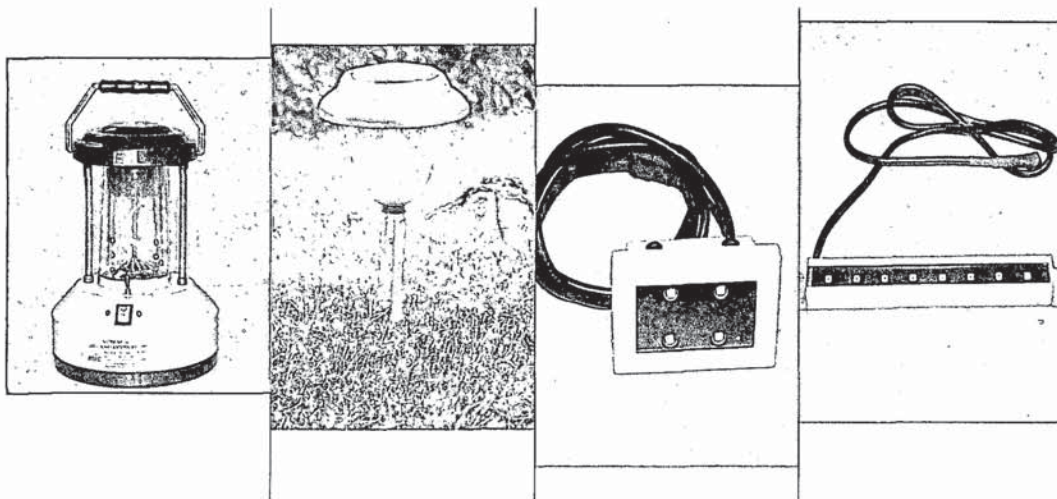
LED's share of lighting market:

- ▶ 50% of all illumination by 2025
- ▶ Solid state lighting could reduce global energy use for lighting by 50% by 2025



Conclusions

With the maturing of technology and affordability the writing on the wall is clear that the LED lighting is going to rule the roost of future lighting requirement.



Board of Directors

Dr.M.V.Ramana Rao, Managing Director and CEO

Dr. Ramana Rao has over 20 years of rich experience in the field of embedded systems, parallel processing, multilingual software & Information Communication Technologies industry in product design & development, marketing and business development.

He holds a Bachelor of Engineering (Electrical and Electronics Engineering) from Andhra University College of Engineering, Master of Engineering (Applied Electronics) from PSG College of Technology & Ph.D (Electronics & Communication Engineering) from Jawaharlal Nehru Technological University.

Prior to promotion of MIC Electronics Limited, he worked about 2 years as lecturer in VRS Engineering College & KL College of Engineering, in A.P. and teaching various subjects in Micro Computers and guided more than 10 projects in the field of embedded Micro controllers.

He has several years of managerial experience in running the organization successfully as CEO. He is a Fellow of IETE and Member of IE (I) & ISTE.

He was invited as a speaker and chair person at several national and international technical forums like Institute of Electronics and Telecom Engineers, Institute of Engineers, India, International Trade Business Meetings, Seong Nam Business Korea.

Harsh C. Mariwala, Director

A Bachelor of Commerce from Sydenham College, Mumbai, Mr. Mariwala started his career with the Bombay Oil Industries Limited (BOIL) in the year 1971. He took charge of the Marico's Consumer Products division in 1975 and functioned as its Executive Director from 1980-1990. In 1990, he took over as Chairman & Managing Director of Marico Limited.

Under his leadership, Marico, has seen transformation of a traditional commodity driven business to a leading blue-blooded FMCG business focusing on value-added products (Marico has expanded its portfolio from 2 brands in BOIL to 12 brands in Marico) and services, both in India and abroad.

Besides being the Chairman & Managing Director of Marico, Mr. Mariwala is also a member of the Executive Committee of the Federation of Indian Chambers Of Commerce & Industry (FICCI).

While being transformed from a Family owned and managed Company into a Listed, Professionally managed Corporation under Mr. Mariwala's leadership, Marico has won various awards for excellence, including the award for Top Performing Global Growth Company from India (1997) at the World Economic Forum, the award for the Best HR practices from the National HRD Network (1994) and the Innovative HR Practice Award at the Asia Pacific HR Conference (1999).

Ranjan Kapur, Director

Mr.Ranjan Kapur holds a Masters in English from Delhi University and he is currently Country Manager - India of WPP one of the world's largest communications group and the holding company that owns JWT, Ogilvy, Grey, Y&R and Bates, some of the largest advertising agencies worldwide and in India.

Mr.Ranjan Kapur is a veteran of the advertising business having spent 40 years with Ogilvy. He was Chairman of Ogilvy India from 1993 to 2003 and is largely credited with its turnaround and accelerated growth thereafter which saw it become India's largest communications group.

He is an ex-Citibanker. Mr.Ranjan Kapur has worked in several countries with Ogilvy, including New York and in his last assignment prior to becoming Chairman of the Indian company he held a regional assignment managing Ogilvy's worldwide clients in Asia Pacific. He was based in Singapore.

He was inducted into the Worldwide Board in 1998 and was elected Vice Chairman Asia Pacific in 2001.

He is also involved in his personal capacity in the development of technology based on line and mobile services companies and has substantial equity in an online publishing company, a BPO journalism company and a mobile tagging services company.

He is also Chairman of the Strategic Planning Group at Bombay First, an NGO that actively works with Government & Civic bodies for the development of Mumbai into a premier global city. Mr.Ranjan Kapur has recently been inducted into the Citizen's Action Group, a watchdog body under the chairmanship of the Chief Minister that works directly with the Government of Maharashtra towards Mumbai's development. He has also recently joined The Economic Times Marketing Editorial Advisory Board.

Board of Directors

Somendra Khosla, Director

Mr. Somendra Khosla qualified as a Chartered Accountant in 1973 in U.K. and in 1974 he was admitted to the Indian Institute of Chartered Accountants as an Associate Member. He has worked with Touche Ross & Co. (Big Four) in their London office for two (2) years. He started his own garments business in 1975. In 1987, he set up a garment manufacturing unit in Bahrain and had employed over 450 employees by 1997. He is currently having 3 nursing homes with a staff strength of over 160 employees. He has also been working as a developer in the real estate business in Dubai and has started an estate agency in Dubai in 2005.

Mangilal Kalani, Director

Mr. Mangilal Kalani is a B.Sc (Honours) Graduate from Osmania University and holds an MBA in Marketing. He has been an ex-banker and started his career in the financial services. He has over 15 years of experience in the marketing, financial services and business consultancy. He is a part of several business enterprises.

Anil Goyal, Director

Mr. Anil Goyal, is a Chartered Accountant and practicing since 1990. His main areas of practice are Project finance, Audit and taxation

Y. Harish Chandra Prasad, Director

Mr. Y. Harish Chandra Prasad holds Bachelor of Engineering (Mechanical), First class with distinction from Osmania University College of Engineering, Hyderabad in 1982 & Master's course in Computers and Information Sciences from Brooklyn College of the City University, New York in 1984.

He is the Vice Chairman & Managing Director, Malaxmi NBFA Ventures Private Limited, Mr. Y. Harish Chandra Prasad is involved in the business in the Infrastructure sector predominantly in India in fields like power projects, highways, railways, airports, seaports, Mass Rapid Transit System (MRTS), Property Developments, etc.

Prior to joining Malaxmi NBFA Ventures Private Limited, in December 19th, 2005, he as a Managing Director, Lanco, single handedly prime handled the project. The project construction was completed in record time.

He was instrumental in converting LANCO from a Rs. 30 million asset base to Rs. 150 million, asset base.

Prior to taking up the assignment with Lanco he served as Director on the Boards of several companies including Navabharat Power Private Limited and Brahmani Infratech Private Limited. He is very active in a number of Industry and Business associations such as Fellow, Indian Institution of Engineers, Institute of Plant Engineers, Computer Society of India, Confederation of Indian Industry - A.P, Convener of Infrastructure Panel, Confederation of Indian Industry, A.P. etc.

He has received awards like "Rashtriya Vikas Shiromani Award", "Scroll of Honour", "Business Excellence Award" etc.

N. Srinivasa Rao, Director

Mr. Srinivasa Rao, is a double Post Graduate in Public Administration and Politics from Andhra University. He is having 7 years of rich experience in various administrative positions of different departments of Andhra University and more than 25 of experience in teaching at various prestigious colleges. He is advising the company in the areas of employee welfare, HR and general administration. He is Vice Chairman of DVR & Dr HS MIC College of Technology, a famous Engineering college in A.P. near Vijayawada, under Jawaharlal Nehru Technological University (JNTU), approved by All India Council for Technical Education (AICTE) and certified by ISO9000:2000. He is an over all in charge and looking after the financial and management activities of the College.

Atluri Venkata Ram, Director

Mr. Atluri has over 20 years of diverse technical, management and entrepreneurial experience in India, USA and Japan. He began his career with ONGC, Baroda. Subsequently he moved to USA to complete his graduate degree in Computer Architecture. He spent 5 years at National in Various design roles and 7 years at Cadence design systems in various business and management roles. He was a co-founder and Director of Micronet. He was also the founder and CEO of Taranti, Inc. a design services company in USA.

He consults on advanced nanometer mixed signal methodologies. Mr. Atluri holds 2 US patents on FPGA architecture derived from his early innovations on National's first FPGA family of devices. His current focus is on renewable energy.

Board of Directors

He received his undergraduate degree from Andhra University, Waltair and graduate degree from Oregon State University, USA. He is proficient in Telugu, English and Japanese.

Vidya Sagar Anisingaraju, Director

Mr. Anisingaraju has over 20 years of experience in the software industry in various divisions including finance, legal, IT, marketing, sales and engineering. He is currently, President and CEO of InfoSTEP Inc. His recent contribution to the industry includes product innovation and architecting analytical applications for managing Internal Controls & Assurances and Business Intelligence applications. He was a winner of 'Applications Development Trends Innovator Awards' for designing web-based Reporting Warehouse System. His current passion includes development of a Value Innovation strategy framework that enables companies to provide highest value to their customers at lowest cost.

Prior to InfoSTEP, Mr. Anisingaraju worked as International Manager for CMC Ltd. and was responsible for managing several successful international projects, in UK, Switzerland and USA. He headed CMC's International Systems division and was responsible for its global delivery operations.

In his earlier career, Mr. Anisingaraju did pioneering work in computerization of Indian languages, design and development of solutions to generate Indian language fonts and transliteration systems. He has contributed several research papers and articles on these topics.

Mr. Anisingaraju is an invited speaker and writer at several national and international forums including Institute of Internal Auditors, Asian Institute of Technology, Bangkok, Business Objects User Conferences and others.

He holds a Masters degree from Indian Institute of Technology, Kanpur, India and a Bachelor degree in Engineering from Andhra University, Visakhapatnam, India. He is also a Certified Information Systems Auditor (CISA). Mr. Anisingaraju served as a Director & Vice President of the board of Silicon Valley chapter of ISACA, a global IT standards governance institution during 2006-2007.

U. Ramakrishna, Director

Mr Ramakrishna, is a double post graduate in M.Sc(Tech) Engg: Physics from Regional Engineering College, Warangal and M.Tech in Material Science from I.I.T Kanpur. After his M.Tech at I.I.T he was appointed as Senior Research Engineer in Material Science Department, he worked for three years in areas of Silicon Metallic Glasses and Ferro magnetic materials namely Mish Metal Cobalt and Semerium Cobalt Permanent magnets, during the course of his research work he had published three papers in International Journals, his M.Tech project work on Mossbauer Spectroscopic studies of Silicon Boron Metallic Glasses was presented in a International Conference held at I.I.T Delhi in 1991.

Mr. Ramakrishna joined Mishra Dhatu Nigam Limited in (a Defence Public Sector) 1983. Worked for seven years till 1990 in different capacities, he was involved in development and testing of magnetic materials, gun barrels for Defence, twice in 1987 and 1988 was presented with best Engineer awards. Latter in 1991 he joined Sai Communications and Electronics Private Limited as Managing Director, under his able guidance many a Communication Products and Solar products were developed and marketed. He joined MIC Electronics Ltd: in the year 2002 and was looking after the Planning and Production Department of the company, he is also looking after the Yanam Unit Operations.

L.N. Malleswara Rao, Director

Mr. LNM Rao, is a Bachelor of Technology (Mechanical Engineering) from Jawaharlal Nehru Technological University (JNTU). Prior to joining the company, he is having experience in Design, Development and Quality assurance for more than a decade in Andhra Pradesh Heavy Machinery Engineering Limited (APHMEL)- a subsidiary of Andhra Pradesh Industrial Development Corporation Limited. Associated with several prestigious projects in their design development and execution in the areas of electrical and mechanical engineering. He joined MIC Electronics Limited in 1994. He is on board of the company since 1995 and contributed to the operations of the company in several areas- design, development and execution of LED Displays specifically in up gradation of mechanical designs for True colour LED video walls and other LED lighting applications. Presently he is responsible for Mechanical Design and Administration activities of the Company



Notice

NOTICE is hereby given that the 19th Annual General Meeting of the Members of the Company will be held on Saturday 22nd December, 2007 at the registered office of the Company at 4.00 P.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account for the year ended June 30, 2007 Balance Sheet as on that date along with the Schedules forming part of it, notes to accounts and the Reports of the Directors' and Auditor's thereon.
2. To declare dividend on equity shares for the year ended 30th June, 2007
3. To appoint a Director in place of Shri.L.N.Malleswara Rao, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri.U.Ramakrishna, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri.Anil Goyal, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Shri.Mangilal Kalani, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint Auditors and fix their remuneration and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT Pursuant to the provisions of section 224 and other applicable provisions, if any of the companies act 1956, the retiring Auditors M/s Pinnamaneni & co , chartered Accountants, be and are hereby re-appointed as Auditors of the company, to hold office from the conclusion of the this Annual General meeting to conclusion of next Annual General meeting on a remuneration as may be decided by the Board of Directors.

SPECIAL BUSINESS

8. To Consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.

"RESOLVED THAT Pursuant to Section 31 and other applicable provisions of the Companies Act, 1956 the Articles of Association of the company be and is hereby amended in the manner and to the extent hereinafter set out:

In the existing Article No.58, Clause No.3 will be added with following sentence-

Each Director shall be paid out of the funds of the company for all services in attending meetings of the Board or of a Committee thereof, by way of a fee for each meeting of the Board or of a Committee thereof attended by him, as may be decided by the Board from time to time in compliance with the provisions of Section 310 of the Companies Act, 1956."

BY ORDER OF THE BOARD
For **MIC ELECTRONICS LIMITED**

Dr.M.V.Ramana Rao
Managing Director

PLACE: HYDERABAD
DATE: 26-11-07

Notes:

- a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the company. The instrument of proxy in order to be effective, must be deposited at the registered office of the Company, duly completed and signed not less than 48 hours before the meeting.
- b) The relevant Explanatory Statement in respect of the Special Business set out above, as required by Sec.173 (2) of the Companies Act, 1956 is annexed hereto.
- c) The Register of Members Share Transfer books of the Company will remain closed from 18th December to 22nd December, 2007(both days inclusive).
- d) Pursuant to Provisions of Section 205C of the Companies (Amendment) Act, 1956, the amount of *dividend remaining unclaimed for the period of seven years from the date that becomes due for payment* are required to be transferred by the company to the Investor Education and Protection Fund.
- e) Members may address their correspondence to Registrars and Share Transfer Agents of the Company M/s.Intime Spectrum Registry Limited,C-13, Pannalal Silk Mills Compound, L.B.S.Marg, Bhanup (w),Mumbai-400078,or to the registered office the Company.
- f) Members are requested to utilize the Electronic Clearing System (ECS) for receiving dividend and may accordingly advise their depository participants in case the shares are held in electronic form and the registrar and share transfer agent in case of shares in physical form.
- g) Members attending the Meeting are requested to complete and bring the attendance slip enclosed with the Annual Report and hand over the same at the entrance of the meeting hall, duly signed.
- h) A brief resume of the Directors seeking re-appointment are given in the Corporate Governance Report annexed to the Directors' Report.



[Annexure to the Notice]

Explanatory statement pursuant to Section 173(2) of The Companies Act, 1956

ITEM # 8

Considering the fact that maximum independent directors are outstation directors except Managing and Whole-time Directors and is proposed to pay sitting fee to the maximum permissible under the Act. The proposal to pay sitting fee as aforesaid would require amendment in the Article 58 of the Articles of Association of the Company, for which approval of the shareholders would be required in the general meeting. Hence, this special resolution is required to be passed.

The Board recommends the shareholders to pass the resolution as special resolution.

All the directors except the Managing and Whole-time Directors are deemed to be concerned or interested in the resolution

Directors' Report

Dear Members,

Your Directors have pleasure in presenting you the Nineteenth Annual Report of your company together with the Audited Accounts for the year ended 30th June, 2007.

FINANCIAL RESULTS -

Particulars	(Amount in Rs. crores)	
	2006-2007	2005 -2006
Total Income	239.93	104.41
Profit before interest, depreciation and tax	39.88	20.09
Interest	2.44	1.74
Depreciation	1.68	1.58
Provision for Taxation	2.63	1.83
Deferred Tax Provision	0.77	-0.51
Profit after interest, Tax and depreciation	32.36	15.45
Dividend	4.03	-
Provision for Dividend Tax	0.68	-
Transferred to General Reserve	3.00	-
Balance brought forward	21.94	6.49
Balance Carried to Balance Sheet	46.59	21.94

OPERATIONS

The company has maintained an impressive growth during the year. The turnover of the company is increased to Rs. 239.93 crores compared to the last year turnover of Rs.104.41 crores And the profits of the company are also increased to Rs. 32.36 crores compared to the last year profits of Rs.15.45 crores.

