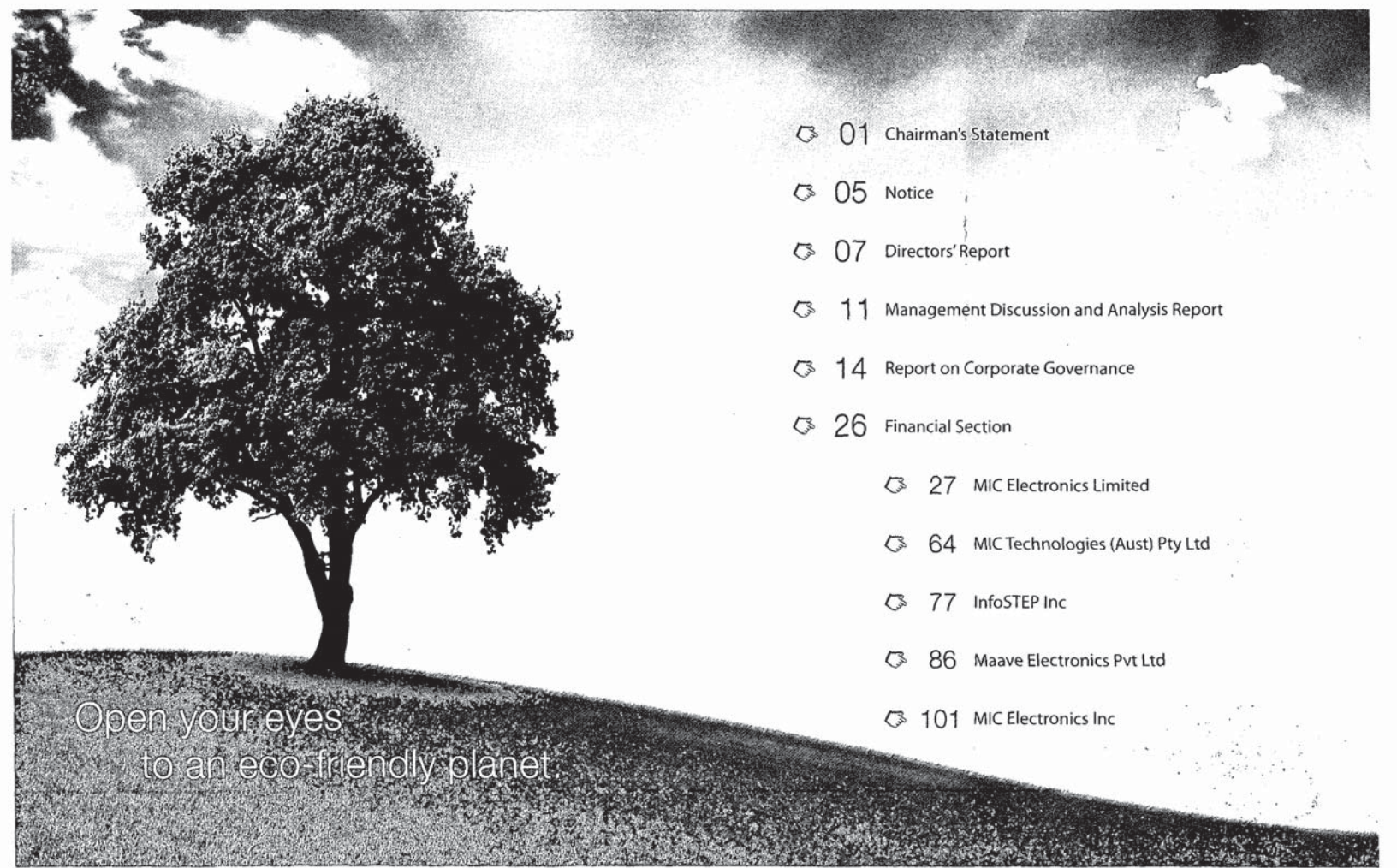


Unleashing the power of LED



21st ANNUAL REPORT 2008-09



Open your eyes
to an eco-friendly planet.

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Dear members

I wish to thank you all for the confidence reposed in your board of directors.

We closed the fiscal year 2008-09 with annual revenues of Rs. 297.64 Crore and Profit after Tax at Rs. 63.95 Crore. The board of directors has recommended a final dividend of 20% per share on face value of Rs. 2/- each.

The global economic recession with its inevitable ramifications on the Indian economy, certainly affected the business prospects - especially in the display segment - Nationally and Internationally. Your company was not immune to this phenomenon above. The expected sales in the display segment could not be achieved due to the economic meltdown, especially in digital Bill Board segment in USA. Sales related to perimeter displays and other sports related displays could not take place as anticipated in the South American market. Drastic reduction in the spending on advertisements has taken a toll on the commercial display sales.

However, the year under review has been very fulfilling in terms of concept proving, product

development and test marketing in LED lighting segment and advanced LED Displays.

On the product development front, in the area of Displays, your company has successfully completed the development of Passenger Information Display System based on the Satellite Imaging for Rail Navigation (SIMRAN) technology. MIC is the only company in the country to have received the approval from Research Design and Standards Organisation (RDSO) of Indian Railways. Supplies of these displays have already commenced.

The Indian Railways has announced an ambitious plan to modernize 599 stations and is replacing the existing Single colour Passenger Information displays with True Color LED Passenger Information displays. MIC being the only Indian company approved by the RDSO, we are looking at a business opportunity of more than Rs. 700 Crore over the next four to five years from this segment. These Railway displays are expected to cover up, to some degree, the short fall being experienced currently in the commercial displays.

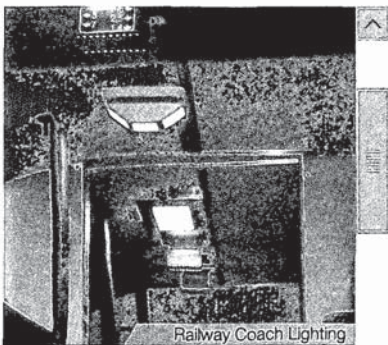
In the Indian sports and IPL segments, your company is enjoying maximum share through the deployment of 16mm and 20mm screens.

Recent supplies of Outdoor Displays to the Municipal Corporation of Delhi (MCD) incorporating 12mm and 14mm pitches and 16 bit processing developed by your company are proving very successful because of the vastly improved picture quality, enhanced brightness and attractive pricing. The demand for outdoor applications is catching up fast.

The Variable Message Sign (VMS) is another important display product developed by your company. These signs are expected to be required in large numbers for the Highways being built by the National Highway Authority of India (NHAI). They are expected to be of vital use to the commuters in terms of safety and information dissemination.

The 4mm display board developed by your Company during the year is truly the pride of MIC. This 'Real' LED pixel TV of 110" size will more than favourably compare with a plasma TV of 103" in terms of price and performance. It is expected to find applications in Airports, Shopping malls, Prestigious Clubs, VIP Households and so on. In addition, the high resolution and portrait-like image quality of the product is expected to help promote the same for high end display applications like control room

Dear Members



Railway Coach Lighting

Trial of Real Time Train Running Information System

Train No.	Train Name	Schedule		Running Status
		Arrival	Dep.	
2304	New Delhi-NRIn Poorva Express नई दिल्ली-नरसिंघपुरी पूर्वी एक्सप्रेस	07:55	08:05	01:03 Lt.
2310	New Delhi-BNJP T Rajdhani Exp नई दिल्ली-बनारस राजधानी एक्सप्रेस	05:35	05:45	12 min Lt.
2393	New Delhi-Rajiv Shramjeevi Exp नई दिल्ली-राजीव गांधी श्रमजीवी एक्सप्रेस	07:20	07:30	01:02 Lt.

Timing 01H:02M Lt. 2393 RJNR-N Delhi Sampurna Kranti

SIMRAN enabled Passenger information Display



Platform Display

applications. Applications, where Digital Light Processors (DLP), are deployed can be catered to by the 4mm LED 'Real' pixel TV/Monitor.

MIC's experience in the application of embedded technology has empowered us to develop and re-engineer the display products, which translate into a significant 30% cost advantage. The interplay of technology-16-bit colour processing, networking and advanced 'normalization' has converged into the manufacture of display screens that can provide around 281 trillion colour shades and portrait-like image sharpness. MIC's experience in varying pitch lengths has resulted in excellent resolution and visual effects which will be very pleasing to the eye, leading to enhanced demand in the entertainment and household markets.

Your company's Display products can be maintained and serviced from remote locations. MIC's presence across the globe makes it possible to address client issues through timely attention. The development team is further working to address operational issues with GLOBIX, a global digital billboard exchange solution, to help billboard owners optimise advertisement space utilisation. This networking is gaining global importance and will strengthen our competitive edge.

The development efforts on the lighting front have been equally spectacular.

In the grid based segment, street lights of 9W, 18W, 36W, 60W, 90W, 120W and 200W have been developed and are ready for production. Bill Board lighting and high mast lighting fixtures of 250W capacity, which can replace 500W traditional luminaries, are also ready for supplies.

Garden Lights and Contour Lights are other outdoor lights developed that merit a mention in the grid based category.

In the indoor lighting category, your company has successfully completed the development of 2' x 2' Area lights, 3W, 5W, 9W down lights and 18W (4') LED tube lights. Pilot scale supplies have already commenced.

Your company is also addressing retrofit markets for replacement of CFL / Incandescent bulbs / Tube lights of different lengths with LED luminaires.

In the off-grid category, significant success is achieved in the Railway Coach lighting domain. MIC is the only company to have supplied the full spectrum of coach lights, fitted in a running coach and also the only company to obtain RDSO clearance. This

segment alone can provide more than Rs. 1000 crore market in the coming years. The on-going trials have been successful. In respect of the emergency lights, MIC is the major supplier enjoying around 50% share of the Railway market.

In the solar powered light category, your company has completed development of 2W, 3W, 5W lanterns, 5W Home Lights, 12-24W Petromax equivalent lights (LEDmax), and street lights in the full range from 9W to 120W.

Your Company's street lights match the best in the world both in construction and performance. All of you will be gratified to note that the city of Pittsburgh in USA has selected MIC's street lights for evaluation prior to usage. The lights are undergoing trials. Your company has dispatched sample LED lights to USA for vinyl display back light applications.

The Australian City of Campbell town has also selected your company's street lights and the evaluation process is on. The trial run is reported to be very successful and a bulk order is expected soon.