INITIAL PUBLIC OFFERINGS

Your Company became a listed entity with the Initial Public Offering comprising of 51,00,000 equity shares for a price of Rs.150 per share at a premium of Rs.140. The issue was oversubscribed 49.56 times . It raised an amount of Rs. 76.50 Crores through the issue of which an amount Rs.41.45 Crores has been utilized for the purposes listed as the objects of the issue. The shareholding pattern as on 30th June, 2007 is included on Corporate Governance Report.



DIVIDEND

Your Directors have recommended a Final Dividend of 20% on the paid up capital of the Company (i.e. Rs 2/- per equity share of Rs. 10/- each) to be appropriated from the profits of the year 2006-07 subject to the approval of the shareholders at the ensuing Annual General Meeting . Subsequent to the approval of the shareholders at the Annual General Meeting , the Dividend will be paid in compliance with applicable regulations.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 Shri.L.N.Malleswara Rao, Shri.U.Ramakrishna, Shri.Anil Goyal and Shri.Mangilal Kalani, Directors of the Company who retire by rotation and being eligible offer themselves for re -appointment.

LISTING OF EQUITY SHARES

The Company's Equity shares are listed in Bombay Stock Exchange Limited, Phiroz Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 and National Stock Exchange of India Limited, Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051, and the company has paid the listing fee to the said stock exchanges.

SUBSIDIARY COMPANY

A statement of Infostep Inc, USA and MIC Technologies (Australia) Pty Ltd, financial statements, and auditor's report of the same are enclosed as required Under Section 212 of the Companies Act, 1956.

CONSOLIDATED FINANCIAL STATEMENTS

As prescribed by the Accounting Standards-21 issued by the Institute of Chartered Accounts of India, the Audited Consolidates Financial Statements are annexed.

FIXED DEPOSITS

The Company has not accepted any deposits from public in terms of Section 58A of the Companies Act, 1956.

AUDITORS

M/s. Pinnamaneni & Co., Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting. They have expressed their willingness to accept the reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

- Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed that:
- In the preparation of the annual accounts for the year ended 30th June 2007, the applicable accounting standards had been followed and there are no material departures.

Directors' Report

- We have selected appropriate accounting policies and applied them consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 30th June 2007 and of the profit of the company for the financial year ended 30th June 2007.
- We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- We have prepared the annual accounts for the financial year ended 30th June 2007 on a going concern basis.

AUDIT COMMITTEE

Audit Committee consists of the following directors namely Shri. Anil Goyal, Chairman, Shri.Somendra Khosla and Dr.M.V.Ramana Rao.

Information required under Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

a) Conservation of Energy:

- i. Adequate measures have been taken to reduce energy consumption, wherever possible
- ii. Additional investment and proposals are not made for reduction consumption of energy: Company uses electric energy for its equipment such as test equipment environmental labs, air conditioners, lighting and utilities in the work premises. All adequate measures have been taken to conserve energy by using latest technology, which is most efficient and conservative in absorbing the energy.
- iii. There is no impact of the measures at (a) and (b) above for the reduction of energy consumption and consequent impact on the cost of production of goods:
- iv. Total energy consumption and energy consumption per unit of production is not applicable as company is not included in the industries specified in the schedule.

b) Research and Development and Technology Absorption:

Your company will continue to focus and invest in its R & D activities in LED Technology and LED Solution provider. Your company leverages its excellence in technology for producing World Class Products and solutions. The continual exposure to new technologies has helped maintain high motivation levels in employees and to generate higher levels of productivity, efficiency and quality. Your company continues to give due importance to research and development to maintain its leadership in the field of leading edge technologies.

c) Foreign Exchange Earnings and Outgo:

Earnings: Rs 5.76Crores

Outgo : Rs.5.99 Crores

PARTICULARS OF EMPLOYEES

Particulars of employees as required under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended forms part of this report. However, in pursuance of Section 219 (1)(b)(iv) of the Companies Act, 1956 this report is being sent to all the shareholders of the Company, excluding the aforesaid information and the said particulars are made available at the registered office of the company. The members interested in obtaining such particulars may write to Company Secretary at the registered office of the Company.

Details about MIC Electronics Ltd Employees Stock Option Plan, 2006 (MIC ESOP, 2006)

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee stock purchase Scheme), Guidelines, 1999, the details of stock options as on 30th June, 2007 under the MIC Electronics Ltd Employees Stock Options Plan, 2006 are as under:

Sl.No	Description	Details
1	Options Granted	900000
2	Pricing formula	The Exercise price for conversion of each option in to one equity shares at the face value i.e Rs.10/- each. The options are granted before listing of shares in the Stock Exchange.
3	Options Vested	624206
4	Options exercised	624206
5	The total number of shares arising as a result of exercise of option	624206 of Rs 10/- each
6	Options lapsed	Nil
7	Variation of terms of options	The terms of options were not varied in the Financial year 2006-07
8	Money realized by exercise of options	Rs.6242060/-

[Directors' Report]

Sl.No	Description	Details
9	Total number of options in force	275794
10	Employee wise details of options granted to i) Senior Management personnel ii) Any other employee who receives a grant in any one year of option amounting to 5% of or more of option granted during that year iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	Details furnished below NIL Nil

The following are Senior Managerial Personnel and the options granted till June 30th , 2007

Sl.No	Name	Options granted till 30th June, 2007	Options outstanding as on 30th June, 2007
1	L.N.Malleswara Rao	16000	5500
2	U.Ramakrishna	16000	14000

11. The company had established MIC Electronics Ltd Employees Welfare Trust in the year 2005. It was established with the intention of creating Employee Stock Option Plan . on 12th August, 2006 , the shareholders approved that ESOP to be implemented through Trust. Consequent to the corporate actions the Trust now holding 9,00,000 equity shares and 6,24,206 options thereof exercised by the employees to whom the grant has been made, and the shares has been granted to Trust at par, The trust re-issued the options to the employees.
12. Since, the shares were not listed as on the date of grant date, the value of the shares of the company was taken based on the face value of the share.



REPORT ON CORPORATE GOVERNANCE

Corporate Governance Report is set out as separate **Annexure** to this Report.

MANAGEMENT DISCUSSION AND ANALYSIS

This has been dealt with in the separate Annexure to this Report.

ACKNOWLEDGEMENTS

Your directors would like to place on record their appreciation of support, co-operation and assistance received from the company's clients, Central Government authorities, bankers, shareholders and suppliers. The board wishes to convey its appreciation of hard work, solidarity, cooperation and support put in by the company's employees at all levels in enabling such growth.

BY ORDER OF THE BOARD
For **MIC ELECTRONICS LIMITED**

Dr.M.V.Ramana Rao
Managing Director

L.N. Malleshwara Rao
Director

PLACE: HYDERABAD

DATE: 26-11-07

Annexure to the **Directors' Report**

Pursuant to Clause 49 of the Listing Agreement, a report on Management Discussion and Analysis Report is given below:

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. INDUSTRY STRUCTURE AND DEVELOPMENTS

- ▶ Increased importance of LED Displays-LED display and sign industry is facing good opportunities. With continuous development of the attributions of LED instruments, full-color screen is becoming the new increasing point of LED display industry. Important activities, for us in domestic, such as events, sports-Cricket matches, billboards and indoor applications bring more opportunities to LED market. The development of semi-conductor illumination industry extends space for the development of LED. Markets in the fields of outdoor ads, sports, transportation, performance, exhibition, rental, gathering, etc. is also increasing.
- ▶ The traditional light source of lighting is mainly incandescent lights and fluorescent lamps, which is not able to meet people's satisfaction in the credibility, electricity consumption, service life, etc. Recent years, the decorative lighting, the city streetlight and other lights with the light source of LED and the market for the lighting lamp with LED light source is becoming and presenting a up-trend. With the improvement of LED material, the appliance enhances while the cost of whole color display screen descends. Withing regarding to the comprehensive level, local whole color LED display screen removed the advantage of the price and the localization service which whole color display screen holds, the gap between our products and foreign products has been reduced in the technique depth, production technics, etc. Adopting the SMD stick technique, indoor whole colorful LED display screen develops rapidly and they will become the predominant development product in indoor display screens.

2. OPPORTUNITIES AND THREATS, RISKS AND CONCERNS

MIC's ability to identify, nurture and accelerate growth in new business segments of LED's has helped create a footprint in these areas, which has resulted a strong future growth. For instance new verticals such as railway coach lighting, Commercial street lighting and Indoor LED Displays are growing and would contribute to large revenues of MIC revenue. It is reassuring to note the enhanced business potential in the global market place and we are hopeful that the growth momentum would grow substantially. The demand environment would continue to remain upbeat due to increased spending by organizations like Outdoor advertising agencies, Event managers, Sports and other end users like airports, railway stations etc.,



3. FINANCIAL PERFORMANCE VIS-A VIS OPERATIONAL PERFORMANCE

During the Year under review, the Company has achieved 136% increase in turnover and 109% increase in net profit for the year ended 30th June, 2007 as against the turnover and the profits of the previous year

The Segmentwise Revenue for the year Ended on 30th June 2007 is as follows:

Rs in Crores	
Particulars	Amount
Media	80.20
Infotech & Communication	159.73
Total	239.93
Less: Inter Segment Revenue	0
Net Sales from operations	239.93

4. OUTLOOK

The company is focusing on LED business while continuing its efforts in communication and IT.

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The internal control systems are aimed at promoting operational efficiencies while stressing adherences to policies. The Systems are designed with adequate internal controls commensurate size and nature of operations. Transactions are executed in accordance with the company's policies.

The company has proper and adequate systems of internal controls, which ensure that all the assets are safeguarded and that all transactions are authorised, recorded and reported correctly. The company maintains adequate and effective internal control system and suitable monitoring procedures with regards to the purchase of raw materials, stores, plant and machinery, equipment and other assets as well as for sale of goods. The finance and commercial functions have been structured to provide adequate support and controls for the business of the Company.

6. INDUSTRIAL RELATIONS AND HUMAN RESOURCE DEVELOPMENT

The company enjoys cordial and harmonious industrial relations. Opportunities for industrial growth, creativity and dedicated participation in organizational development are being provided.



Chief **Executive Officer** (CEO) and Chief **Financial Officer** (CFO) Certification

To

The Board of Directors

MIC Electronics Limited

We, the undersigned, in our respective capacities as the Managing Director and Chief Financial Officer of MIC Electronics Limited (" the company") to the best of our knowledge and belief certify that:

- a) We have reviewed Financial statements and the cash flow statements for the year ended on 31st March, 2007 and based on our knowledge and belief:
 1. These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading.
 2. These statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards and in compliance with the applicable laws and Regulations.
- b) We further state that to the best of our knowledge and belief , there are no transactions entered in to by the Company during the year are fraudulent , illegal or violative of the Company's code of Conduct.
- c) We are responsible for establishing and maintaining internal controls and for evaluating the differences of the same over the Financial Reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated, based on our most recent valuation, wherever applicable, to the Auditors and Audit Committee.
 1. Significant changes, if any , in internal control over financial reporting during the year.
 2. Significant changes, if any, in accounting policies made during the year and that the same have been disclosed in the notes to the financial statements.
 3. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the Management or an Employee having a significant role in the Company's internal control system over financial reporting.

For **MIC ELECTRONICS LIMITED**

Dr.M.V.Ramana Rao
Managing Director

L.N. Malleswara Rao
Director

PLACE: HYDERABAD

DATE: 26-11-07

Report on Corporate Governance

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

MIC believes that best corporate governance practices should be enshrined in all activities of the company. This will help the company in conducting the affairs of the company in an efficient manner and also helps in achieving its goal of maximizing value for all its stakeholders. Our Corporate Philosophy envisages complete transparency and adequate disclosure with an ultimate aim of value creation for all players i.e stakeholders, creditors, Employees.

The Company is in compliance with the requirements of revised guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, and with the adoption this year, of a code of conduct for Non- Executive Directors also, which has been put on in the website of the company at www.micelectronics.com

2. BOARD OF DIRECTORS:

a) Composition

The Present strength of Board is 12 comprising of 7 Independent directors and 5 Executive directors. The particulars of the Directors, their category, attendance at meetings, other directorship and membership in committees is given below

The attendance of each Director is given below:

Name of the Director	Category	No. of other Director-ships*	No. of committees in which Member	No. of Board Meetings attended	Whether attended last AGM
Dr. M.V.Ramana Rao	Managing Director & CEO	5	2	13(13)	Yes
Shri. L.N.Malleswara Rao	Director	-	1	13(13)	Yes
Shri. U.Ramakrishna	Director	1	-	13(13)	Yes
Shri. Mangilal Kalani	Director	1	-	0(9)	No
Shri. N.Srinivasa Rao	Independent Director	1	2	12(13)	Yes
Shri. Anil Goyal	Independent Director	8	2	9(13)	No
Shri. Somendra Khosla	Independent Director	12	1	0(9)	No
Shri. Y.Harish Chandra Prasad	Independent Director	21	2	1(9)	No
Shri. Ranjan Kapur	Independent Director	10	-	0(9)	No
Shri. Harsh Mariwala	Independent Director	12	-	0(9)	No
Shri. Atluri Venkata Ram	Independent Director	2	-	1(9)	No
Shri. Vidya Sagar Anisingaraju	Director	3	-	0(6)	No
Shri.Kameswara Rao**	Director	-	-	4(4)	NA
Shri.M.Sreenivasa Rao**	Director	-	-	5(5)	NA

* No. of other Directorships includes Private Limited Companies and Companies incorporated Outside India.

** Shri Kameshwara Rao Resigned on 8th August, 2006 and Shri.M.Sreenivasa Rao resigned on 22nd August, 2006.

b) Board Meetings

During the Financial year 2006-2007 , the Board of Directors met 13 times on the following dates 18th July, 2006, 24th July, 2006, 8th August, 2006, 22nd August, 2006, 31st August 2006, 28th September, 2006, 19th October, 2006, 24th October, 2006, 21st November, 2006, 29th December, 2006, 14th April, 2007, 10th May, 2007 and 22nd May, 2007.

The maximum time gap between any of the two meetings was not more than four months.

c) Brief Resume of the Directors Seeking re-appointment.

1. Shri.L.N.Malleswara Rao, 46 years, is a Bachelor of Technology (Mechanical Engineering) from Jawaharlal Nehru Technological University (JNTU). He joined MIC Electronics Limited in 1994. He is on board of the company since 1995 and contributed to the operations of the company in several areas- design, development and execution of LED Displays specifically in up gradation of mechanical designs for True colour LED video walls and other LED lighting applications. Presently he is responsible for Mechanical Design and Administration activities of the Company and he is a member of Investors Grievances Committee in MIC Electronics Limited and he holds 1,36,375 Equity shares as on 30th June, 2007
2. Shri.U.Ramakrishna, 53 years is a double post graduate in M.Sc (Tech) Engg: Physics from Regional Engineering College, Warangal and M.Tech in Material Science from I.I.T Kanpur. He joined MIC Electronics Ltd in the year 2002 and was looking after the Planning and Production Department of the company, he is also looking after the yanam Unit Operations and He holds 7500 Equity shares as on 30th June, 2007
3. Shri.Anil Goyal, 44 years is a Chartered Accountant and practicing since 1990. His main areas of practice are Project finance, Audit and taxation. He joined MIC in the year 2005 and his other directorships are, Jagjanani Textiles Ltd, Osiris Infotech Pvt Ltd, Osiris Software Pvt Ltd, Lifecycle Infotech Pvt Ltd, Better Equity Services Pvt Ltd, Netsilik Software Pvt.Ltd., Futech Park India Pvt.Ltd, Osiris I.T.Projects Pvt.Ltd, Osiris& Infratech Pvt.Ltd, Osiris Digital Media Pvt.Ltd and he is a Chairman of Audit committee and member of Remuneration committee in the company.
4. Shri. Mangilal Kalani, 41 years is a BSc (Honours) Graduate from Osmania University and holds an MBA in Marketing from Pune University, Maharashtra. He has been an ex-banker and started his career in the financial services. He has over 15 years of experience in the marketing, financial services and business consultancy. He is a part of several business enterprises. He joined the MIC in the year of 2006, He is director in MIC Middle East FZ-LLC, Dubai and KBC Infra Realty Limited, Dubai

Report on Corporate Governance

3. AUDIT COMMITTEE:

During the year under review no meeting was held as the company shares are listed on 30th May, 2007.

Composition of the Committee:

Name of the Director	Designation	Nature of Directorship	Profession
Shri.Anil Goyal	Chairman	Independent Director	Business
Shri.Somendra Khosla	Member	Independent Director	Business
Dr.M.V.Ramana Rao	Member	Managing Director	Business

Terms and reference of the Audit Committee include a review of;

- ▶ Financial reporting process
- ▶ Draft financial statements and auditor's report (before submission to the Board)
- ▶ Accounting policies and practices
- ▶ Internal controls and internal audit systems
- ▶ Risk management policies and practices
- ▶ Related party transactions
- ▶ Internal audit reports and adequacy of internal audit function

The role of the audit committee includes recommending the appointment and removal of the external auditor, discussion of the audit, plan and fixation of audit fee and also approval of payment of fees for any other services.

4. REMUNERATION COMMITTEE

Remuneration committee has been constituted to formulate and recommend to the Board all elements of the remuneration package of the Managing Directors and Executive Director, including performance/achievement bonus, stock options and perquisites payable to the whole time directors.

Composition of the Committee:

Name of the Director	Designation	Nature of Directorship	Profession
Shri.Y .Harischandra Prasad	Chairman	Independent Director	Business
Shri. Anil Goyal	Member	Independent Director	Business
Shri. Somendra Khosla	Member	Independent Director	Business

All the members of the Committee are independent and non-executive directors.

During the year under review, the remuneration committee has not met, since there was no item pertaining to the remuneration.