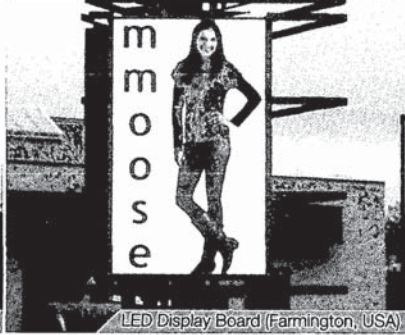
The lights are also benchmarked against International lighting measurement



Digital BillBoard (New Delhi, India)



LED Street Lighting (Campbell, Australia)



LED Display Board (Farmington, USA)



LED Street Lighting (Cantonment, Secbad)



LED Street Lighting (Pittsburgh, USA)

standards like LM-79 in the US Dept of Energy accredited laboratory Lighting Sciences Inc., USA and the results are very encouraging. The performance figures exceed the specifications.

The portable Solar Rechargeable LED Lantern has been well received by The Energy Resources Institute (TERI) and they have spontaneously announced the adoption of MIC lanterns for their prestigious 'Light a Billion Lives' (LaBL) programme during the product launch in May 2009. The demand for LED lanterns is picking up very fast. The supplies through the Indian Oil Corporation (IOC) channel may touch large quantities soon.

Your company has received an order for transforming the city of Rajahmundry of Andhra Pradesh as 'total LED street lights city'. Existing 10000 street lights of various kinds are going to be converted into LED street lights in the coming 3-4 months. This makes Rajahmundry the first 'LED city' in the country. A few other towns and cities in the state of Andhra Pradesh are expected to follow suit very soon.

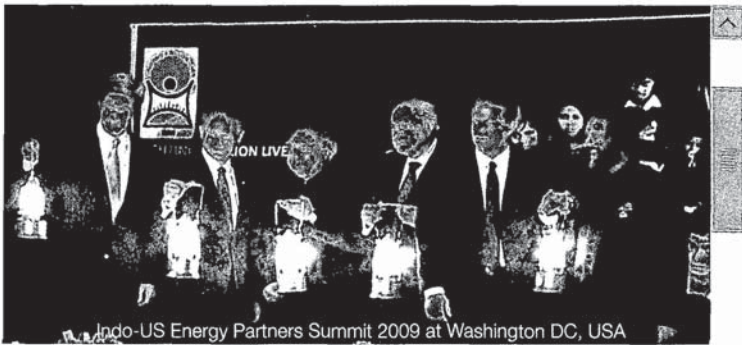
The Commercial and Industrial lighting is also taking off very fast. Leading industrial and automotive companies have already placed trial orders for our Area lights.

Build, Own, Operate and Transfer (BOOT) models implemented by Energy Services Companies (ESCO) will be in position in the country for all major street lighting applications. LED lights will result in 'Virtual Power Generation' due to their ability to conserve electrical energy on a substantial scale. One unit of electrical energy saved is said to be equivalent to 2.5 units produced. It is expected that these economies will induce Government to extend greater incentives to this segment of lighting.

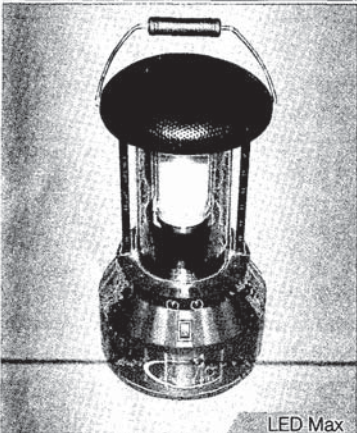
Many developed economies namely the EU, China, Australia and the US are opting for energy-saving and environment-friendly devices over conventional lighting. This trend is riding on robust regulatory reform and has led to an unprecedented demand for LED-based lighting solutions the world over. What is more relevant is that MIC is ready with all the variants of Lights which the market will need currently. The Development team at MIC is working continuously to get the products ready as required by the market and our lighting solutions are expected to stay relevant over the long term.

Many cities and organisations in the world have made plans to shift towards energy efficient LED lighting solutions. To benefit from these exciting opportunities all over

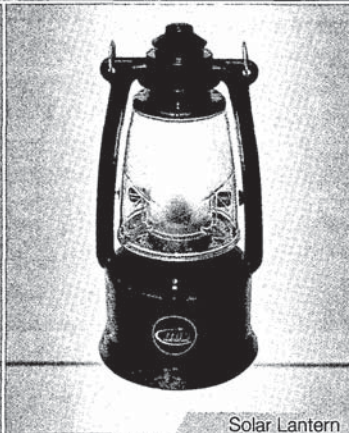
Dear Members



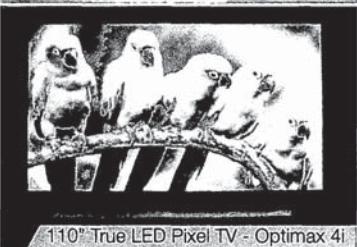
Indo-US Energy Partners Summit 2009 at Washington DC, USA



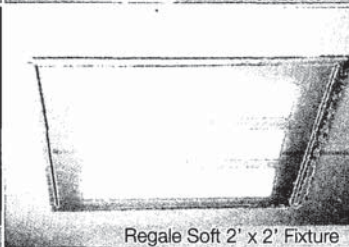
LED Max



Solar Lantern



110" True LED Pixel TV - Optimax 4i



Regale Soft 2' x 2' Fixture

the World, we have identified people to act as our agents to sell LED lighting products in Australia, USA, South Africa and other African countries.

MIC is paying utmost attention to the protection of intellectual property rights in the LED lighting and LED display areas. IPRs are being safeguarded by promptly registering the Trade Names, Trade Marks, Copyrights, Designs and Patents. Your company has till date applied for registration of 50 Trademarks, 5 Copyrights, 9 Designs and 9 Patents in India and 8 Trademarks in USA. Till date 12 Trademarks (6 in India and 6 in US) have been registered and others are pending.

It is a matter of pride that Mr. Rich Templeton, the President of Texas Instruments, the US based multinational Giant has visited the company on 10th of November, 2009. The company's Design & Development (D&D) capabilities came in for wholehearted appreciation.

It is my considered opinion that the market for true colour Billboard displays will now take off because of their inherent advantages. MIC's strengths in IT and communications will throw open avenues for several related application areas for the

Digital Display Screens in Corporate, Educational and Government domains.

Having created a fairly large bouquet of products both in the display and lighting segments, it will be the endeavour of your company, in the years to come, to fully exploit the commercial and business potential of the products developed in and outside the country. Very leading players in the lighting field are expressing interest to work with MIC. Co-branding and OEM supplies will be important marketing options for your company.

Superior product quality and very challenging end user prices will be the differentiators that the company will continuously create as its chief competitive advantages. The world-class development capabilities of your company provide the confidence for the same.

Warm regards,

Dr. M.V. Ramana Rao

Notice

NOTICE is hereby given that the 21st Annual General Meeting of the Members of the Company will be held on Wednesday the 30th December 2009 at 10:00 AM at the registered office of the Company situated at A-4/II, Electronic Complex, Kushaiguda, Hyderabad - 500062, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at 30th June, 2009, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on equity shares for the financial year ended 30th June 2009.
3. To appoint a Director in place of Shri Anil Goyal who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Vidya Sagar Anisingaraju who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution :

“RESOLVED THAT M/s. Pinnamaneni & Co., Chartered Accountants, be and are hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors.”

By Order of the Board
For MIC Electronics Limited

Sd/-
Dr. MV Ramana Rao
(Chairman and Managing Director)

Place: Hyderabad

Date: 5th December 2009

NOTES:

- a) A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and the proxy need not be a member of the company. The enclosed 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) Corporate Members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of Board Resolution authorizing their representatives to attend and vote on their behalf in the meeting.
- c) 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.
- d) The Register of Members and Share Transfer Books of the company will remain closed from 25th December 2009 to 30th December 2009 (both days inclusive) for the Annual General Meeting and determining the name of members eligible for dividend, if approved, at the Annual General Meeting.
- e) Dividend at the rate of 40 paise per equity share (20%) for the year ended 30th June 2009 as recommended by the Board of Directors, if declared by the shareholders at the meeting, will be paid to those shareholders whose names appear on the Register of Members of the company as at the close of business hours on 24th December 2009 and also to the beneficial owners of equity shares held in electronic form on the said date as per the details furnished by the depositories for this purpose.
- f) Members may address their correspondence to Registrar and Share Transfer Agents of the company M/s. Venture Capital and Corporate Investments Private Limited Unit: MIC Electronics Limited H.No:12-10-167, Bharatnagar, Hyderabad - 500018 or to the registered office of the company.
- g) Members are requested to utilize the Electronic Clearing System (ECS) for receiving dividend and may accordingly advise their Depository Participants in case shares are held in the electronic form and the registrar and share transfer agent in case of shares in physical form.
- h) The shareholders who have not en-cashed the dividend warrant(s) so far for the financial years 2006-07 & 2007-08, are requested to make their claim to the Company.
- i) Pursuant to provisions of Sec 205C of the Companies (Amendment) Act, 1956, the amount of dividend remaining unclaimed for the period of 7 years from the date that becomes due for payment are required to be transferred by the company to the Investor Education and Protection fund.

BRIEF PROFILE OF DIRECTORS SEEKING RE-ELECTION

Item No.3:

SHRI ANIL GOYAL, DIRECTOR

Shri Anil Goyal, 46 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 he is a member on various boards and he is Chairman of Audit committee and member of Remuneration committee in your company.

Item No.4:

VIDYA SAGAR ANISINGARAJU

Shri Vidya Sagar Anisingaraju has over 23 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. 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.

He holds a Masters degree from IIT, Kanpur, He is also a Certified Information Systems Auditor (CISA).

Directors' Report

Dear members

Your Directors have pleasure in presenting the Company's twenty first annual report on its business and operations together with the audited statement of accounts for the year ended 30th June 2009.

Financial results

The financial results for the year ended 30th June 2008 are as under:

Particulars	(Rs. in crores)	
	2008-09	2007-08
Total income (including other income)	242.57	314.01
Profit before interest, depreciation & tax	71.58	84.21
Interest	6.82	2.58
Depreciation	2.26	1.88
Provision for taxation (net of all referred taxes)	(1.91)	13.93
Profit after interest, depreciation & tax	64.41	65.82
Dividend	4.03	4.03
Provision for dividend tax	0.68	0.68
Transferred to general reserve	5.00	5.00
Deferred tax asset adjustment for earlier years	2.35	-
Balance brought forward	102.70	46.59
Balance carried forward to Balance Sheet	159.75	102.70

Dividend

Your Directors have recommended a dividend of Rs. 0.40 paise per share (20%) on par value of Rs. 2/- per equity share for your approval.