Details of remuneration paid to whole time directors for the Year:

Details of remuneration paid to Directors are given below:

Name of the Director	Relationship with other Directors with company if any	Business relationship from company	Loans and advances	Remuneration	Paid During the year 2006-2007		
					Sitting fees Rs.	Salary Rs.	Commission Rs.
Dr.M.V.Ramana Rao	Nil	None	None	--	15,00,000	---	15,00,000
Shri.L.N.Malleswara Rao	Nil	None	None	-	6,00,000	---	6,00,000
Shri.U.Ramakrishna	None	None	None	-	6,00,000	---	6,00,000

The Broad terms of reference of Remuneration Committee are to determine on behalf of the Board and on behalf of Shareholders with agreed terms of reference, the Company's policy on specific remuneration package for executive directors.

The details of shares held by the Directors as on 30th June, 2007

Sl.No	Names of the Director	No. of Shares held
1	Dr.M.V. Ramana Rao	6786513
2	Shri.Vidya Sagar Anisingaraju	303837
3	Shri.Y. Harish Chandra Prasad	150000
4	Shri. Atluri Venkata Ram	150000
5	Shri.Harsh Mariwala	150000
6	Shri.L. N. Malleswara Rao	136375
7	Shri.N. Srinivasa Rao	40013
8	Shri.Ranjan Kapur	34500
9	Shri.U. Ramakrishnan	7500
10	Shri.Somendra Khosla	Nil
11	Shri.Mangilal Kalani	Nil
12	Shri.Anil Goyal	Nil

Report on Corporate Governance

5. INVESTORS' /SHAREHOLDERS GRIEVANCE COMMITTEE:

The Board constituted an investors'/Shareholders grievance committee which looks into shareholders and investors grievances under the chairmanship of Sri.N.Srinivasa Rao who is an Independent and Non-Executive directors.

Composition of the Committee:

Name of the Director	Designation	Nature of Directorship	Profession
Shri.N.Srinivasa Rao	Chairman	Independent Director	Business
Shri.Y..Harischandra Prasad	Member	Independent Director	Business
Shri.L.N.Malleswara Rao	Member	Director	Business

Name & Designation of the Compliance officer: G.Bhargavi, Company Secretary and Compliance Officer.

Email id for investor Grievances: secretarial@mic.co.in

Number of shareholders complaints received so far.

During the year, the Company has received 658 complaints and resolved 651 complaints and there are 7 complaints pending as on 30th June, 2007

6.DETAILS OF ANNUAL GENERAL MEETINGS: LOCATION AND TIME OF THE LAST THREE AGMS.

Financial Year	Date & Time	Venue	Nature of special resolutions, if any passed
005-2006	27.12.06 2.00.P.M	A-4/II, Electronic Complex, Kushaiguda, Hyderabad-62	No special resolution passed
2004-2005	16.12.05 10.30.A.M	A-4/II, Electronic Complex, Kushaiguda, Hyderabad-62	No special resolution passed
2003 - 2004	30.12.04 10.30.A.M	A-4/II, Electronic Complex, Kushaiguda, Hyderabad-62	No special resolution passed

None of the Resolutions were put through postal ballot in the last year.

7. DISCLOSURES:

- a Disclosure on materially significant related party transactions i.e. transactions of the company of material nature with its promoters, the directors or the management's, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large:

The disclosures with regard to transactions with related parties are given in the notes to the accounts of the audited financial statements for the year ended 30th June, 2007.These transactions are not in conflict with the interest of the Company.

b Details of non-compliance by the company, penalties, Strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

There were no instances of non-compliances, penalty or strictures on any matter related to the capital markets, during the last three years.

c Disclosure of Accounting Treatment:

In the preparation of financial statements, the Company has followed the accounting standards issued by the Institute of Chartered Accountants of India. The significant accounting policies which are consistently applied have been set out in the notes to the accounts of the audited financial statements for the year ended 30th June, 2007.

d. Whistle Blower Policy

The company is following Whistle Blower Policy and the same is displayed in the website of the company.

e. Proceeds from Public Issue, rights issue, preferential issue etc

During the year under review, the company has raised Rs. 76.5 crores by issue of 51,00,000 equity shares of Rs.10/- each at a premium of Rs.140/- per shares through Public Issue.

8. MEANS OF COMMUNICATIONS:

a) Quarterly Results

The quarterly results of the Company are published in accordance with the requirements of Listing Agreement, in the newspapers having wide circulation viz The Financial Express, The Economic Times (English Daily) and Vaartha and Eenadu (Telugu Daily). And there is no practice of sending quarterly results to the households of shareholders.

b) News Releases, Presentations etc

Official news releases, detailed presentations made to media, analysts, institutional investors , etc , if any will be displayed on the Company's Website and information released to the press at the time of declaration of results is also sent to all Stock Exchanges where the shares of the company are listed for the benefit of investors.

c) Any website, where displayed: www.micelectronics.com

d) Management Discussion and Analysis(MDA) Report

The report on MDA forms part of the Annual Report and Accounts sent to the shareholders.

Report on Corporate Governance

9. GENERAL SHAREHOLDER INFORMATION :

- a) AGM: Date, Time and Venue : 22nd December, 2007 at 4.00 P.M
at Registered Office of the Company
- b) Financial Year : 1st July to 30th June
Financial Reporting for :
Quarter ending September 30, 2007 : Before end of October, 07
Quarter ending December 31, 2007 : Before end of January, 08
Quarter ending March 31, 2008 : Before end of April, 08
Quarter ending June 30, 2008 : Before end of July , 08
- c) Date of Book Closure : 18th to 22nd December, 2007
- d) Listing on Stock Exchanges : The Company's Equity Shares are listed in the National Stock Exchange of India Limited and The Stock Exchange, Mumbai (BSE).The Company has paid the listing fees to the stock exchanges for the financial year 2007-08.
- e) Stock Code : BSE-532850 and NSE- MIC
- f) Demat ISIN in NSDL and CDSL : INE 287C01011
- g) Market Price Data :

The Monthly high and low quotation and the volume of shares traded on The National Stock Exchange of India Limited are as under:

Month	Highest(Rs.)	Lowest(Rs.)	Volume of Shares traded
May, 2007	405.80	253.00	31086220
June, 2007	474.00	323.00	69413528

The Monthly high and low quotation and the volume of shares traded on The Stock Exchange, Mumbai are as under:

Month	Highest(Rs.)	Lowest(Rs.)	Volume of Shares traded
May, 2007	402.75	210.25	21043846
June, 2007	438.70	308.00	40747493

Note: Equity shares of the company were listed on 30th May, 2007 Hence, the monthly High and Low of the stock quotations in respect of the earlier months are not furnished.

- h) Registrar and share transfer agents : INTIME SPECTRUM REGISTRY LIMITED
C-13, Pannalal
Silk Mills Compound,
L.B.S.Marg, Bhanup(w),
Mumbai-400078
Maharastra
- i) Share Transfer System : The Physical share transfers are processed and the share certificates are returned to the shareholders within a maximum period of one month from the date of receipt, subject to the documents being valid and complete in all respects.
- j) Distribution of Shareholding as on 30th June, 2007

Share Holding of Nominal Value	Share Holders			Share Amount	
	Rs. (1)	Numbers (2)	% of Total (3)	In Rs. (4)	% of Total (5)
Upto	5,000	20629	94.6500	12184090	6.0530
5,001	10,000	410	1.8810	3369420	1.6740
10,001	20,000	250	1.1470	3887380	1.9310
20,001	30,000	126	0.5780	3169270	1.5750
30,001	40,000	73	0.3350	2547500	1.2660
40,001	50,000	59	0.2710	2716100	1.3490
50,001	1,00,000	91	0.4180	6492790	3.2260
1,00,001	And above	157	0.7200	166910000	82.9260
	TOTAL	21795	100.00	201276550	100.00

- k) Share holding pattern as on 30th June 2007.

	CATEGORY	No. of Shares held	% age of shareholding
1.	Promoters/Directors/Associates	9399631	46.70
2.	Mutual Funds	977777	4.86
3.	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions / Non-government Institutions)	1559	0.01
4.	FIs	1166052	5.79
5.	Private Corporate Bodies	1664235	8.27
6.	Indian Public	6253267	31.07
7.	NRIs / OCBs	403777	2.00
8.	Clearing Members	261357	1.30
	TOTAL	20127655	100



Report on Corporate Governance

- l) Demineralization of Shares and liquidity : The company shares are available for dematerialization on both depositories viz., National Service Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).
- m) Outstanding ADRs/GDRs etc : The company has not issued any ADRs/GDRs and warrants during the year.
- n) Address for Correspondence : MIC Electronics Limited
A-4/II, Electronic Complex,
Kushaiguda, Hyderabad-62
Tel: 040-27122222
Fax: 040-27133333
Email: Secretarial@mic.co.in,
- o) CIN Number
The Corporate Identity Number (CIN) of the Company, as allotted by Ministry of Corporate Affairs is L31909AP1988PLC008652

BY ORDER OF THE BOARD
For **MIC ELECTRONICS LIMITED**

PLACE: HYDERABAD
DATE: 26-11-07

Dr.M.V.Ramana Rao
Managing Director

DECLARATION OF CODE OF CONDUCT

This is to confirm that the Board has laid down a code of conduct for all Board members and senior management personnel of the company. The code of conduct has also been posted on the website of the company. It is further confirmed that all directors and senior management personnel of the company have affirmed compliance with the code of conduct of the company for the financial year ended on 30th June, 2007, as envisaged in clause 49 of the listing agreement with Stock Exchange.

HYDERABAD
26-11-07

Dr.M.V.Ramana Rao
Managing Director



Auditors Report on **Corporate Governance**

To

The Members,

MIC Electronics Limited

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance condition of corporate governance of M/s. MIC Electronics Limited, ("the company") for the year ended 30th June, 2007 as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchanges.

The compliance of the conditions of the Corporate Governance is the responsibility of the management. Our examination, conducted in the manner described in the Guidance note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, the company has complied with the conditions of Corporate Governance as stipulated in clause 49 the above mentioned Listing Agreement.

We further 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 Pinnamaneni & Co
CHARTERED ACCOUNTANTS

PLACE: HYDERABAD
DATE: 26-11-07

P.V.V.Satyanarayana
PARTNER.



[Stand Alone Financials]

Auditors' Report

To

The Share Holders of

M/s. MIC Electronics Limited

We have audited the attached Balance Sheet of M/s.MIC Electronics Limited, as at 30th June 2007 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed hereto. 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.

1. As required by the Company's (Auditors Report) Order, 2003 issued by the Department of Company Affairs, in terms of Section 227(4A) of the Companies Act, 1956, we give in the annexure a statement on the matters specified in Paragraphs 4 and 5 of the said order.
2. Further to above, we report that :
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of accounts as required by law have been kept by the company so far, as appears from our examination of books.
 - iii. The Balance sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account.
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v. Based on information and explanations given to us and representations received from the directors of the Company, as on 30th June 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June 2007 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:



(a) In the case of the Balance Sheet, of the state of affairs of the Company as at 30th June, 2007 and

(b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

And

© In the case of the cash flow statement, of the cash flows for the year ended on that date.

For Pinnamaneni & Co
CHARTERED ACCOUNTANTS

PLACE: HYDERABAD
DATE: 26-11-07

P.V.V.Satyanarayana
PARTNER.

Annexure to the **Auditors'** Report

REFERRED TO IN PARAGRAPH (1) IN OUR REPORT OF EVEN DATE FOR THE YEAR ENDED 30.06.2007.

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. The fixed assets have been physically verified by the management. There is annual verification of fixed assets, which in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies have been noticed on such verification.
- (b) During the year the company has not disposed off substantial part of the assets. According to the information and explanations given to us, we are of the opinion that no transactions are effected involving disposal of assets so as to effect going concern status of the company.
2. (a) The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of the verification is reasonable.
- (b) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The discrepancies noticed on verification between the physical stocks and book records, which have been properly dealt with in the books of account, were not material.
- (d) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- 3) (a) The Company has taken loans from Companies, Firms or other parties listed in the registers maintained under Section 301 or from Companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956. According to the information and explanations given to us the terms and conditions of these loans are not prima facie prejudicial to the interests of the Company.
- (b) The Company has granted loans, secured or unsecured to Companies, firms or other parties listed in the registers maintained under Section 301 or to Companies under the same management within the meaning of Section 370(1B) of the Companies Act, 1956. According to the information and explanations given to us the terms and conditions of these loans are not prima facie prejudicial to the interests of the Company.
- (c) Parties to whom loans and advances (Interest free/Interest bearing) in the nature of loans have been given by the company are generally repaying the principal amounts and have also been generally regular in repayment of interest where ever applicable.
- 4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of the stores, raw materials including components, plants and machinery, equipment and other assets and with regard to the sale of goods.
- 5) In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies

Act, 1956 and aggregating during the year to Rs.5,00,000/- or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.

- 6) *In our opinion and according to the information and explanations given to us, the provisions of Section 58-A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975, do not apply to this Company, as it has not accepted deposits from the public other than directors of the company.*
- 7) *The Company has an adequate internal Audit system commensurate with the size and nature of the business.*
- 8) *As per the information given to us the Central Government has not prescribed maintenance of Cost records under Section 209(1)(d) of the Companies Act, 1956.*
9. (a) *According to the records of the Company, the company is generally regular in depositing the Provident Fund dues and Employees State Insurance dues with the appropriate authorities.*
(b) *According to the information and explanations given to us there are no undisputed amounts of Income Tax, Wealth Tax, Customs Duty, Sales Tax and Excise Duty outstanding as at 30th June, 2007 for a period of more than 6 months from the date they became payable.*
10. *In our opinion, the company neither accumulated losses at the end of the year exceeding fifty percent of its net worth, nor incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.*
11. *As per the records of the Company and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.*
12. *According to the information and explanations given to us, the company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.*
13. *In our opinion the company is not a chit fund or a nidhi/mutual benefit fund/ society. Accordingly the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.*
14. *In our opinion, the company is not dealing in or trading in shares, securities, and debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.*
15. *In our opinion, according to the information and explanations given to us, the company has given guarantees for loans taken by the others from banks or financial institutions.*
16. *In our opinion, during the year the company has not raised any term loans.*
17. *In our opinion, according to the information and explanations given to us and on an overall examination of statements and records of the company, that the funds raised on short-term basis have, prima facie, not been used during the year for long-term investment and vice versa.*
18. *In our opinion, according to the information and explanations given to us, the company has not issued debentures during the period covered by our report.*



Annexure to the **Auditors'** Report

19. In our opinion, the company has raised money by way of public issue for the purpose of expansion of manufacturing facilities, research & development, operations, acquisitions and working capital of the company during the year.
20. In our opinion, that company has not made any preferential allotment of shares/ securities during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
21. In our opinion, the Company is not required to create/register/modify any security (Charge) as company is not holding/issued any debentures.
22. According to the information and explanations given to us and based on audit procedures performed, no fraud on or by the Company has been noticed during the year.

For Pinnamaneni & Co
CHARTERED ACCOUNTANTS

PLACE: HYDERABAD
DATE: 26-11-07

P.V.V.Satyanarayana
PARTNER.

Balance Sheet As At 30th June 2007

PARTICULARS	SCH.	AS AT	AS AT
	REF	30.06.2007	30.06.2006
I. SOURCES OF FUNDS		Rs.	Rs.
1. Share holders funds			
Share Capital	1	201,276,550	89,672,550
Reserves & Surples	2	1,465,851,459	403,932,463
Share Application Money		0	416,765
		1,667,128,009	494,021,778
2. Loan Funds			
Secured Loans	3	72,687,920	187,551,120
3. Deferred Tax Liability		11,301,216	3,552,617
TOTAL		<u>1,751,117,145</u>	<u>685,125,515</u>
II. APPLICATION OF FUNDS			
1. Fixed Assets	4		
Gross Block		255,979,921	249,751,391
Less: Depreciation		72,195,972	55,415,638
Net Block		183,783,949	194,335,753
Capital Work in Progress		154,259,894	23,763,278
		338,043,843	218,099,031
2. Investments	5	117,297,522	6,301,650
3. Current Assets, Loans & Advances			
Inventories	6	88,410,133	91,387,696
Sundry Debtors	7	1,396,252,264	347,235,476
Cash & Bank Balances	8	425,374,753	15,187,232
Loans & Advances	9	257,510,436	81,986,959
		<u>2,167,547,586</u>	<u>535,797,363</u>
Less: Current Liabilities & Provisions	10	914,661,568	75,072,529
Net Current Assets		1,252,886,018	460,724,834
4. Miscellaneous Expenditure (to the extent not written off)			
Issue expenses		42,889,762	0
TOTAL		<u>1,751,117,145</u>	<u>685,125,515</u>
Accounting policies & Notes on Accounts;	19		

As per our report of even date
for **PINNAMANENI & CO.**
Chartered Accountants

for and on behalf of the Board

Place : Hyderabad
Date : 26-11-07

Sd/-
(P.V.V. Satyanarayana)
Partner

Sd/-
(Dr.M.V. Ramana Rao)
Managing Director

Sd/-
(L.N.Malleswara Rao)
Director

Profit and Loss Account for the year ended 30th June 2007

PARTICULARS	SCH. REF	Current Year	Previous Year
I. INCOME		Rs.	Rs.
Sales & Services	11	2,408,111,931	1,018,237,450
Increase/(Decrease) in Stock	12	(13,301,400)	25,245,468
Other Income	13	4,487,929	643,542
Total		2,399,298,460	1,044,126,460
II. EXPENDITURE			
Material Consumed	14	1,853,104,880	704,171,977
Employee Cost	15	33,028,382	28,152,540
Manufacturing, Administrative & Sales Expenses	16	99,784,320	102,982,278
R&D Expenditure	17	14,692,675	7,883,689
Interest and Financial Charges	18	24,432,939	17,382,868
Depreciation	4	16,780,334	15,837,785
Total		2,041,823,530	876,411,137
III. PROFIT FOR THE YEAR		357,474,930	167,715,323
Prior Period Adjustments		0	241,768
Profit Before Tax		357,474,930	167,473,555
Add : Excess Provision of Income Tax for earlier years		117,214	0
		357,592,144	167,473,555
Less Provision for :			
Fringe Benefit Tax		579,935	857,221
Income Tax		25,696,714	17,224,500
Deferred Tax		7,748,599	(5,134,718)
Net Profit After Tax		323,566,896	154,526,552
Balance in Profit & Loss account b/f		219,422,653	64,896,101
Available for appropriation		542,989,549	219,422,653
General Reserve		30,000,000	0
Proposed Dividend @Rs. 2/- on equity shares of Rs.10/- each		40,255,310	0
Corporate Dividend Tax		6,841,390	0
Balance Carried to Balance Sheet		465,892,849	219,422,653
EPS (Basic)		16.08	18.00
EPS (Diluted)		16.08	18.00
Accounting policies & Notes on Accounts;	19		