Transfer to Reserves

The company proposes to transfer Rs. 5.00 crores to the general reserve out of the amount available for appropriations. After the appropriations, it is proposed to retain Rs. 57.05 crores from the current year's profits.

Review of operations

During the year 2008-09, your company achieved a turnover level (including other income) of Rs.242.57 crore as against Rs.314.01 crore in 2007-08. The company sold 6865 LED display modules and

7141 units of LED Lighting Products in 2008-09. The fall in turnover is due to conscious shift from communications segment to media segment for reasons of profitability. Despite this fall in overall turnover, the company earned a post tax profit of Rs.64.41 crore in 2008-09 as against Rs.65.82 crore in 2007-08. The Profit After Tax (PAT), expressed as a percentage of turnover, has significantly improved from 20.96% in 2007-08 to 26.55% in 2008-09.

Corporate Governance

The Company has been following the principles and practices of good Corporate Governance and has ensured due compliance of the requirements stipulated under Clause 49 of the Listing Agreement with the stock exchanges. A separate report on Management Discussion and Analysis, Auditors Certificate on Compliance Conditions on Corporate Governance are annexed to the annual report.

Listing Agreement Compliance

The Company's equity shares are listed on the Bombay Stock Exchange Limited, Phiroz Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 and the National Stock Exchange of India Limited, Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

The Company has paid the listing fees for the Financial Year 2009-10 to each of the said stock exchanges and had currently complied with the conditions of the Listing Agreement.

Fixed Deposits

The Company has not accepted any deposits from the public or shareholder during the year.

Directors

Shri Vidyasagar Anisingaraju and Shri Anil Goyal, Directors, retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

Changes in Directorate after balance sheet date:

Shri Srikant P Joshi resigned as CEO of the company due to his preoccupations and he will continue to be on the board as Independent Director.

Shri Harsh Mariwala and Shri U Ramakrishna Directors resigned due to their preoccupations.

Your Directors place on record their sincere appreciation for the significant contribution made by the above director's during the tenure.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, your Directors confirm to the best of their knowledge and belief that:

- I. In the preparation of annual accounts, the applicable accounting standards have been followed and there were no material departures;
- II. The accounting policies selected have been applied consistently, and 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 at 30th June 2009 and of the profit of the Company for the period ended 30th June 2009;
- III. Proper and sufficient care is taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- iv. The annual accounts have been prepared for the year ended 30th June 2009 on a going concern basis;

Subsidiary Companies

We have four subsidiaries; InfoSTEP Inc, USA and MIC Technologies (Australia) Pty. Ltd. Australia, MIC Electronics Inc. USA, and Maave Electronics Pvt. Ltd. India, financial statements, directors and auditors report of these 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 Accountants of India, the audited consolidated financial statements are annexed.

Auditors

M/s. Pinnamaneni & Co., Chartered Accountants, statutory auditors of the Company retires at the conclusion of the ensuing Annual General Meeting, and has expressed their willingness and eligibility to accept re-appointment.

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.

Conservation of energy:

The operations of the Company are not energy intensive. However, adequate measures have been taken to conserve and reduce the energy consumption by using energy efficient hardware and other equipment. Air conditioners are used only when required and air-conditioned areas have been treated with heat resistant material like sun control film to reduce heat absorption. It is proposed to convert all the existing lights in the Kushaiguda and Cherlapally plants of MIC into LED lighting to maximize the benefits of energy savings through this technology. We believe that energy saved is energy produced

Research and Development and technology absorption

MIC proposes to retain and enhance its competitive advantages in the areas of LED Displays and LED Lighting through its ability to customize user oriented products, quality & reliability and customer attractive cost performance attributes. The comprehensive and competent development capabilities nurtured at MIC will enable the Company not only in realising these objectives but also in maximizing user relevant product ranges.

It will be the endeavor of MIC to enhance the overall value in the supply chain, through lateral and backward integration of products by injection of select technologies.

Foreign exchange earnings and outgo

Earnings: Rs. 139,375,712

Outgo: Rs. 293,042,231

Personnel

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

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

The Company had established MIC Electronics Ltd Employees Welfare Trust in 2005 to create Employee Stock Option Plan.

On 12th August 2006, the Shareholders approved that ESOP to issue 4500000 (Face Value Rs.2/-) stock options of the Company to its employees through the trust.

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 5th December 2009 under the MIC Electronics Ltd Employees Stock Options Plan, 2006 are as under:

Sl.No	Description	Details
1	Options granted	4500000
2	Pricing	The exercise price for conversion of each option to one equity share is Rs. 3/-, if the face value of each share is Rs. 2/- at the time of grant.
3	Options vested	4500000
4	Options exercised	3753110
5	The total number of shares arising as a result of exercise of option	3753110
6	Options lapsed	746890
7	Variation of terms of options	The terms of options were not varied in the financial year 2008-09
8	Money realized by exercise of options	Rs. 11259330/-
9	Total number of options in force	Nil
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% 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.	1) L N Malleswara Rao 41250 2) U Ramakrishna 105000 (Resigned w.e.f 26 th October 2009) Nil Nil
11	Disclosure regarding employee compensation cost	Since the shares were not listed as on the grant date, the value of the shares of the company was taken based on the face value of the share.

Appreciation

Your Directors place on record their sincere appreciation for the significant contribution made by the employees through their dedication, hard work and commitment and the trust reposed on us by investors in general.

We also acknowledge the support and counsel extended to us by the analysts, bankers, government agencies, shareholders and investors at large during the year under review and look forward to their continued support over the foreseeable future.

For and on behalf of the Board

Place: Hyderabad

Date: 5th December 2009

Sd/-

Dr. M V Ramana Rao
Chairman & Managing Director

Sd/-

Shri L N Malleswara Rao
Executive Director

Management Discussion And Analysis Report

Correct Choice of Targeted Domains

The Thrust areas of MIC Electronics Ltd the LED Displays and the LED lighting are, without an iota of doubt, very rapid growth areas. The economic melt down has had a dampening effect on the rate of penetration of these products into the market space certainly but it is a matter of time before they command their rightful places in their respective user domains. It will only be sooner than later!

Need for global foot print

The technology domain is one of those few areas like pharmaceuticals and biotechnology wherein a company like MIC can have realistic aspirations to be a global player of repute. The confidence stems from the comprehensive and competent 'Design & Development' (D&D) base that the Company has built up over the last two decades. The fact that MIC could position its Display screens in U.S.A, South America, U.A.E, South Africa and Australia in addition to several places in Asia and India justifies MIC's global aspirations. The street lights developed by MIC definitely match the

best in the world. It is necessary that MIC should target global markets not only to justify its investments on Design & Development and ensure adequate Returns on Investment but also to benchmark its products, processes and people with the best in the world in its chosen segments of operations.

Asymptotic increase in demand

The substantial savings in the consumption of electrical energy will be the single most significant factor in the adoption of LED lighting solutions especially in the Public lighting systems, Process industries and where the lighting loads are significant and expected to be ON round the clock.

Termed as the fourth generation lighting, LED lighting is making definite in-roads into the general lighting market. It is being reported that electricity for lighting costs US\$ 185 bn annually, world over, and consumes 2300 Twh of power and generates about 2 bn tonnes of CO² annually. Since LEDs are about 10 times more efficient than incandescent lights, and since Governments in many countries are formulating favourable policies of incentives, it is expected that LED lighting

will have rapid growth in the next several years. Lighting is said to represent an annual US\$ 130 bn opportunity. This includes lamps, ballasts, luminaires and controls, with lamps accounting for ~30% of the total or US\$ 40 bn. Since LED luminaires are all inclusive with lights and controls, the figure can be much higher. The forecast is that LEDs could account for ~4% of the lamp market by the year 2011. OSRAM projects that LEDs could account for one-third of the general lighting market by 2020. Philips is more aggressive in claiming 50% penetration by 2015 and 90% by 2020. It is only natural to expect that the trends in India will be similar – atleast qualitatively.

Consumption of electricity through lighting

Even though the average percentage consumption of electricity for lighting applications is generally reported to be around 19-20%, this percentage varies widely from developed to developing countries. Lighting electricity use ranges from 5%-15% in industrialized countries while it can be as much as 86% in developing countries of the total electricity use.

In a country like India, which can probably take a median position, the percentage consumption of electricity for lighting purpose can be estimated to be around 20%. It is to be noted that many people in India still use kerosene for lighting purposes. But for this, the percentage utilization of electricity for lighting would have been much higher.

It is against this backdrop that LED lighting can achieve substantial savings to the nation in energy consumption and in direct consequence in energy generation. Energy saved is naturally energy produced. Solar power LED lights will be excellent substitutes for kerosene lamps.

The application spectrum of LED Lighting & MIC's focus

The application potential of the LED lights is truly vast. The spectrum encompasses:

(1) Lamp replacement (2) Architectural lighting (3) Channel letter / contour lighting (4) Consumer portable lights (5) Residential lighting (6) Retail Display lighting (7) Entertainment (8) Safety / security (9) Outdoor area lighting (10) Off-grid(solar powered and others) (11) Commercial / Industrial lighting (12) Automotive applications amongst others.

MIC's initial thrust in lighting is on four areas: (i) Outdoor lighting (ii) Indoor lighting (iii) Railway Coach lighting (iv) Solar and Portable lighting. The focus in outdoor lighting will be on street lights and Billboard lighting. Initial concentration in the indoor lighting will be on 2' x 2' Area lights, LED tube lights and Down lights.

The application spectrum vis-à-vis MIC's focus is broadly grouped into three segments:

(1) The urban lighting applications (2) The Rural lighting applications (3) Railway lighting applications.

The Urban applications aim at energy conservation and will be tuned to relevant business and financial models. The products relevant to rural applications aim at providing lighting solutions based on solar power, in areas where grid based power is either just not available or is not at all dependable. Government schemes, rural marketing networks, Micro Finance schemes, CSR programmes need to be leveraged on for promoting these products. The products relevant to commercial and industrial applications again depend on their energy savings potential in terms of market acceptance and adoption.

The Railway applications – both for coach lighting and property lighting will look for maintenance free operations in addition to energy conservation. Statutory safety requirements call for emergency lights which are rugged and thoroughly proven.

While architectural lighting is reported to form the largest application segment in lighting in the world, the same is not expected to be the case in India. Similarly, the initial high cost of the LED luminaires may form a deterring factor in ordinary house holds adopting this lighting technology in the immediate future.

The Indian Scenario

The major lighting companies have LED lighting in their programmes. But they appear to be cautious in the introduction of new products. Several small time players have also entered the market with select product streams. The lighting standards are yet to be evolved in the country. Pilot scale production and test marketing are taking place. Certifications and compliance to standards Functional, Safety and Environmental will prove to be the crucial differentiators, to be in the bigger league.