As per our report of even date
for **PINNAMANENI & CO.**
Chartered Accountants

for and on behalf of the Board

Place : Hyderabad
Date : 26-11-07

Sd/-
(P.V.V.Satyanarayana)
Partner

Sd/-
(Dr.M.V. Ramana Rao)
Managing Director

Sd/-
(L.N.Malleswara Rao)
Director

Schedules Forming part of the **Balance Sheet** as at 30th June 2007

PARTICULARS	AS AT	
	30.06.2007	30.06.2006
	Rs.	Rs.
1. SHARE CAPITAL		
Authorised		
2,20,00,000 Equity Shares of Rs.10/- each (Previous year 1,10,00,000 Equity Shares of Rs.10/- each)	<u>220,000,000</u>	<u>110,000,000</u>
Issued & Subscribed		
2,01,27,655 Equity Shares of Rs.10/- each (Previous Year 91,25,070 Equity Shares of Rs.10/- each)	<u>201,276,550</u>	<u>91,250,700</u>
Paidup		
2,01,27,655 equity shares of Rs.10/- each fully paid up (89,49,720 Equity Shares of Rs.10/- each)	<u>201,276,550</u>	<u>89,497,200</u>
Partly Paid		
(Previous Year)		
1,75,350 equity shares		1,753,500
Less : Amount due	0	1,578,150
		175,350
TOTAL	<u>201,276,550</u>	<u>89,672,550</u>
2. RESERVES & SURPLUS		
Capital Subsidy	267,000	267,000
Share Premium Account - Opening Balance	166,242,810	22,925,000
- Additions	831,191,650	143,317,810
- Reductions	45,742,850	-
- Closing Balance	951,691,610	166,242,810
Amalgamation Reserve	18,000,000	18,000,000
Surplus in P&I Account - Opening Balance	219,422,653	64,896,101
- Additions	323,566,896	154,526,552
- Reductions	77,096,700	-
- Closing Balance	465,892,849	219,422,653
General Reserve - Opening Balance	0	-
- Additions	30,000,000	-
- Closing Balance	30,000,000	0
TOTAL	<u>1,465,851,459</u>	<u>403,932,463</u>

Schedules Forming part of the **Balance Sheet** as at 30th June 2007

PARTICULARS	AS AT	AS AT
	30.06.2007	30.06.2006
	Rs.	Rs.
3. SECURED LOANS		
Working Capital Loans:		
State Bank Of India - Cash Credit	30,625,079	58,487,164
State Bank Of India - EPC	0	19,484,603
Development Credit Bank Limited	2,068,359	0
Term Loans:		
Technology Development Board	34,836,000	42,955,000
UCO Bank	0	59,750,754
Small Industries Development Bank of India	143,000	910,051
National Research Development Corp.	3,000,000	3,000,000
Loans under hire purchase against vehicles	2,015,482	2,963,548
TOTAL	72,687,920	187,551,120

Schedules Forming part of the **Balance Sheet** as at 30th June 2007

4. Fixed Assets

SL. NO	NAME OF THE ASSET	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
		AS AT 30.06.2006	ADDITIONS	DELETIONS	AS AT 30.06.2007	UPTO 30.06.2006	FOR THE YEAR	DELETIONS	UPTO 30.06.2007	AS AT 30.06.2007	AS AT 30.06.2006
1	Land & Land Development	7,279,186	1,946,488	-	9,225,674	0	0	-	0	9,225,674	7,279,186
2	Buildings	24,281,341	1,199,246	-	25,480,587	3,664,515	825,921	-	4,490,436	20,990,151	20,616,826
3	Plant & Machinery	192,312,615	2,384,485	-	194,697,100	41,665,293	13,992,522	-	55,657,815	139,039,285	150,647,322
4	Furniture, Fittings and Office Equipment	13,657,547	362,905	-	14,020,452	5,104,379	800,177	-	5,904,556	8,115,896	8,553,168
5	Vehicles	12,220,702	335,406	-	12,556,108	4,981,451	1,161,714	-	6,143,165	6,412,943	7,239,251
		249,751,391	6,228,530	0	255,979,921	55,415,638	16,780,334	0	72,195,972	183,783,949	194,335,753



Schedules Forming part of the **Balance Sheet** as at 30th June 2007

PARTICULARS	AS AT	
	30.06.2007	30.06.2006
	Rs.	Rs.
5. INVESTMENTS		
UNQUOTED		
	No. of Equity Shares fully paid up	
Investment in Associates		
Micronet Technologies Limited	50000	500,000
Investment in Subsidiaries		
MIC Technologies Australia (Pty) Ltd, Australia	99	1,650
Infostep Inc., USA	4615850	110,945,872
MIC Digital Media Vizag Pvt. Ltd (Share Application Money)		5,850,000
TOTAL		117,297,522
6. INVENTORIES (AT COST)		
(As valued and certified by the Management)		
Raw Materials		60,466,991
Work in Progress		50,143,154
TOTAL		27,943,142
7. SUNDRY DEBTORS		
(Unsecured considered good)		
Debts due over six months		151,140,697
Other Debts		83,033,440
TOTAL		1,245,111,567
8. CASH & BANK BALANCES		
Cash on hand		6,413,840
Cash with Schedule Banks		3,915,879
Deposits with Schedule Banks		47,605,107
Balance in Mutul Funds		1,787,814
TOTAL		320,543,540
		50,812,266
TOTAL		15,187,232

Schedules Forming part of the **Balance Sheet** as at 30th June 2007

PARTICULARS	AS AT	AS AT
	30.06.2007	30.06.2006
	Rs.	Rs.
9. LOANS & ADVANCES		
(Unsecured, considered good recoverable in cash or in kind or for value to be received)		
Advances for : Capital Items	210,500	13,904,349
Purchases	5,790,243	6,489,349
Expenses	2,077,744	3,629,278
Advances recoverable in cash or in kind or for value to be received	223,976,333	40,057,094
Advances to Employees	2,097,585	2,903,593
Deposits recoverable	15,753,433	6,211,810
Balance with Central Excise Dept.	2,633,850	454,766
Prepaid expenses	1,412,524	6,677,342
Advance Income Tax , TDS & FBT	3,558,224	1,659,378
TOTAL	257,510,436	81,986,959
10. CURRENT LIABILITIES & PROVISIONS		
a) Current Liabilities		
Creditors for materials	767,690,985	19,534,479
Creditors for expenses	37,757,573	30,176,772
Advances from Customers & others	13,114,018	4,081,603
Sub Total	818,562,576	53,792,854
b) Provision		
Proposed Dividend	40,255,310	0
Tax on proposed Dividend	6,841,390	0
Income Tax	42,843,214	17,224,500
Leave Salary	1,934,078	1,312,023
Gratuity	4,225,000	2,743,152
TOTAL	914,661,568	75,072,529

Schedules Forming part of the **Profit and Loss** account
for the Year ended 30th June 2007

PARTICULARS	CURRENT	PREVIOUS
	YEAR	YEAR
	Rs.	Rs.
11.SALES & SERVICES		
Domestic	2,291,413,700	835,001,418
Exports	84,381,389	131,288,039
Services	32,316,842	51,947,993
TOTAL	2,408,111,931	1,018,237,450
12.INCREASE/(DECREASE) IN STOCK		
Opening work in progress/F.G	41,244,542	15,999,074
Closing work in progress	27,943,142	41,244,542
Increase/(Decrease) in Stock	(13,301,400)	25,245,468
13.OTHER INCOME		
Int. earned on deposits & others	3,992,250	323,417
Other Receipts	495,679	320,125
TOTAL	4,487,929	643,542
14.MATERIAL CONSUMED		
Opening Stock	50,143,154	29,523,936
Add : Purchases	1,867,701,659	726,136,688
	1,917,844,813	755,660,624
Less : Material consumed for R&D	4,272,942	1,345,493
	1,913,571,871	754,315,131
Less : Closing Stock	60,466,991	50,143,154
TOTAL	1,853,104,880	704,171,977
15.EMPLOYEE COST		
Salaries, Wages & Bonus	29,056,268	25,687,290
Contribution to PF and other funds	983,167	1,103,408
Staff Welfare Expenses	547,092	558,312
Leave Salary	722,585	137,449
Gratuity	1,719,270	666,081
TOTAL	33,028,382	28,152,540

Schedules Forming part of the **Profit and Loss** account
for the Year ended 30th June 2007

PARTICULARS	CURRENT	PREVIOUS
	YEAR	YEAR
	Rs.	Rs.
16. MANUFACTURING, ADMINISTRATIVE AND SALES EXPENSES		
Stores Consumed	1,277,962	733,948
Electricity Charges	962,704	894,862
Excise duty & Service Tax	14,734,881	14,739,141
Insurance	1,281,758	1,248,700
Lease Rentals	0	27,050
Job Works, Plotting ,Development & Testing Charges	1,533,392	1,809,024
Repairs and Maintenance	1,924,950	577,366
Expenses for Software Services	0	11,492,911
Expenses for Inter Connect Billing	11,329,204	11,734,520
Professional Charges	3,666,912	1,928,602
Rent , Rates & Taxes	19,779,204	29,776,492
Printing & Stationary	718,607	733,228
Postage, Telephone & Internet Expenses	2,091,379	2,305,655
Travelling, Conveyance & Transport Exp.	9,025,549	9,331,331
Freight, Packing & Forwarding	2,321,603	1,539,012
Vehicle Maintenance	1,262,210	1,002,721
Audit Fee	70,000	45,000
General Charges	9,317,700	3,897,845
Bad Debts & Debit Balances written back	463,531	5,010,343
Bank Charges	4,297,079	3,195,613
Sales Expenses	3,003,255	958,914
Issue Expenses written off	10,722,440	0
TOTAL	99,784,320	102,982,278

Schedules Forming part of the **Profit and Loss** account
for the Year ended 30th June 2007

PARTICULARS	CURRENT	PREVIOUS
	YEAR	YEAR
	Rs.	Rs.
17.R&D EXPENDITURE		
Materials	4,272,942	1,345,493
Employees Cost	9,816,073	5,578,286
Other Expenses	603,660	959,910
TOTAL	14,692,675	7,883,689
18.INTEREST AND FINANCIAL CHARGES		
Interest on Term Loans -		
UCO Bank	6,504,661	8,556,442
Technology Development Board	2,146,650	1,861,404
Small Industries Development Bank of India	62,678	147,549
Interest on Working Capital		
C.C. A/c- State Bank of India	6,509,860	4,030,296
EPC A/c.-State Bank of India	731,751	1,819,036
Development Credit Bank	3,694,897	0
Interest on Loan from others	3,799,819	250,595
Financial Charges	982,623	717,546
TOTAL	24,432,939	17,382,868

Notes on Accounts

19 Notes on Accounts

I. SIGNIFICANT ACCOUNTING POLICIES:

The following are significant accounting policies adopted by the company in the preparation and presentation of financial statements.

Sr. No.	Accounting Policies	AS No
1	<p>Disclosure of Accounting Policies:</p> <p>Financial statements have been prepared under the historical costs convention and in accordance with applicable accounting standards and provisions of the Companies Act, 1956. All income and expenditure having a material bearing in the financial statements are prepared on accrual basis.</p>	AS-1
2	<p>Valuation of Inventories:</p> <p>a) Raw Materials and Work in Progress are valued at cost.</p> <p>b) Stock-in-Trade is valued at cost or realisable value whichever is less.</p> <p>c) CENVAT & VAT on purchase of rawmaterial/components are deducted from cost of such materials.</p>	AS-2
3	<p>Cash Flow Statements:</p> <p>Cash flow statement is prepared and is forming part of the financial statements.</p>	AS-3
4	<p>Contingencies and events occurring after the balance sheet date</p> <p>(a) Contingent Liabilities not provided for: Nil</p> <p>(b) Capital Commitment not provided for: Nil</p>	AS-4
5	<p>Net Profit or Loss for the period, prior period items and changes in accounting policies</p> <p><u>Net profit for the period:</u></p> <p>All items of income and expenses in the period are included in the determination of net profit for the period, unless specifically mentioned elsewhere in the financial statements or is required by an Accounting Standard</p> <p><u>Prior period items</u> Nil</p> <p><u>Accounting policies:</u></p> <p>There are no changes in the accounting policies of the Company from that of the previous year.</p>	AS -5
6	<p>Depreciation Accounting:</p> <p>Fixed assets are valued at cost less depreciation provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. In respect of additions made during the year, depreciation is provided on pro rata basis.</p>	AS-6

Notes on Accounts

Sr. No.	Accounting Policies	AS No
7	Accounting for Construction contracts <i>The above Standard is not applicable to the Company, as it is not engaged in the business of construction.</i>	AS-7
8	Revenue Recognition Sales & Services are inclusive of taxes and duties collected Revenue from fixed price contracts are recognized as per the terms of the contract. Revenue from other income is based on accrual basis	AS-9
9	Accounting for Fixed Assets Fixed assets are capitalized at acquisition cost and other directly attributable cost of bringing the assets to its working condition. Cenvat & VAT claimed on capital goods are credited to plant & machinery account.	AS-10
10	Accounting for effects in foreign exchange rates a) All monetary items denominated in foreign currency are reflected at the rates prevailing on the Balance sheet date. b) Income and Expenditure items involving foreign exchange are translated at the exchange rate prevailing on the dates of transaction. c) Exchange differences, if any, arising on account of fluctuations in foreign exchange have been duly reflected in the Profit & Loss Account except in respect of acquisition of fixed assets.	AS-11
11	Accounting for Government Grants Since the company has not received any grants, this accounting standard is not applicable	AS-12
12	Accounting for Investments All investments are Long-term investments and are carried at cost.	AS-13
13	Accounting for Amalgamation - Not applicable	AS-14
14	Accounting for Retirement Benefits: a) The Company has a provident fund scheme for their employees. Contributions to the scheme are charged to the profit and loss account. b) Provision for gratuity has been made for all the employees in the rolls of the company at the closing of accounting year. The company is making actual gratuity payments as and when crystallized by debiting to the gratuity fund account. c) The Company extends benefit of Encashment of Leave to its employees while in service as well as on retirement. Leave encashment liability in respect of leave accumulated is accounted for on the basis of last drawn salary.	AS-15

Sr. No.	Accounting Policies	AS No
15	<p>Borrowing Cost</p> <p>Borrowing Cost on qualifying asset is commenced for Capitalization when the expenditure on Qualifying asset and borrowing cost are incurred. The company had not acquired any assets against borrowings in the year and hence it is not applicable in the year.</p>	AS-16
16	<p>Segment Reporting</p> <p>We have recognized revenue on segmental basis.</p>	AS-17
17	<p>Related party Disclosure</p> <p>The company has entered into transactions with related parties and the said information is shown separately.</p>	AS-18
18	<p>Leases</p> <p>The company had not acquired any assets under Lease. Hence the accounting standard is not applicable</p>	AS-19
19	<p>Earnings Per Share</p> <p>The company follows the relevant AS and the disclosures made accordingly</p>	AS-20
20	<p>Consolidated Financial Statements</p> <p>The company had made consolidated financial statements as per the relevant Accounting Standard.</p>	AS-21
21	<p>Deferred Taxation:</p> <p>Current Tax is determined as per the amount of tax payable in respect of taxable income for the period. Deferred tax is recognised, subject to the consideration of prudence in respect of deferred tax assets/liabilities, on timing differences, being difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.</p>	AS-22
22	<p>Accounting for investments in associates</p> <p>Investments in associates is valued at cost of investment.</p>	AS-23

Notes on Accounts

II Notes to Accounts

1. Contingent liabilities as per AS-4 not provided for on account of :

(Amt. in Rs.)			
S No	Particulars	As at 30.06.07	As at 30.06.06
A	Counter guarantees given by the company to banks towards issue of B.Gs.	88,620,987	21,172,832
B	Counter guarantees given by the company to banks towards issue of B.Gs to Customs Dept. against advance licenses	2,443,071	3,052,806
C	Bonds executed to Customs Deptt.(net of Bgs) against advance licenses	7,544,373	8,186,390
D	Letter of credits issued by bankers	9,562,911	10,188,500
E	Corporate Guarantees given by the company to banks	37,900,000	—

2. Loans:

Working Capital Loans from SBI & DCB:

- a) State Bank of India and DCB are secured by *pari-passu* charge on chargeable current assets of the Company. SBI also has 1st charge on machinery of the company to the extent of Rs.418.49 lakhs. On the remaining fixed assets and immovable properties, SBI has 2nd charge on *pari-passu* basis with DCB, first charge being with UCO Bank.
- b) SBI is further secured by personal guarantees of three of the following Directors of the company.
 1. Dr M V Ramana Rao
 2. Mr LN Malleswara Rao
 3. Mr N. Srinivasa Rao
- c) DCB is further secured by personal guarantee of Dr.M.V.Ramana Rao, Managing Director of the company

Term Loans:

- a) UCO bank is secured by 1st charge on immovable property situated at Kushaiguda, RR Dist. and plant and machinery, Furniture and fittings and 2nd charge on all chargeable current assets, machinery worth Rs.418.49 lakhs (1st charge being with SBI for working capital).
 - b) Technology Development Board is secured by all assets pertaining to the development and commercialization of the LED TV / Electronic Display system project along with personal guarantees of Dr.M.V. Ramana Rao, Managing Director.
 - c) Small Industries Development Bank is secured by all assets acquired for the development project of STM-1 Optimux along with Personal guarantees of two of the Directors of the Company.
 - d) National Research Development Corporation is secured by all the machinery and equipments acquired for the development of "Fraud Management and Control Centre (FMCC)"
3. Loans outstanding against purchase of vehicles are secured by hypothecation of the same.