With respect to usage of Renewable sources of Energy, especially solar power, The Ministry of Renewable Energy of Government of India (MNRE) and The Energy and Resources Institute (TERI) are playing active roles. MIC needs to leverage on the reach and clout of these organisations for rural and semi urban lighting applications.

BOOT/ESCO Models

Street Lights will be the single most important application segment that the company has to target. The range of Grid-based street lights developed by MIC, easily matches the best in the world, -in construction, Performance and value added features like Networking and Centralised monitoring and control.

However, the high initial cost of the luminaires will drive the market towards BOOT/ESCO models. Well conceived Financial / Business models need to be evolved for large scale

implementation of the LED lighting solutions in this segment.

Sourcing of funds and optimizing the cost of funds will prove to be the crucial factors for business success in this segment.

Lot of ESCO models are being implemented using existing technologies - shift towards LED based ESCO operations is inevitable and is expected to take place very fast because of the amount of energy savings ranging from 60-70% and as the cost is coming down because of volumes.

True Colour LED Sign Market

The growth in the full-colour market, in terms of square meters, reportedly declined to about 15% from about 25-30% in the preceding years. The growth rate is expected to further come down as outdoor advertisers are slashing their budgets for digital bill boards. The sports market is getting saturated and the electronic bill board market is definitely impacted by economic down turn.

It is necessary to conceive and prove new application segments for the full / true colour displays in addition to reviewing the overall digital display market for MIC to position itself appropriately in different market spaces. High-end display applications like in control rooms in the Power, Aviation, Railways and other segments need to be pursued. It is also necessary to focus on D&D aimed at cost reduction to make LED displays cost effective even in indoor applications. Indoor - Outdoor interactive Video

Conferencing applications are worth working on to enhance the applicability of the outdoor displays.

The real growth both in the LED display and lighting markets is starting now because of maturity achieved in technology, increasing applications, pricing and acceptance.

To sum up, the penetration of LEDs into the display and lighting markets has achieved substantial momentum. This momentum will continue but with a lower growth rate than previously expected. It is expected to be around 14% instead of 35%. The long term outlook, however, continues to be positive and the market will get back on track following economic recovery:

Energy efficiency will be a major driver for moving LEDs into the general (white) lighting market. The life time costs and maintenance costs will be equally important. The applications proliferation will depend on the effectiveness of the concept proving and the value LEDs can provide on a Cost-of-Ownership basis.

Government Subsidies and regulations will be important in market development, both in the rural and urban environments. The concept of Solar Cities promoted by the Government of India and the incentives announced by the Prime Minister for Energy Conservation are expected to give a leg up for LED lighting implementation schemes. The company needs to formulate and put in position appropriate business models and marketing strategies to

successfully commercialise the products developed.

The diversification of application areas is mandatory to fully exploit the financial and business potential of the true colour displays.

The company has to move from concept proving and initial implementation stages to commercialisation and bulk production stage with well conceived strategies in the marketing and financial fronts.

References:

1. CLSA report on Cree for Asia Pacific Markets
2. Prospects for Energy Efficient Lighting by HELSINKI UNIVERSITY OF TECHNOLOGY, Lighting Laboratory
3. Presentation by Strategies Unlimited in LED JAPAN Conference & Expo - Strategies in Light.

Annexure's to Directors' Report

Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreement)

COMPANY PHILOSOPHY ON CORPORATE GOVERNANCE

The corporate governance of our company is a continuous journey which adheres to the highest standards of quality in its products, processes and creation of long term value creation for our stakeholders. We emphasize on ethical corporate citizenship and establishment of good corporate culture which ensure efficient conduct of the affairs of the company and help to maximize value for all its stakeholders.

The company believes that corporate governance acts as a tool for highest standards of management and business integrity through fair and transparent business practices. It employs its resources, strengths and strategies to achieve this vision which are fundamental to the existence of the company.

Your company confirms with the revised guidelines on corporate governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchange.

Corporate governance is a Process that aims to meet the shareholders aspirations and societal expectations. It is a commitment that is backed by the fundamental belief of maximizing shareholders value, transparency in functioning, values and mutual trust among all the constituents of the organization.

We are making continuous efforts to adopt the best practices in corporate governance and we believe that practices we are putting in to place for the company shall go beyond the adherence to regulatory framework. Our corporate structure, business and disclosure practices have been aligned to our corporate governance philosophy

BOARD OF DIRECTORS

COMPOSITION AND SIZE OF THE BOARD

The company's Board of Directors comprises twelve Directors including four Executive Directors and Eight Non-executive and independent Directors. The names and categories of the Directors on the Board and also the number of Directorship and committee memberships held by them in other companies are given below.

Presently, the Board of Directors comprises Ten Directors out of which two of them are Executive Directors and the six are Non-executive & Independent Directors and the two other are Non-executive & Non-independent Directors.