4. Directors' remuneration included in staff cost.

(Amt. in Rs.)			
S No	Particulars	2006-07	2005-06
A	Managing Director		
	-Remuneration	1,500,000	1,500,000
	-Perquisite Value of rent	180,565	171,268
B	Other Directors		
	-Remuneration	1,140,000	2,345,000
	-Perquisite Value of rent	Nil	Nil

5. In accordance with the AS-22 'Accounting for taxes on Income issued by the Institute of Chartered Accountants of India , during the current year the company has accounted for the effect of deferred Tax against the income pertaining to current year and has accordingly provided for deferred tax liability of Rs.7,748,599/- on account of current year's deferred tax.

Deferred Taxation :

(Amt. in Rs.)		
Particulars	2006-07	2005-06
Deffered Tax Liability on account of Depreciation	6,574,456	15,994,518
Deffered Tax Liability U/s.43B	36,873,272	7,656,568
	43,447,728	23,651,086
Deffered Tax Asset U/s.43B	20,427,530	38,905,745
Net Deffered Tax Liability	23,020,198	(15,254,659)
Deffered Tax charged to P&L Account	.7,748,599	(5,134,718)

6. Related party Disclosures:

In Accordance with the Accounting standard AS-18 " Related Party disclosures" Issued by the ICAI, the transactions with related parties are given below:

- a. List of Related Parties with whom transactions have taken place and

Relationship :

S No	Name of the Related Party	Relationship
1	Micronet Technologies Limited	Associate companies
2	MIC Technologies Australia (Pty) Ltd	
3	MIC Digital Media Vizag (P) Ltd	
4	Infostep Inc. USA	
5	Dr.M.V.Ramana Rao	Directors- Key Personnel
6	Mr L.N.Malleswara Rao	
7	Mr U.Ramakrishna	

Notes on Accounts

b. Transactions during the year with related parties :

(Amt. in Rs.)		
S No	Nature of Transaction	Amount
1	Investments in Associates: MIC Digital Media Vizag (P) Ltd. Infostep Inc. USA	5,850,000 110,945,872
2	Advances to Associates: Micronet Technologies Ltd MIC Digital Media Vizag (P) Ltd. MIC Technologies Australia (Pty) Ltd Infostep Inc. USA	11,406,876 4,792,606 24,290,221 387,288
3	Sales to Associates: Micronet Technologies Ltd MIC Digital Media Vizag (P) Ltd. MIC Technologies Australia (Pty) Ltd Infostep Inc. USA	120,727,960 61,131,615 14,075,430 4,937,520
4	Loans to/taken from Management personnel	Nil
5	Purchase of Capital Items from Associates:	Nil
6	Expenditure : ▶ Remunerations to Management personnel ▶ Rents paid towards accommodation provided to Management Personnel	2,640,000 180,565

7. Information as required under part II of Schedule VI to the Companies Act, 1956.

a) Class of goods manufactured

S No	Particulars of Goods manufactured
1	LED based Display Systems
2	GSM / CDMA Phones
3	Hand Held Computers
4	Computer Software Products & Services
5	Other Accessories

b) Production :

S No	Particulars	2006-07	2005-06
		Numbers/Systems	
1	LED based Display Systems	90	33
2	GSM / CDMA Phones	300230	-
3	Hand Held Computers	17	569
4	Computer Software Products & Services	301	918
5	Other Accessories	201	201
c)	Opening Stock	Nil	Nil
d)	Closing Stock	Nil	Nil

e) Sales

Particulars	2006-07		2005-06	
	Qty	Value	Qty	Value
Product Sales :				
LED Based Display Systems	81	131,172,690	25	61,628,559
GSM/CDMA Phones	300230	805,241,120	-	-
Hand Held Computers	17	97,920	569	3,045,810
Software	290	299,672,119	907	104,518,872
Computers, Software products & services	-	571,904,140	-	622,651,133
Other Accessories & Other Charges	-	461,910,882	-	4,932,072
Duties & Taxes	-	21,414,829	-	38,224,972
Export Sales :				
LED Based Display Systems	9	28,460,804	8	89,040,375
Software	11	55,920,585	11	42,247,664
Other Services & Taxes :		32,316,842		51,947,993
Total Sales		2,408,111,931		1,018,237,450

f) Analysis of materials consumed

Particulars	2006-07		2005-06	
	%	Value	%	Value
Indigenous	73.14	1,355,360,909	93.16	656,046,614
Imported	26.86	497,743,970	6.84	48,125,363
Total	100.00	1,853,104,880	100.00	704,171,977

Notes on Accounts

g) Expenditure in Foreign Currency

Particulars	(Amt. in Rs.)	
	2006-07	2005-06
Travel Expenses	2,554,875	1,400,233
Others	303,978	393,221
Value of Imports on CIF basis:		
Components		
Capital Equipment & Software	501,703,261	54,648,889
	-	43,474
Earnings in foreign exchange on FOB basis	84,381,389	131,288,039

8. Earnings Per Share

Particulars	FY 2007
Basic	Equivalent No. of Shares
Closing No. of Shares	20,127,655
Profit after Taxes (Amt. in Rs.)	323,566,896
EPS (in Rs.)	16.08

9. Payment to Auditors:

Particulars	(Amt. in Rs.)	
	Year Ending 30.06.2007	
For Audit	70,000	
Other Services	5,000	
Total	75,000	

10. The amount due to Small Scale Industrial undertakings as at 30.06.2007-Rs.7,521,355/-

11. Previous year's figures are regrouped wherever necessary to conform to the Current Year's Presentation/Classification.

12. Figures have been rounded off to the nearest Rupee.

As per our report of even date
for **PINNAMANENI & CO.**
Chartered Accountants

for and on behalf of the Board

Place : Hyderabad Sd/-
Date : 26-11-07 **(P.V.V.Satyanarayana)**
Partner

Sd/-
(Dr.M.V. Ramana Rao)
Managing Director

Sd/-
(L.N.Malleswara Rao)
Director

Cash Flow Statement for the Year Ended 30.06.2007

Particulars	(Amount in Rs.)	
	As on 30.06.2007	As on 30.06.2006
Cash flows from Operating activities		
Net Profit before taxation, and after prior period & extraordinary item	357,592,144	167,715,323
Adjustments for:		
Depreciation	16,780,334	15,837,785
Loss on Assets Discarded	-	-
Loss (Profit) on Assets Sold	-	-
Prior Period Adjustments	-	(241,768)
Interest Income	(3,992,250)	(323,417)
Income from Mutual Funds	-	-
Operating Profit before working Capital changes	370,380,228	182,987,923
Increase (Decrease) in Sundry Debtors	(1,049,016,788)	(253,016,695)
(Increase) Decrease in Other Current Assets	2,977,563	(45,864,686)
Increase (Decrease) in Loans & Advances	(175,523,477)	(36,006,598)
Increase (Decrease) in Deferred Revenue Expenditure (Issue Expenses)	(42,889,762)	-
Income taxes paid	(26,276,649)	(18,081,721)
Increase (Decrease) in Current Liabilities	839,589,039	26,018,205
Cash generated from Operations	(80,759,846)	(143,963,572)
Net Cash flow from Operating Activities	(80,759,846)	(143,963,572)
Cash flows from Investing Activities		
Purchase of Fixed Assets	(6,228,530)	(22,151,413)
Increase (Decrease) in Capital Work in Progress	(130,496,616)	(23,763,278)
Sale proceeds of Fixed Assets	-	1,246,546
Long term Investments	(110,995,872)	9,200,000
Investments in Mutual Funds	-	-
Interest received	3,992,250	323,417
Dividend received	-	-
Net Cash flow from Investing Activities	(243,728,768)	(35,144,728)
Cash flows from Financing Activities		
Proceeds from Issue of Share Capital	896,636,035	147,144,200
Decrease (Increase) in borrowings -	(114,863,200)	40,117,790
Grant-in-aid received	-	-
Dividend Paid including Dividend Tax	(47,096,700)	-
Net Cash used for financing activities	734,676,135	187,261,990
Net increase in cash and cash equivalents	410,187,521	8,153,690
Cash and Cash equivalents at the beginning of period	15,187,232	7,033,542
Cash and Cash equivalents at the end of period	425,374,753	15,187,232

Place : Hyderabad
Date : 26-11-07

Balance Sheet Abstract and Company's General **Business Profile** pursuant to
Part IV of Schedule VI of the Companies Act, 1956

i) Registration Details

Registration Number	01-08652	State Code	01
Balance Sheet Date	30.06.2007		

ii) Capital Raised during the year (Rs. in Lacs)

Public Issue	510.00	Rights Issue	NIL
Bonus Issue	457.43	Private Placement	148.61

iii) Position of Mobilisation and Deployment of Funds (Rs. in Lacs)

Total Liabilities	17511.17	Total Assets	17511.17
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Sources of Funds

Paid-up Capital	2012.77	Reserves & Surplus (Excluding Deferred Tax liability)	14658.51
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Application of Funds

Sh.Application	-	Unsecured Loans	-
Secured Loans	726.88		
Net Fixed Assets	3380.44	Investments	1172.97
Net Current Assets	12528.86	Misc. Expenditure	428.90
Accumulated Losses	NIL		

iv) Performance of Company (Amt. Rs. in lacs)

Turnover	24126.00	Total Expenditure	20551.25
Profit Before Tax	3574.75	Profit After Tax	3235.67
Earning per share	16.08	Dividend per share	2.00

v) Generic Names of Two Principal Products of Company (as per monetary terms)

Item Code No. (ITC Code)	8541 40 20, 8531 20 00
Product Description	LED Display Systems
Item Code No. (ITC Code)	8471 30 90
Product Description	Hand Held Computers
Item Code No. (ITC Code)	8523 80 20
Product Description	Computer Software

Statement Pursuant to Section 212 of the Companies Act, 1956 Relating to Company's Interest In Subsidiary Companies

S.No.	Particulars	Name of the Subsidiary Company	
		MIC Technologies (Aust.)Pty. Ltd.	Infostep Inc., USA
1	The Financial year of the Subsidiary Company Ended on	30.06.2007	30.06.2007
2	a) Number of shares held by MIC Electronics Limited: with its nominees in the subsidiaries at the end of the financial year of the subsidiary companies	99 Ordinary Shares fully paid up	4615850 Ordinary Shares fully paid up
	b) Extent of Interest of holding company at the end of the financial year of the Subsidiary Companies.	90%	55%
3	The net aggregate amount of the subsidiary companies Profit/Loss so far as it concerns the members of the Holding company:		
	a) Not dealt in the holding company's accounts		
	i) For the financial year 30th June,2007	-	-
	ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	-	-
	b) Dealt in the holding company's accounts		
	i) For the financial year 30th June,2007	Rs. 90,150/-	Rs. 1,36,18,984/-
	ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries	-	-



[Consolidated Financials]



Auditors' Report

on Consolidated Financial Statements

To

The Board of Directors of

M/s. MIC Electronics Limited

We have audited the attached consolidated Balance Sheet of M/s.MIC Electronics Limited and its subsidiaries (collectively called "the Group"), as at 30th June 2007 and also the consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed hereto. 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 have 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.

We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard – 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to the explanations given to us, the said 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 Group as at 30th June, 2007;
- (b) In the case of the consolidated Profit and Loss Account, of the Profit for the year ended on that date;
and
- (c) In the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For Pinnamaneni & Co
CHARTERED ACCOUNTANTS

PLACE: HYDERABAD
DATE: 26-11-07

P.V.V.Satyanarayana
PARTNER.

Consolidated Balance Sheet As at 30th June 2007

PARTICULARS	SCH REF	AS AT 30.06.2007 Rs.	AS AT 30.06.2006 Rs.
I. SOURCES OF FUNDS			
1. Share holders funds			
Share Capital	1	201,276,550	89,672,550
Reserves & Surples	2	1,479,560,593	403,127,145
Share Application Money		-	416,765
		1,680,837,143	493,216,460
2. Minority Interest			
		15,478,442	-
3. Loan Funds			
Secured Loans	3	82,173,554	187,551,120
Unsecured Loans	4	11,310,781	1,888,200
4. Deferred Tax Liability			
		18,022,491	3,552,617
	TOTAL	1,807,822,411	686,208,397
II. APPLICATION OF FUNDS			
1. Goodwill			
		105,648,970	-
2. Fixed Assets			
Gross Block		290,942,649	253,936,757
Less: Depreciation		86,251,728	55,824,129
Net Block		204,690,922	198,112,628
Intangible Assets			
Capital Work in Progress		18,217,955	338,800
		154,259,894	23,763,278
		377,168,771	222,214,706
3. Investments			
	5	6,350,000	6,300,000
4. Current Assets, Loans & Advances			
Inventories	6	89,330,214	91,387,696
Sundry Debtors	7	1,449,769,825	362,422,149
Cash & Bank Balances	8	428,749,025	16,843,930
Loans & Advances	9	262,618,830	86,205,997
		2,230,467,893	556,859,772
Less: Current Liabilities & Provisions	10	954,730,649	99,193,184
Net Current Assets		1,275,737,245	457,666,588
5. Miscellaneous Expenditure (to the extent not written off)			
Issue expenses		42,889,762	-
Preliminary Expenses		27,664	27,104
	TOTAL	1,807,822,411	686,208,397
Accounting policies & Notes on Accounts			
	19		

As per our report of even date
for **PINNAMANENI & CO.**
Chartered Accountants

for and on behalf of the Board

Place : Hyderabad
Date : 26-11-07

Sd/-
(P.V.V.Satyanarayana)
Partner

Sd/-
(Dr.M.V. Ramana Rao)
Managing Director

Sd/-
(L.N.Malleswara Rao)
Director

Consolidated Profit and Loss Account For the Year Ended 30th June 2007

PARTICULARS	SCH REF	CURRENT	PREVIOUS
		YEAR	YEAR
		Rs.	Rs.
I. INCOME			
Sales & Services	11	2,709,317,473	1,040,086,964
Increase/(Decrease) in Stock	12	(13,301,400)	25,245,468
Other Income	13	4,531,235	643,542
TOTAL		2,700,547,307	1,065,975,974
II. EXPENDITURE			
Material Consumed	14	1,834,091,930	701,101,977
Employee Cost	15	156,898,896	31,137,049
Manufacturing, Administrative & Sales Expenses	16	256,591,893	123,819,521
R&D Expenditure	17	14,692,675	7,883,689
Interest and Financial Charges	18	25,352,973	17,391,231
Depreciation		22,301,118	16,222,795
TOTAL		2,309,929,486	897,556,261
III. PROFIT FOR THE YEAR			
		390,617,822	168,419,713
Prior Period Adjustments		-	241,768
Profit Before Tax		390,617,822	168,177,945
Add : Excess Provision of Income Tax for earlier years		117,214	-
		390,735,036	168,177,945
Less Provision for :			
Fringe Benefit Tax		579,935	857,221
Income Tax		25,804,971	17,224,500
Deferred Tax		11,507,959	(5,134,718)
Net Profit After Tax		352,842,170	155,230,942
Effect of Currency Translation on Consolidation		(3,618,018)	-
Net Profit after Tax after adjustment for Currency Translation		349,224,153	155,230,942
Minority Interest		(11,142,805)	-
Balance in Profit & Loss account b/f		218,617,335	63,386,393
Available for appropriation		556,698,683	218,617,335
General Reserve		30,000,000	-
Proposed Dividend @ Rs.2/- on equity shares of Rs.10/- each		40,255,310	-
Corporate Dividend Tax		6,841,390	-
Balance Carried to Balance Sheet		479,601,983	218,617,335
EPS (Basic)		16.80	17.34
EPS (Diluted)		16.80	17.34
Accounting policies & Notes on Accounts	19		

As per our report of even date
for **PINNAMANENI & CO.**
Chartered Accountants

for and on behalf of the Board

Place : Hyderabad
Date : 26-11-07

Sd/-
(P.V.Satyanarayana)
Partner

Sd/-
(Dr.M.V. Ramana Rao)
Managing Director

Sd/-
(L.N.Malleswara Rao)
Director

Schedules Forming part of the **Consolidated Balance Sheet** as at 30th June 2007

PARTICULARS	SCH REF	AS AT	AS AT
		30.06.2007	30.06.2006
		Rs.	Rs.
1. SHARE CAPITAL			
Authorised			
2,20,00,000 Equity Shares of Rs.10/- each (Previous year 1,10,00,000 Equity Shares of Rs.10/- each)		220,000,000	110,000,000
Issued & Subscribed			
2,01,27,655 Equity Shares of Rs.10/- each (Previous Year 91,25,070 Equity Shares of Rs.10/- each)		201,276,550	91,250,700
Paidup			
2,01,27,655 equity shares of Rs.10/- each fully paid up (89,49,720 Equity Shares of Rs.10/- each)		201,276,550	89,497,200
Partly Paid			
(Previous Year)			
1,75,350 equity shares		-	1,753,500
Less : Amount due		-	(1,578,150)
TOTAL		201,276,550	89,672,550
2. RESERVES & SURPLUS			
Capital Subsidy		267,000	267,000
Share Premium Account - Opening Balance		166,242,810	22,925,000
- Additions		831,191,650	143,317,810
- Reductions		45,742,850	-
- Closing Balance		951,691,610	166,242,810
Amalgamation Reserve		18,000,000	18,000,000
Surplus in P&I Account - Opening Balance		218,617,335	63,386,393
- Additions		338,081,348	155,230,942
- Reductions		77,096,700	-
- Closing Balance		479,601,983	218,617,335
General Reserve - Opening Balance		-	-
- Additions		30,000,000	-
- Closing Balance		30,000,000	-
TOTAL		1,479,560,593	403,127,145
3. SECURED LOANS			
Working Capital Loans:			
State Bank Of India - Cash Credit		30,625,079	58,487,164
State Bank Of India - EPC		-	19,484,603
Development Credit Bank Limited		2,068,359	-
Union Bank of California		9,211,487	-
Term Loans:			
Technology Development Board		34,836,000	42,955,000
UCO Bank		-	59,750,754
Small Industries Development Bank of India		143,000	910,051
National Research Development Corp.		3,000,000	3,000,000
Loans under hire purchase against vehicles		2,289,629	2,963,548
TOTAL		82,173,554	187,551,120

Schedules Forming part of the **Consolidated Balance Sheet** as at 30th June 2007

PARTICULARS	SCH REF	AS AT	AS AT
		30.06.2007	30.06.2006
		Rs.	Rs.
4. Unsecured Loans			
Loans from Others		11,310,781	1,888,200
TOTAL		11,310,781	1,888,200
5. INVESTMENTS UNQUOTED			
	No. of Equity Shares fully paid up		
Investment in Associates			
Micronet Technologies Limited	50000	500,000	500,000
MIC Digital Media Vizag Pvt. Ltd (Share Application Money)		5,850,000	5,800,000
TOTAL		6,350,000	6,300,000
6. INVENTORIES (AT COST) (As valued and certified by the Management)			
Raw Materials		60,466,991	50,143,154
Work in Progress		27,943,142	41,244,542
TOTAL		89,330,214	91,387,696
7. SUNDRY DEBTORS (Unsecured considered good)			
Debts due over six months		151,140,697	83,033,440
Other Debts		1,298,629,128	279,388,709
TOTAL		1,449,769,825	362,422,149
8. CASH & BANK BALANCES			
Cash on hand		7,532,390	3,929,127
Balance with Bank		49,860,830	3,431,264
Deposits with Schedule Banks		320,543,540	9,483,539
Balance in Mutul Funds		50,812,266	-
TOTAL		428,749,025	16,843,930

Schedules Forming part of the **Consolidated Balance Sheet** as at 30th June 2007

PARTICULARS	SCH REF	AS AT	AS AT
		30.06.2007	30.06.2006
		Rs.	Rs.
9. LOANS & ADVANCES			
(Unsecured, considered good recoverable in cash or in kind or for value to be received)			
Advances for :Capital Items		210,500	13,904,349
Purchases		5,790,243	6,489,349
Expenses		2,077,744	3,629,278
Advances recoverable in cash or in kind or for value to be received		225,149,563	44,276,132
Advances to Employees		3,253,033	2,903,593
Deposits recoverable		17,575,224	6,211,810
Balance with Central Excise Dept.		2,633,850	454,766
Prepaid expenses		2,370,448	6,677,342
Advance Income Tax , TDS & FBT		3,558,224	1,659,378
	TOTAL	262,618,830	86,205,997
10. CURRENT LIABILITIES & PROVISIONS			
a) Current Liabilities			
Creditors for materials		778,003,182	43,053,900
Creditors for expenses		61,813,149	30,778,006
Advances from Customers & others		18,776,666	4,081,603
Sub Total		858,592,996	77,913,509
b) Provision			
Proposed Dividend		40,255,310	-
Tax on proposed Dividend		6,841,390	-
Income Tax		42,881,874	17,224,500
Leave Salary		1,934,078	1,312,023
Gratuity		4,225,000	2,743,152
	TOTAL	954,730,649	99,193,184

Schedules Forming part of the **Consolidated Profit and Loss** for the year ended 30 June 2007

PARTICULARS	SCH REF	CURRENT	PREVIOUS
		YEAR	YEAR
		Rs.	Rs.
11.SALES & SERVICES			
Domestic		2,291,413,700	835,001,418
Exports		65,368,439	128,218,039
Services		352,535,334	76,867,507
TOTAL		2,709,317,473	1,040,086,964
12.INCREASE/DECREASE IN STOCK			
Opening work in progress/ F.G		41,244,542	15,999,074
Closing work in progress		27,943,142	41,244,542
Increase/(Decrease) in Stock	TOTAL	(13,301,400)	25,245,468
13.OTHER INCOME			
Int. earned on deposits & others		3,992,250	323,417
Other Receipts		538,985	320,125
TOTAL		4,531,235	643,542
14.MATERIAL CONSUMED			
Opening Stock		50,143,154	29,523,936
Add : Purchases		1,848,688,709	723,066,688
		1,898,831,863	752,590,624
Less : Material consumed for R&D		4,272,942	1,345,493
		1,894,558,921	751,245,131
Less : Closing Stock		60,466,991	50,143,154
TOTAL		1,834,091,930	701,101,977
15.EMPLOYEE COST			
Salaries, Wages & Bonus		152,408,920	28,653,870
Contribution to PF and other funds		983,167	1,103,408
Staff Welfare Expenses		1,064,955	576,241
Leave Salary		722,585	137,449
Gratuity		1,719,270	666,081
TOTAL		156,898,896	31,137,049

Schedules Forming part of the **Consolidated Profit and Loss** for the year ended 30 June 2007

PARTICULARS	SCH REF	CURRENT	PREVIOUS
		YEAR	YEAR
		Rs.	Rs.
16. MANUFACTURING, ADMINISTRATIVE AND SALES EXPENSES			
Stores Consumed		1,277,962	733,948
Electricity Charges		967,493	919,281
Excise duty & Service Tax		14,734,881	14,739,141
Insurance		2,488,305	1,451,574
Lease Rentals		-	27,050
Job Works, Plotting ,Development & Testing Charges		1,533,392	1,809,024
Repairs and Maintenance		2,079,469	625,099
Expenses for Software Services		68,428	11,600,587
Expenses for Inter Connect Billing		11,329,204	11,734,520
Professional Charges		15,128,181	19,385,388
Rent , Rates & Taxes		23,980,859	30,397,859
Printing & Stationary		830,272	756,476
Postage, Telephone & Internet Expenses		4,104,121	2,712,541
Travelling, Conveyance & Transport Exp.		14,913,426	11,046,714
Freight, Packing & Forwarding		2,321,603	1,539,012
Vehicle Maintenance		2,598,131	1,002,721
Audit Fee		135,930	45,000
General Charges		14,117,861	4,036,529
Bad Debts & Debit Balances written back		463,531	5,010,343
Bank Charges		4,316,754	3,195,613
Sales Expenses		6,044,556	1,051,102
Issue Expenses written off		10,722,440	-
Subcontractors & outside services		115,761,972	-
	TOTAL	249,918,773	123,819,521
17. R&D EXPENDITURE			
Materials		4,272,942	1,345,493
Employees Cost		9,816,073	5,578,286
Other Expenses		603,660	959,910
	TOTAL	14,692,675	7,883,689

Schedules Forming part of the **Consolidated Profit and Loss** for the year ended 30 June 2007

PARTICULARS	SCH REF	CURRENT	PREVIOUS
		YEAR	YEAR
		Rs.	Rs.
18. INTEREST AND FINANCIAL CHARGES			
Interest on Term Loans -			
UCO Bank		6,504,661	8,556,442
Technology Development Board		2,146,650	1,861,404
Small Industries Development Bank of India		62,678	147,549
Interest on Working Capital			
C.C. A/c- State Bank of India		6,509,860	4,030,296
EPC A/c.-State Bank of India		731,751	1,819,036
Development Credit Bank		3,694,897	-
Union Bank of California		892,933	-
Interest on Loan from others		3,826,920	250,595
Financial Charges		982,623	725,909
	TOTAL	25,352,973	17,391,231

Notes on Accounts

on Consolidated Financial Statements

19 NOTES ON ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES:

The following are significant accounting policies adopted by the company in the preparation and presentation of financial statements.

Sr. No.	Accounting Policies	AS No
1	<p>Disclosure of Accounting Policies:</p> <p>Financial statements have been prepared under the historical costs convention and in accordance with applicable accounting standards and provisions of the Companies Act, 1956. All income and expenditure having a material bearing in the financial statements are prepared on accrual basis.</p>	AS-1
2	<p>Valuation of Inventories:</p> <p>a) Raw Materials and Work in Progress are valued at cost. b) Stock-in-Trade is valued at cost or realisable value whichever is less. c) CENVAT & VAT on purchase of rawmaterial/components are deducted from cost of such materials.</p>	AS-2
3	<p>Cash Flow Statements:</p> <p>Cash flow statement is prepared and is forming part of the financial statements.</p>	AS-3
4	<p>Contingencies and events occurring after the balance sheet date</p> <p>a) Contingent Liabilities not provided for: Nil b) Capital Commitment not provided for: Nil</p>	AS-4
5	<p>Net Profit or Loss for the period, prior period items and changes in accounting policies</p> <p>Net profit for the period:</p> <p>All items of income and expenses in the period are included in the determination of net profit for the period, unless specifically mentioned elsewhere in the financial statements or is required by an Accounting Standard</p> <p>Prior period items Nil</p> <p>Accounting policies:</p> <p>There are no changes in the accounting policies of the Company from that of the previous year.</p>	AS -5
6	<p>Depreciation Accounting:</p> <p>Fixed assets are valued at cost less depreciation provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. In respect of additions made during the year, depreciation is provided on pro rata basis.</p>	AS-6

Notes on **Accounts** on Consolidated Financial Statements

Sr. No.	Accounting Policies	AS No
7	Accounting for <i>Construction contracts</i> The above Standard is not applicable to the Company, as it is not engaged in the business of construction.	AS-7
8	Revenue Recognition Sales & Services are inclusive of taxes and duties collected Revenue from fixed price contracts are recognized as per the terms of the contract. Revenue from other income is based on accrual basis	AS-9
9	Accounting for Fixed Assets Fixed assets are capitalized at acquisition cost and other directly attributable cost of bringing the assets to its working condition. Cenvat & VAT claimed on capital goods are credited to plant & machinery account.	AS-10
10	Accounting for effects in foreign exchange rates a) All monetary items denominated in foreign currency are reflected at the rates prevailing on the Balance sheet date. b) Income and Expenditure items involving foreign exchange are translated at the exchange rate prevailing on the dates of transaction. c) Exchange differences, if any, arising on account of fluctuations in foreign exchange have been duly reflected in the Profit & Loss Account except in respect of acquisition of fixed assets.	AS-11
11	Accounting for Government Grants Since the company has not received any grants, this accounting standard is not applicable	AS-12
12	Accounting for Investments All investments are Long-term investments and are carried at cost.	AS-13
13	Accounting for Amalgamation - Not applicable	AS-14
14	Accounting for Retirement Benefits: a) The Company has a provident fund scheme for their employees. Contributions to the scheme are charged to the profit and loss account. b) Provision for gratuity has been made for all the employees in the rolls of the company at the closing of accounting year. The company is making actual gratuity payments as and when crystallized by debiting to the gratuity fund account. c) The Company extends benefit of Encashment of Leave to its employees while in service as well as on retirement. Leave encashment liability in respect of leave accumulated is accounted for on the basis of last drawn salary.	AS-15

Sr. No.	Accounting Policies	AS No
15	<p>Borrowing Cost</p> <p>Borrowing Cost on qualifying asset is commenced for Capitalization when the expenditure on Qualifying asset and borrowing cost are incurred. The company had not acquired any assets against borrowings in the year and hence it is not applicable in the year.</p>	AS-16
16	<p>Segment Reporting</p> <p>We have recognized revenue on segmental basis.</p>	AS-17
17	<p>Related party Disclosure</p> <p>The company has entered into transactions with related parties and the said information is shown separately.</p>	AS-18
18	<p>Leases</p> <p>The company had not acquired any assets under Lease. Hence the accounting standard is not applicable</p>	AS-19
19	<p>Earnings Per Share</p> <p>The company follows the relevant AS and the disclosures made accordingly</p>	AS-20
20	<p>Consolidated Financial Statements</p> <p>Basis of Consolidation.</p> <p>The Consolidated financial statements relate to the Company and its subsidiary Companies. The Consolidated financial statements have been prepared on the following basis:</p> <ol style="list-style-type: none"> The financial statements of the Company and its subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions. In case of foreign subsidiaries, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is disclosed as "Effect of Currency Translation on Conversion". Difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case maybe. Minority Interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the Group in order to arrive at the net income attributable to the shareholders of the Company. 	AS-21

Notes on **Accounts**

on Consolidated Financial Statements

Sr. No.	Accounting Policies	AS No
	<p>e. As far as possible, the Consolidated financial statements are prepared using the uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.</p>	
21	<p>Deferred Taxation: Current Tax is determined as per the amount of tax payable in respect of taxable income for the period. Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets/liabilities, on timing differences, being difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.</p>	AS-22
22	<p>Accounting for investments in associates Investments in associates is valued at cost of investment.</p>	AS-23

Notes on **Accounts** on Consolidated Financial Statements

II NOTES TO ACCOUNTS

1. Contingent liabilities as per AS-4 not provided for on account of :

S No	Particulars	(Amt. in Rs.)	
		As at 30.06.07	As at 30.06.06
A	Counter guarantees given by the company to banks towards issue of B.Gs.	88,620,987	21,172,832
B	Counter guarantees given by the company to banks towards issue of B.Gs to Customs Dept. against advance licenses	2,443,071	3,052,806
C	Bonds executed to Customs Deptt.(net of BGs) against advance licenses	7,544,373	8,186,390
D	Letter of credits issued by bankers	9,562,911	10,188,500
E	Corporate Guarantees given by the company to banks	37,900,000	—

2. Loans:

Working Capital Loans from SBI & DCB:

- a) State Bank of India and DCB are secured by pari-passu charge on chargeable current assets of the Company. SBI also has 1st charge on machinery of the company to the extent of Rs.418.49 lakhs. On the remaining fixed assets and immovable properties, SBI has 2nd charge on pari-passu basis with DCB, first charge being with UCO Bank.
- b) SBI is further secured by personal guarantees of three of the following Directors of the company.
 1. Dr M V Ramana Rao
 2. Mr L N Malleswara Rao
 3. Mr N. Srinivasa Rao
- c) DCB is further secured by personal guarantee of Dr.M.V.Ramana Rao, Managing Director of the company.
- d) Union Bank of California is secured by personal guarantee of the shareholders of Infostep Inc. USA.

Term Loans:

- a) UCO bank is secured by 1st charge on immovable property situated at Kushaiguda, RR Dist. and plant and machinery, Furniture and fittings and 2nd charge on all chargeable current assets, machinery worth Rs.418.49 lakhs (1st charge being with SBI for working capital).
 - b) Technology Development Board is secured by all assets pertaining to the development and commercialization of the LED TV / Electronic Display system project along with personal guarantees of Dr.M.V. Ramana Rao, Managing Director.
 - c) Small Industries Development Bank is secured by all assets acquired for the development project of STM-1 Optimux along with Personal guarantees of two of the Directors of the Company.
 - d) National Research Development Corporation is secured by all the machinery and equipments acquired for the development of "Fraud Management and Control Centre (FMCC)"
3. Loans outstanding against purchase of vehicles are secured by hypothecation of the same.

Notes on Accounts

on Consolidated Financial Statements

4. Directors' remuneration included in staff cost.

S No	Particulars	(Amt. in Rs.)	
		2006-07	2005-06
A	Managing Director		
	-Remuneration	1,500,000	1,500,000
	-Perquisite Value of rent	180,565	171,268
B	Other Directors		
	-Remuneration	1,140,000	2,345,000
	-Perquisite Value of rent	Nil	Nil

5. Related party Disclosures:

In Accordance with the Accounting standard AS-18 " Related Party disclosures" Issued by the ICAI, the transactions with related parties are given below:

a. List of Related Parties with whom transactions have taken place and relationship:

S No	Name of the Related Party	Relationship
1	Micronet Technologies Limited	Associate companies
2	MIC Digital Media Vizag (P) Ltd	
3	Dr.M.V.Ramana Rao	Directors- Key Personnel
4	Mr L.N.Malleswara Rao	
5	Mr U.Ramakrishna	

Notes on Accounts

on Consolidated Financial Statements

b. Transactions during the year with related parties :

S No	Nature of Transaction	Amount
1	Investments in Associates: MIC Digital Media Vizag (P) Ltd.	5,850,000
2	Advances to Associates: Micronet Technologies Ltd MIC Digital Media Vizag (P) Ltd.	11,406,876 4,792,606
3	Sales to Associates: Micronet Technologies Ltd MIC Digital Media Vizag (P) Ltd.	120,727,960 61,131,615
4	Loans to/taken from Management personnel	Nil
5	Purchase of Capital Items from Associates:	Nil
6	Expenditure : ▶ Remunerations to Management personnel ▶ Rents paid towards accommodation provided to Management Personnel	2,640,000 180,565

6. Earnings Per Share

Particulars	FY 2007
Basic	Equivalent No. of Shares
Closing No. of Shares	20,127,655
Profit after Taxes (Amt. in Rs.)	338,081,347
EPS (in Rs.)	16.80

7. Previous year's figures are regrouped wherever necessary to conform to the Current Year's Presentation/Classification.
8. Figures have been rounded off to the nearest Rupee.

As per our report of even date
for **PINNAMANENI & CO.**
Chartered Accountants

for and on behalf of the Board

Place : Hyderabad
Date : 26-11-07

Sd/-
(P.V.V.Satyanarayana)
Partner

Sd/-
(Dr.M.V. Ramana Rao)
Managing Director

Sd/-
(L.N.Malleswara Rao)
Director

Consolidated Cash Flow Statement For the Year Ended 30.06.2007

PARTICULARS	for the Y.E. 30.06.2007
Cash flows from Operating activities	
Net Profit after taxation, prior period & extraordinary item and effect of foreign currency translation	349,224,153
Adjustments for:	
Depreciation	22,301,118
Minority Interest	(11,142,805)
Prior Period Adjustments	-
Interest Income	(3,992,250)
Operating Profit before working Capital changes	356,390,216
Increase (Decrease) in Sundry Debtors	(1,087,347,675)
(Increase) Decrease in Loans and Advances	(176,412,833)
Increase (Decrease) in Inventories	2,057,482
Increase (Decrease) in Deferred Revenue Expenditure	14,469,874
Share Issue and Preliminary Expenses	(42,890,322)
Income taxes paid	-
Increase (Decrease) in Current Liabilities and Provisions	855,537,464
Cash generated from Operations	(78,195,795)
Net Cash flow from Operating Activities	(78,195,795)
Cash flows from Investing Activities	
Purchase of Fixed Assets and Capital Work in Progress (net)	(177,255,183)
Increase (Decrease) in Capital Work in Progress	-
Sale proceeds of Fixed Assets	-
Long term Investments	(50,000)
Interest received	3,992,250
Purchase of Goodwill	(105,648,970)
Net Cash flow from Investing Activities	(278,961,903)
Cash flows from Financing Activities	
Proceeds from Issue of Share Capital including Share Premium	896,636,035
Decrease (Increase) in borrowings -	(95,954,985)
Minority Interest	15,478,442
Dividend Paid including Dividend Tax	(47,096,700)
Net Cash used for financing activities	769,062,792
Effect of Exchanges differences on translation of foreign currency cash & Cash equivalent	-
Net increase in cash and cash equivalents	411,905,095
Cash and Cash equivalents at the beginning of period	16,843,930
Cash and Cash equivalents at the end of period	428,749,025

Place : Hyderabad
Date : 26-11-07



[Financials of Subsidiaries]



MIC Technologies (Aust) Pty Ltd

Directors' Declaration

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies prescribed in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, present fairly the company's financial position as at 30 June 2007 and its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements;
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Sd/-
Ramana Murthy Telugu Venkata
Director

Sd/-
Paul Hager
Director

Dated: 20 November, 2007



MIC Technologies (Aust) Pty Ltd

Directors' Report

Your directors present this report on the company for the financial year ended 30 June 2007.

Directors

The names of the directors in office at any time during or since the end of the year are:

Paul Hager

Ramana Murthy Telugu Venkata

Ramana Rao Maganti Venkata

Maurice Fitzgerald

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating Result

The profit of the company for the financial year after providing for income tax amounted to:

Year ended	Year ended
30 June 2007	30 June 2006
\$	\$
25,815	21,057

Principal Activities

The principal activities of the company during the course of the year were Consultancy Services.

No significant change in the nature of these activities occurred during the year.

Significant Changes in the State of Affairs

No significant changes in the company's state of affairs occurred during the financial year.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

Future Developments

The company expects to maintain the present status and level of operations and hence there are no likely developments in the operations in future financial years.

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends

No dividends were declared or paid since the start of the financial year. No recommendation for payment of dividends has been made.

Share Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.



MIC Technologies (Aust) Pty Ltd

Directors' Report

Directors Benefits

No director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the company or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnifying Officer or Auditor

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors:

Sd/-
Ramana Murthy Telugu Venkata
Director

Sd/-
Paul Hager
Director

Dated: 20 November, 2007



MIC Technologies (Aust) Pty Ltd

Independent Auditor Report

Scope

We have audited the attached financial report, being a special purpose financial report comprising the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position and Notes to the Financial Statements, for the year ended 30 June 2007 of MIC TECHNOLOGIES (AUST) PTY LTD. The company's directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements which form part of the financial report are consistent with the financial reporting requirements of the company's constitution and are appropriate to meet the needs of the members. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements to the extent described in Note 1.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report presents fairly, in accordance with the accounting policies described in Note 1 to the financial statements, the financial position of MIC TECHNOLOGIES (AUST) PTY LTD as at 30 June 2007 and the results of its operations for the year then ended.

Signed on 20 November, 2007:

Sd/-

Chander Sareen, CPA

CNR Accounting & Taxation

36A Railway Parade Burwood NSW 2134



MIC Technologies (Aust) Pty Ltd

Detailed **Profit and Loss** Statement
For the year ended 30 June 2007

	Note	2006-07	2005-06
(Amt in AUD)			
Income			
Gross Receipts		635,893	744,978
Other income		1,248	0
Total income		<u>637,141</u>	<u>744,978</u>
Expenses			
Accountancy		1,900	1,850
Advertising and promotion		960	2,030
Bank Fees And Charges		567	250
Business Promotion		2,489	726
Casual labour		495	0
Cleaning/rubbish removal		31	0
Computer Expenses		1,972	3,219
Consultants fees		14,751	0
Contract payments		174,203	515,915
Depreciation - other		85,041	11,510
Electricity		138	730
Fees & charges		954	0
Filing Fees		212	212
Hire/rent of Plant & Equipment		1,679	6,696
Insurance		2,849	6,065
Interest - Australia		781	0
Legal fees		500	3,900
M/V car - Depreciation		1,364	0
M/V car - Fuel & oil		316	0
M/V car - Lease		635	0
M/V car - Rego/Insurance		1,639	0
M/V car - Other		49	0
Office Expenses		11,905	4,146
Postage		587	190

The accompanying notes form part of these financial statements.



MIC Technologies (Aust) Pty Ltd

Detailed **Profit and Loss** Statement
For the year ended 30 June 2007

(Amt in AUD)

Note	2006-07	2005-06
Printing & stationery	3,218	695
Rent on land & buildings	22,156	11,880
Repairs & maintenance	4,453	1,427
Salaries - ordinary	191,615	77,966
Staff training	13,770	536
Sundry expenses	233	0
Superannuation	7,810	1,271
Superannuation - Assoc persons	5,400	9,450
Telephone	10,073	11,974
Tools & Accessories	7,861	0
Travel, accom & conference	20,656	46,178
Transportation Charges	15,790	5,104
Uniform Expenses	1,154	0
Total expenses	<u>610,208</u>	<u>723,921</u>
Profit from Ordinary Activities before income tax	26,932	21,057
Operating profit before income tax	26,932	21,057
Income tax attributable to operating profit (loss)	<u>1,118</u>	<u>0</u>
Operating profit after income tax	25,815	21,057
Retained profits (accumulated losses) at the beginning of the financial year	<u>(23,208)</u>	<u>(44,265)</u>
Total available for appropriation	<u>2,607</u>	<u>(23,208)</u>
Retained profits at the end of the financial year	<u>2,607</u>	<u>(23,208)</u>

The accompanying notes form part of these financial statements.



MIC Technologies (Aust) Pty Ltd

Detailed **Balance Sheet** As At 30 June 2007

(Amt in AUD)

	Note	2006-07	2005-06
Current Assets			
Cash Assets			
Cash At Bank		58,175	47,064
Commonwealth Bank A/c		7,057	2,000
Cash on hand		158	448
		<u>65,390</u>	<u>49,513</u>
Receivables			
CRM Smart		379,242	387,532
Technology Development Centre		69,125	69,125
		<u>448,367</u>	<u>456,657</u>
Current Tax Assets			
GST payable control account		(8,310)	(79,450)
Input tax credit control account		10,635	85,821
		<u>2,325</u>	<u>6,370</u>
Other			
Receivables		1,603	1,603
Advance Payments		30,000	118,117
		<u>31,603</u>	<u>119,721</u>
Total Current Assets		<u>547,686</u>	<u>632,261</u>

The accompanying notes form part of these financial statements.



MIC Technologies (Aust) Pty Ltd

Detailed **Balance Sheet** As At 30 June 2007

(Amt in AUD)

	Note	2006-07	2005-06
Non-Current Assets			
Property, Plant and Equipment			
Fixtures & Fittings		3,814	3,814
Less: Accumulated depreciation		(708)	(316)
Plant & equipment - at cost		528,006	103,367
Less: Accumulated depreciation		(83,194)	(4,540)
Office Equipment		21,837	16,354
Less: Accumulated depreciation		(13,196)	(7,201)
Motor vehicles - at cost		20,273	0
Less: Accumulated depreciation		(1,364)	0
		<u>475,468</u>	<u>111,478</u>
Intangible Assets			
Goodwill		10,000	10,000
		<u>10,000</u>	<u>10,000</u>
Other			
Preliminary expenses		800	800
		<u>800</u>	<u>800</u>
Total Non-Current Assets		486,268	122,278
Total Assets		1,033,953	754,539



MIC Technologies (Aust) Pty Ltd

Detailed **Balance Sheet** As At 30 June 2007

(Amt in AUD)

	Note	2006-07	2005-06
Current Liabilities			
Payables			
Unsecured:			
- MSPV Pty Ltd		0	31,770
- Turnkey Computers		387,532	387,532
- Mic Electronics(India)		423,901	284,866
		<u>811,433</u>	<u>704,168</u>
Interest-Bearing Liabilities			
Unsecured:			
- Other loans		328	2,807
- Loan from MIC Electronics(India)		0	52,925
- Loan From Angelo		10,000	0
		<u>10,328</u>	<u>55,732</u>
Current Tax Liabilities			
Taxation		1,118	0
Amounts withheld from salary and wages		20,258	15,711
		<u>21,376</u>	<u>15,711</u>
Other			
Latha		1,580	0
Advance From Customer		162,175	0
Accounting Charges Payable		2,090	2,035
		<u>165,845</u>	<u>2,035</u>
Total Current Liabilities		<u>1,008,982</u>	<u>777,646</u>
Non-Current Liabilities			
Interest-Bearing Liabilities			
Unsecured:			
- Esanda Finance		22,264	0
Total Non-Current Liabilities		<u>22,264</u>	<u>0</u>
Total Liabilities		<u>1,031,246</u>	<u>777,646</u>
Net Assets		2,707	(23,108)

The accompanying notes form part of these financial statements.



MIC Technologies (Aust) Pty Ltd

[Detailed **Balance Sheet** As At 30 June 2007]

(Amt in AUD)

	Note	2006-07	2005-06
Equity			
Issued Capital			
Issued & paid up capital		100	100
Retained profits / (accumulated losses)		2,607	(23,208)
Total Equity		<u>2,707</u>	<u>(23,108)</u>



MIC Technologies (Aust) Pty Ltd

Notes to the Financial Statements

For the year ended 30 June 2007

Note 1: Statement of Significant Accounting Policies

This financial report is a special purpose financial report prepared for use by directors and members of the company. The directors have determined that the company is not a reporting entity.

The report has been prepared in accordance with the requirements of the following Australian Accounting Standards.

AASB 1031:	Materiality
AASB 110:	Events after the Balance Sheet Date

No other Australian Accounting Standards, Urgent Issues Group Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report has been prepared on an accruals basis and is based on historic costs and does not take into account changing money values, or except where specifically stated, current valuations of non-current assets.

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this financial report:

(a) Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is calculated as per decline in value method at the rates prescribed in the Income Tax Act. Intangible assets are recorded at their cost of acquisition.

(b) Receivables & Payables

All the receivable & payables are subject to verification.



MIC Technologies (Aust) Pty Ltd

Notes to the Financial Statements
For the year ended 30 June 2007

(Amt in AUD)

	2006-07	2005-06
Note 2: Revenue		
Operating Activities:		
Other operating revenue:		
- Gross Receipts	635,893	744,978
- Other income	1,248	0
	637,141	744,978
Note 3: Profit from Ordinary Activities		
Profit (loss) from ordinary activities before income tax has been determined after:		
Charging as Expense:		
Borrowing costs	1,416	0
Depreciation of non-current assets:		
- Motor vehicles	1,364	0
- Other	85,041	11,510
Total depreciation expenses	<u>86,405</u>	<u>11,510</u>
Note 4: Cash assets		
Bank accounts:		
- Cash At Bank	58,175	47,064
- Commonwealth Bank A/c	7,057	2,000
Other cash items:		
- Cash on hand	158	448
	<u>65,390</u>	<u>49,513</u>



MIC Technologies (Aust) Pty Ltd

Notes to the Financial Statements
For the year ended 30 June 2007

(Amt in AUD)

	2006-07	2005-06
Note 5: Receivables		
Current		
Trade debtors	448,367	456,657
	<u>448,367</u>	<u>456,657</u>
Note 6: Other Assets		
Current		
Other	31,603	119,721
	<u>31,603</u>	<u>119,721</u>
Non Current		
Preliminary expenses	800	800
Less: accumulated amortisation	0	0
	<u>800</u>	<u>800</u>



MIC Technologies (Aust) Pty Ltd

Notes to the Financial Statements
For the year ended 30 June 2007

(Amt in AUD)

	2006-07	2005-06
Note 7: Property, Plant and Equipment		
Leasehold improvements:		
- At cost	3,814	3,814
- Less: Accumulated depreciation	(708)	(316)
	<u>3,106</u>	<u>3,498</u>
Plant and equipment:		
- At cost	528,006	103,367
- Less: Accumulated depreciation	(83,194)	(4,540)
	<u>444,812</u>	<u>98,827</u>
Other plant and equipment:		
- At cost	21,837	16,354
- Less: Accumulated depreciation	(13,196)	(7,201)
	<u>8,641</u>	<u>9,153</u>
Motor vehicles:		
- At cost	20,273	0
- Less: Accumulated depreciation	(1,364)	0
	<u>18,909</u>	<u>0</u>
	<u>475,468</u>	<u>111,478</u>
Note 8: Payables		
Unsecured:		
- Trade creditors	811,433	704,168
	<u>811,433</u>	<u>704,168</u>



MIC Technologies (Aust) Pty Ltd

Notes to the Financial Statements
For the year ended 30 June 2007

(Amt in AUD)

	Note	2006-07	2005-06
Note 9: Interest-Bearing Liabilities			
Current			
Unsecured:			
- Other loans		10,328	55,732
		<u>10,328</u>	<u>55,732</u>
Non-Current			
Unsecured:			
- Bank loans		22,264	0
		<u>22,264</u>	<u>0</u>
Note 10: Tax Liabilities			
Current			
Taxation		1,118	0
Amounts withheld from salary and wages		0,258	15,711
		<u>21,376</u>	<u>15,711</u>
Note 11: Other Liabilities			
Current			
Advance payments		163,755	0
Sundry		2,090	2,035
		<u>165,845</u>	<u>2,035</u>



MIC Technologies (Aust) Pty Ltd

MIC TECHNOLOGIES (AUST) PTY LTD ABN 30 110 800 961
Depreciation Schedule for the year ended 30 June, 2007

				DISPOSAL		ADDITION		DEPRECIATION			PROFIT			LOSS			
	Total	Priv	OWDV	Date	Consid	Date	Cost	Value	T	Rate	Deprec	Priv	CWDV	Upto	+ Above	Total	Priv
Office Equipment																	
Computer	0.00	0	0.00	374	0		0	374	D	50.00	187	0	187	0	0	0	0
Computer	0.00	0	0.00	175	0		0	175	D	50.00	87	0	88	0	0	0	0
Computer	0.00	0	0.00	378	0		0	378	D	50.00	189	0	189	0	0	0	0
Computer	0.00	0	0.00	248	0		0	248	D	50.00	124	0	124	0	0	0	0
Computer	0.00	0	0.00	2,566	0		0	2,566	D	50.00	1,283	0	1,283	0	0	0	0
Computer	0.00	0	0.00	735	0		0	735	D	50.00	367	0	368	0	0	0	0
Computer	0.00	0	0.00	1,332	0		0	1,332	D	50.00	666	0	666	0	0	0	0
Computer	0.00	0	0.00	236	0		0	236	D	50.00	118	0	118	0	0	0	0
Laptop	0.00	0	0.00	1,525	0		0	1,525	D	50.00	762	0	763	0	0	0	0
VOIP Phones	0.00	0	0.00	580	0		0	580	D	7.50	43	0	537	0	0	0	0
Touch Screen Monitor	0.00	0	0.00	545	0		0	545	D	37.50	204	0	341	0	0	0	0
Printer	0.00	0	0.00	344	0		0	344	D	30.00	103	0	241	0	0	0	0
Telephone Equipment	0.00	0	0.00	114	0		0	114	D	7.50	9	0	105	0	0	0	0
Laptop	0.00	0	0.00	0	0	17/07/06	1,406	1,406	D	50.00	672	0	734	0	0	0	0
Computer Server	0.00	0	0.00	0	0	22/09/06	4,077	4,077	D	37.50	1,181	0	2,896	0	0	0	0
	0			9,152	0		5,483	14,635			5,995	0	8,640				
	Deduct Private Portion										0						
	Net Depreciation										5,995						



MIC TECHNOLOGIES (AUST) PTY LTD ABN 30 110 800 961
Depreciation Schedule for the year ended 30 June, 2007

		Total	Priv	DISPOSAL			ADDITION		DEPRECIATION				PROFIT			LOSS			
				OWDV	Date	Consid	Date	Cost	Value	T	Rate	Deprec	Priv	CWDV	Upto	+ Above	Total	-	Priv
Plant & Equipment																			
Information Display System	0.00	0	0.00	92,865		0		0	92,865	D	7.50	6,965	0	85,900	0	0	0	0	
Speakers	0.00	0	0.00	4,571		0		0	4,571	D	7.50	343	0	4,228	0	0	0	0	
Equipment For LED	0.00	0	0.00	1,083		0		0	1,083	D	7.50	81	0	1,002	0	0	0	0	
DVD Player	0.00	0	0.00	234		0		0	234	D	7.50	18	0	216	0	0	0	0	
Equipment For LED	0.00	0	0.00	76		0		0	76	D	7.50	6	0	70	0	0	0	0	
Information Display System-2	0.00	0	0.00	0		0	31/10/06	81,562	81,562	D	7.50	4,073	0	77,489	0	0	0	0	
Alarm System	0.00	0	0.00	0		0	20/11/06	1,273	1,273	D	7.50	58	0	1,215	0	0	0	0	
Projector	0.00	0	0.00	0		0	27/11/06	6,182	6,182	D	15.00	549	0	5,633	0	0	0	0	
Software	0.00	0	0.00	0		0	27/09/06	136,997	136,997	D	60.00	62,381	0	74,616	0	0	0	0	
Projector	0.00	0	0.00	0		0	15/02/07	6,230	6,230	D	15.00	348	0	5,882	0	0	0	0	
Information Display System	0.00	0	0.00	0		0	19/03/07	28,340	28,340	D	7.50	606	0	27,734	0	0	0	0	
Information Display System	0.00	0	0.00	0		0	23/02/07	13,455	13,455	D	7.50	354	0	13,101	0	0	0	0	
Information Display System	0.00	0	0.00	0		0	07/03/07	115,661	115,661	D	7.50	2,757	0	112,904	0	0	0	0	
Information Display System	0.00	0	0.00	0		0	15/06/07	34,939	34,939	D	7.50	115	0	34,824	0	0	0	0	
		0		98,829		0		424,639	523,468			78,654	0	444,814					
Deduct Private Portion												0							
Net Depreciation												78,654							



MIC TECHNOLOGIES (AUST) PTY LTD ABN 30 110 800 961
Depreciation Schedule for the year ended 30 June, 2007

		Total	Priv	OWDV	DISPOSAL		ADDITION		DEPRECIATION				PROFIT		LOSS			
					Date	Consid	Date	Cost	Value	T	Rate	Deprec	Priv	CWDV	Upto	+ Above	Total	Priv
Furniture & Fixtures																		
Furniture	0.00	0	0.00	164		0		0	164	D	11.25	18	0	146	0	0	0	0
Furniture	0.00	0	0.00	270		0		0	270	D	11.25	30	0	240	0	0	0	0
Furniture	0.00	0	0.00	2,385		0		0	2,385	D	11.25	268	0	2,117	0	0	0	0
Furniture	0.00	0	0.00	679		0		0	679	D	11.25	76	0	603	0	0	0	0
		0		3,498		0		0	3,498			392	0	3,106				
												Deduct Private Portion	0					
												Net Depreciation	392					
Motor Vehicle																		
Car	0.00	0	0.00	0		0	20/02/07	20,273	20,273	D	18.75	1,364	0	18,909	0	0	0	0
		0		0		0		20,273	20,273			1,364	0	18,909				
												Deduct Private Portion	0					
												Net Depreciation	1,364					



infoSTEP Inc., USA

Report of **Independent Public** Accountant

To the Board of Directors
Infostep, Inc.
2350 Mission College Blvd., Suite 290
Santa Clara, CA 95054

We have audited the accompanying consolidated balance sheet of Infostep, Inc. and its subsidiary as of June 30, 2007 and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the six months and the year then ended. 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 audits.

We conducted our audit in accordance with the generally accepted auditing standards. 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.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Infostep, Inc. and its subsidiary as of June 30, 2007, and the results of its operations and its cash flows for the six months and the year then ended are in conformity with accounting principles generally accepted in the United States of America.

Sd/-
Naresh Arora

Santa Clara, California
October 15, 2007



infoSTEP Inc., USA

Balance Sheet As of June 30, 2007

(Amt in USD)

AS AT
30.06.2007

ASSETS

CURRENT ASSETS

Cash and cash equivalents	27,325
Trade accounts receivable	1,242,035
Inventories	22,587
Related party receivables	126,817
Employee advances	28,365
Prepays and other current assets	23,516

TOTAL CURRENT ASSETS

1,470,644

PROPERTY AND EQUIPMENT, AT COST

371,087

Less : Accumulated depreciation

(261,469)

NET PROPERTY AND EQUIPMENT

109,618

OTHER ASSETS

Capitalized software development costs, net	438,742
Deposits	44,723

NET OTHER ASSETS

483,465

TOTAL ASSETS

2,063,727

LIABILITIES & SHAREHOLDER'S EQUITY

CURRENT LIABILITIES

Trade accounts payable and accrued liabilities	571,567
Note payable to bank	226,132
Deferred income tax liability	165,000
Equipment lease obligations	6,730

TOTAL CURRENT LIABILITIES

969,429

OTHER LIABILITIES

Notes payable	250,000
---------------	---------

TOTAL OTHER LIABILITIES

250,000

SHAREHOLDER'S EQUITY

Common Stock	23,133
Retained earnings	883,559
Currency translation adjustment	(62,394)

TOTAL SHAREHOLDER'S EQUITY

844,298

TOTAL LIABILITIES & SHAREHOLDER'S EQUITY

2,063,727

Accompanied notes are an integral part of these financial statement.



infoSTEP Inc., USA

Statements of Income For year ended June 30, 2007

(Amt in USD)

	For the Year Ended June 30, 2007
REVENUES	6,979,237
COST OF REVENUES	
Subcontractors and outside services	2,709,784
Employee wages, benefits and taxes	1,939,581
Software development	156,206
	<u>4,805,571</u>
GROSS PROFIT	2,173,667
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,419,192
INCOME FROM OPERATIONS	<u>754,475</u>
OTHER INCOME (EXPENSES)	
Interest expense	<u>(20,902)</u>
INCOME BEFORE INCOME TAXES	733,572
INCOME TAXES	
Current	1,626
Deferred	88,000
	<u>89,626</u>
NET INCOME	643,946

Accompanied notes are an integral part of these financial statement.



infoSTEP Inc., USA

Statement of Changes in Shareholder's Equity

(Amt in USD)

	Common Stock		Retained Earnings	Accumulated	Shareholder's Equity
	Shares	Amount		Comprehensive Income	
Balances, July 1, 2006	8,392,454	23,133	219,245	(5,954)	236,424
Comprehensive income:					
Net income	-	-	119,139	-	119,139
Foreign currency translation	-	-	-	2,081	2,081
Balances, December 31, 2006	8,392,454	23,133	338,384	(3,873)	357,644
Prior period adjustments	-	-	20,368	-	20,368
Comprehensive income:					
Net income	-	-	524,808	-	524,808
Foreign currency translation	-	-	-	(58,521)	(58,521)
Balances, June 30, 2007	8,392,454	23,133	883,559	(62,394)	844,298

Accompanied notes are an integral part of these financial statement.



infoSTEP Inc., USA

Statements of Cash Flows

	(Amt in USD)
	For the Year Ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income from operations before prior period adjustments	643,947
Prior period adjustments	20,368
Currency translation adjustment	(56,440)
Adjustments to reconcile net income to net cash used in operations:	
Depreciation and amortization	51,374
Changes in operating assets and liabilities:	
Trade accounts receivable	(565,224)
Inventory	(22,587)
Related party receivables	(126,817)
Prepays and other current assets	(19,747)
Employee advances	(28,365)
Deposits	(31,548)
Trade accounts payable and accrued liabilities	61,995
Note payable to bank	125,424
Deferred income tax liability	88,000
Equipment lease obligations	6,730
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>147,109</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of equipment	(64,322)
Capitalized software development costs	(461,833)
NET CASH USED IN INVESTING ACTIVITIES	<u>(526,155)</u>
NET DECREASE IN CASH	(379,046)
CASH, BEGINNING OF PERIOD	406,371
CASH, END OF PERIOD	<u>27,325</u>

Accompanied notes are an integral part of these financial statement.



infoSTEP Inc., USA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE A - ORGANIZATION

Infostep, Inc. (the "Company") and its software development services affiliate in India provide information technology solutions, multimedia applications and software engineering services for global enterprises in the United States, Singapore and UK. The Company was incorporated under the laws of the State of California on February 11, 1998.

In early 2007, 55% of the Company stock was acquired by MIC Electronics Limited ("MIC"), an Indian company in the business of design, development & manufacturing of LED video displays, high-end electronic and telecommunication equipment and development of telecom software since 1988.

NOTE B - BASIS OF PRESENTATION

The consolidated financial statements for the year ended June 30, 2007 include the accounts of the Company and its wholly owned subsidiary, Infostep India Private Limited ("IIPL") which was formed in September 21, 2006 in order to provide software development services to the Company. All significant inter-company balances and transactions have been eliminated. The Company owns 100% of the outstanding stock of IIPL.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The company considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Allowance for Doubtful Accounts

The Company grants credit terms in the normal course of business to its customers. Concentrations of credit risk with respect to these trade receivables are considered minimal due to premium brand customers involved. The Company's revenues and resulting accounts receivable are derived primarily from large and mid-sized organizations in various industries throughout the United States.

No allowance for doubtful accounts is provided as company is collecting amount without default. If actual collections experience changes, then needs to provide allowance for doubtful accounts.

Inventories

Inventories, consisting of LED equipment, are stated at the lower of cost or market.

Furniture and Equipment

Property and equipment are stated at cost. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is computed using straight-line method over the estimated useful lives of the depreciable assets as follows:

Software	3 Years
Computer equipment	5 Years
Office and other equipment	5 Years
Furniture & fixtures	7 Years



infoSTEP Inc., USA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

Revenue Recognition

The company recognizes revenue on time-and-expense contracts as the services are performed.

Capitalized Software Development Costs

The Company capitalizes certain internal expenses related to developing computer software used in the services it sells. Costs incurred prior to the establishment of technological feasibility are charged to research and development expense. The Company considers technological feasibility to have been established for a product when all of the following conditions have been met: a) the detail program design has been complete and it has been determined that the necessary skills, hardware, and software technology are available to produce the product, b) the detail program design has been traced to product specifications, and c) all high-risk development issues have been resolved through coding and testing. Upon general release to customers of the product in which the software is included, the capitalization ceases, and such costs are amortized using the straight-line method over their estimated useful life. Capitalized software development costs include the allocations, as determined by the management, of salaries of officers and other employees based upon time spent on product development.

Capitalized software development costs and accumulated amortization as of June 30, 2007 are as follows:

Capitalized costs	\$ 461,833
Less: Accumulated amortization	(23,091)
	\$ 438,742

Foreign Currency Translation

The financial statements of foreign subsidiary are translated using the exchange rate in effect at period end for balance sheet accounts and the average rate in effect during the period for revenue and expense accounts. Translation gains and losses are excluded from the consolidated statements of operations and are instead reported as the currency translation adjustment component of other comprehensive income.

Income Taxes

The company accounts for income taxes in accordance with the provision of Statement of Financial Accounting Standards ("SFAS") No. 109 requires recognition of deferred tax liabilities and assets for the expected future consequences events that have been included in the financial statements or tax returns. Under this method the deferred tax liability and assets are determined based on the difference between the financial statements and tax bases of assets and liabilities using enacted tax rates.



infoSTEP Inc., USA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE D - NOTES PAYABLE

Note payable to bank

The Company has a \$250,000 working capital line of credit from Union bank of California, bearing interest rate of 10%. Borrowing under the line of credit was \$226,132 as of June 30, 2007. The line of credit is personally guaranteed by company's shareholders.

Other liabilities - Note payable to others

The Company, in February 2006, borrowed \$250,000 on interest free term note from KPIT, a business strategic associate. The note calls for principal to be paid in 24 equal monthly installments starting 16th February, 2008. Under the original terms, the note becomes payable in full prior to maturity in event of the Company being acquired by or merged into other entity. However, the management is currently negotiating new terms to obtain a waiver of prepayment clause due to acquisition.

NOTE E - PRIOR PERIOD ADJUSTMENT AND RELATED PARTY TRANSACTIONS

In 2007, subsequent to the acquisition of the Company stock, the management arrived at an understanding with MIC for reimbursement of legal and professional charges related to the acquisition incurred in 2006. A charge of \$20,368 recorded in the statement of income for the year ended December 31, 2006 is therefore being reversed through a prior period adjustment to retained earnings and is being reported as receivable from MIC.

Related party receivables include receivables from MIC for allocations, as determined by the management, of salaries of officers and other employees based upon time spent on business development and marketing efforts for promoting the LED line of business. As of June 30, 2007, related party receivables include \$106,449 recoverable from MIC for costs incurred on its behalf during 2007.



infoSTEP Inc., USA

NOTES TO **FINANCIAL STATEMENTS** JUNE 30, 2007

NOTE F – SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

(Amt in USD)

	For the Year Ended June 30, 2007
Advertising and marketing	68,390
Auto expenses	29,128
Depreciation and amortization	59,048
Employees wages, benefits and taxes	781,113
Insurance	25,929
Legal and professional fees	133,822
Office and general	96,091
Rent and utilities	76,165
Taxes and licenses	2,828
Telephone and connectivity	38,456
Travel	108,221
	1,419,192

NOTE G – COMMITMENTS AND CONTINGENCIES

The Company leases office space in Santa Clara, California under a non-cancelable operating lease agreement expiring on April 16, 2008. As of June 30, 2007, future minimum lease payments required under the lease are \$49,428.

Accompanied notes are integral part of these financial statements.



MIC ELECTRONICS LIMITED

Regd. Office: A-4/II, Electronic Complex, Kushaiguda, Hyderabad-500062

Dear Shareholder,

Re: Payment of Dividend through Electronic Clearing Services (ECS)

In case you have not already sent the ECS particulars to the company or to your Depository Participant (in case of demat holdings), we would request you to provide the particulars in the format given below to facilitate prompt and safe payment of future dividend. If you maintain more than one bank account, payment can be received at any one of your existing accounts.

Please ensure that the details submitted are correct, as any error therein could result in the dividend amount being credited to wrong account.

Kindly help us in our endeavor to serve you better.

Yours faithfully

For **MIC ELECTRONICS LIMITED**

Sd/-

Dr. M.V. Ramana Rao
Chairman & Managing Director

In case you are holding shares in demat form, please also advise your Depository Participant to take note of your ECS mandate.



Form For Electronic Clearing Service (ECS) for Payment of Dividend

***Please fill-in information in CAPITAL LETTERS in English Only.**

To.

INTIME SPECTRUM REGISTRY LIMITED

C-13, Pannalal Silk Mills Compound,

L.B.S.Marg, Bhanup(w),

Mumbai-400078

Maharashtra

Phone: +91 22 2596 0320

For Shares held in physical Form : _____ Folio No _____

For Shares held in Demat Form : _____ DP ID _____ Client ID: _____

Name of First / Sole Share holder : _____

Bank Name : _____

Branch Address : _____

Branch Code :

--	--	--	--	--	--	--	--	--	--

(9 Digit MICR Code Number appearing on the Cheque supplied by the Bank)

Account Please (/) : Saving Current Cash Credit

A/c.No. (As appearing In the Cheque Book) : _____

I/We hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied above, the Company will not be held responsible. I/We agree to inform the Company any change in my/our Bank/branch and account number.

Date:

Place:

(Signature of Shareholder)

(Please attach photocopy of a blank cheque of your bank, duly cancelled, for ensuring accuracy of the Bank's name, branch and 9 digit MICR Code)



MIC ELECTRONICS LIMITED

Regd. Office: A-4/II, Electronic Complex, Kushaiguda, Hyderabad-500062

ATTENDANCE SLIP

I hereby record my presence at the 19th Annual General Meeting of the Company being held on 22nd December, 2007 at 4.00 P.M at registered office of the company.

Name of the Shareholder: _____ Name of Proxy: _____

Signature of Member / Proxy: _____ Regd. Folio No. / *Client id: _____

* Applicable for members holding shares in Electronic Form.

Note: PLEASE FILL ATTEDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETINGVENUE

MIC ELECTRONICS LIMITED

Regd. Office: A-4/II, Electronic Complex, Kushaiguda, Hyderabad-500062

PROXY FORM

Regd. Folio No/ Client ID _____ No. of Shares held _____

I/We _____ of _____ in the district of _____

being a member(s) of the above named company hereby appoint _____ of _____

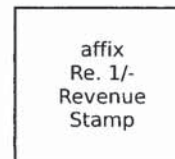
_____ in the district of _____ or failing

him _____ of _____ in the district of _____ as my/our proxy to

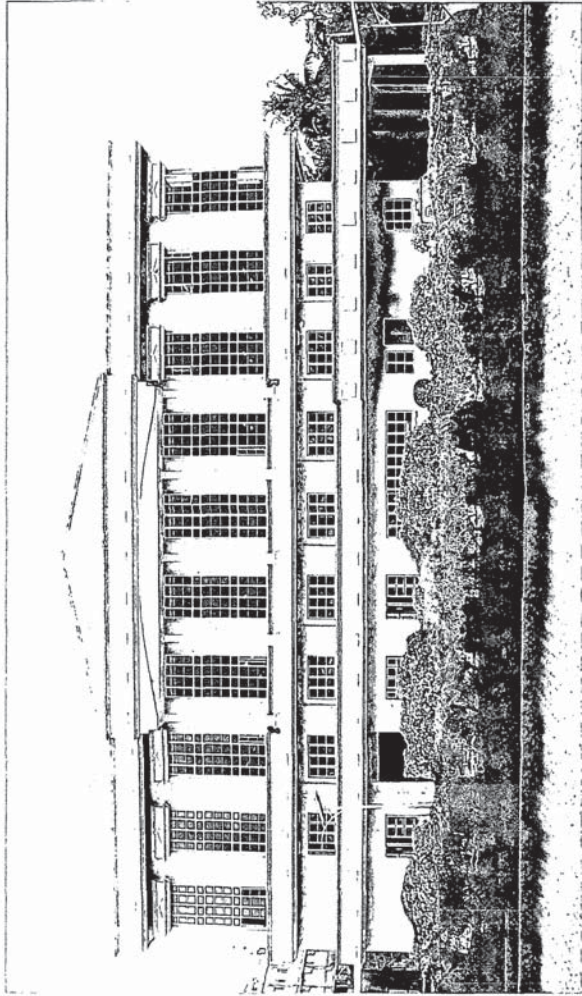
vote for me/us on my/our behalf at the 19th Annual General Meeting of the Company to be held on 22nd December, 2007 at 4.00.P.M at the registered office of the Company or at any adjournment thereof.

Signed this day of2007

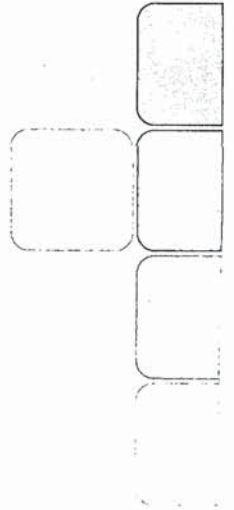
Signature



Note: The proxy form duly completed should be deposited at the Registered Office of the Company not less than Forty Eight Hours before the time fixed for holding the meeting.



www.micelectronics.com



MIC Electronics Limited

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