Sl. No	Director	Category	Number of other Directorships and Committee Member / Chairmanships		
			Other Directorship	Committee Membership	Committee Chairmanship
1.	Dr. M V Ramana Rao	Promoter, Executive Director	4	1	-
2.	Shri Ranjan Kapur	Independent, Non Executive	13	3	-
3.	Shri Somendra Khosla	Independent, Non Executive	12	2	-
4.	Shri N Srinivasa Rao	Independent, Non Executive	1	-	1
5.	Shri Y Harish Chandra Prasad	Independent, Non Executive	25	1	1
6.	Shri Shrikant P Joshi	Independent, Non Executive	4	-	-
7.	Shri L N Malleswara Rao	Non-independent Executive Director	-	1	-
8.	Shri Vidya Sagar Anisingaraju	Non-independent, Non Executive	-	-	-
9.	Shri Atluri Venkata Ram	Non-independent, Non Executive	1	-	-
10.	Shri Anil Goyal	Independent, Non Executive	8	11	-
11.	Shri Harsh Mariwala (Resigned with effect from 15 th Oct 09)	Independent, Non Executive	-	-	-
12.	Shri U Ramakrishna (Resigned with effect from 26 th Oct 09)	Non-Independent Executive Director	-	-	-

- No. of other Directorships includes Public Limited and Private Limited Companies incorporated in India.
- Number of other Directorships and committee membership as on the date of Directors Report.

BOARD MEETINGS

BOARD MEETINGS HELD DURING THE FINANCIAL YEAR ENDED 30TH JUNE 2009

During the year from 1st July 2008 to 30th June 2009 six board meetings were held on the following dates 28th July 2008, 20th October 2008, 19th November 2008, 29th January 2009, 28th March 2009, 25th April 2009, and the maximum time gap between any two meetings was not more than four months.

Attendance of Directors in the above said meetings:

Sl. No	Director	Attendance Particulars	
		Board Meeting	Last AGM
1.	Dr. M V Ramana Rao	6(6)	Yes
2.	Shri Ranjan Kapur	1(6)	No
3.	Shri Somendra Khosla	0(6)	No
4.	Shri N Srinivasa Rao	4(6)	Yes
5.	Shri Y Harish Chandra Prasad	2(6)	No
6.	Shri Shrikant P Joshi	1(3)	Yes
7.	Shri L N Malleswara Rao	5(6)	Yes
8.	Shri Vidya Sagar Anisingaraju	2(6)	No
9.	Shri Atluri Venkata Ram	5(6)	No
10.	Shri Anil Goyal	5(6)	No
11.	Shri Harsh Mariwala (Resigned with effect from 15 th October 2009)	2(6)	No
12.	Shri U Ramakrishna (Resigned with effect from 26 th October 2009)	5(6)	Yes

The Information as required under clause 49 of the listing agreement is made available to the Board. The agenda and the related papers for consideration at the Board meeting are circulated sufficiently in advance of the Board Meetings.

BOARD COMMITTEES

The Company has the following standing committees on the Board

AUDIT COMMITTEE

In compliance of with Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956, the Board of Directors of the company has constituted an Audit Committee comprising of the following members:

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	Chairman & Managing Director	Business

The Statutory Auditors are invited to attend the Audit Committee Meetings and the Company Secretary acts as the Secretary of the Committee.

The minutes of the Meetings of the Audit Committee are circulated to all the members of the board along with the Board Agenda.

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

- Financial reporting process
- Draft financial statements and auditor 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
- Financial and risk management policy
- Finding of internal investigation by the internal auditors and follow up thereon.

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.

During the year from 1st July 2008 to 30th June 2009 5 (five) Audit Committee Meetings were held on the following dates 28th July 2008, 15th October 2008, 19th November 2008, 29th January 2009 and 25th April 2009, and the maximum time gap between any two meetings was not more than four months.

Attendance of Directors in the above said meetings:

Sl. No	Director	No. of Meeting Attended
1	Shri Anil Goyal	5(5)
2	Shri Somendra Khosla	0(5)
3	Dr. M V Ramana Rao	5(5)

INVESTORS' GRIEVANCE COMMITTEE:

The Board constituted an Investors Grievance Committee, for expeditious redressal of investor's grievances. The Committee is headed by Shri N. Srinivasa Rao who is an Independent and Non-executive, Director.

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	Executive Director	Business

The terms of reference of the Investor Grievance Committee are as follows:

- Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non receipt of balance sheet etc in particular.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the committee.

Name & Designation of the Compliance officer: Vasudeva Rao Devaki, Company Secretary

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

Number of shareholders complaints received so far.

During the year, the Company has received 26 complaints/Letters and all are resolved and there are no complaints pending as on 30th June 2009.

During the year from 1st July 2008 to 30th June 2009 5 (five) Investor Grievance Committee Meetings were held on the following dates 5th July 2008, 5th September 2008, 4th December 2008, 10th January 2009 and 23rd January 2009

Attendance of Directors in the above said meetings:

Sl. No.	Director	No. of Meeting Attended
1.	Shri N. Srinivasa Rao	5(5)
2.	Shri Y. Harischandra Prasad	1(5)
3.	Shri L. N. Malleswara Rao	5(5)

REMUNERATION COMMITTEE

The company's remuneration committee determines the company's policy's on the remuneration package of the Executive directors and approve the payment of remuneration to the Managerial Personnel.

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

Details of remuneration paid to Directors are given below:

Name of the Director	Relationship with other Directors	Business Relationship with company if any	Loans and advances from company	Remuneration Paid During the year 2008-2009			
				Sitting fees Rs.	Salary Rs.	Commission Rs.	Total (in Rs.)
Dr. M V Ramana Rao	None	None	None	-	24,00,000	-	24,00,000
Shri L N Malleswara Rao	None	None	None	-	6,00,000	-	6,00,000
Shri U Ramakrishna	None	None	None	-	6,00,000	-	6,00,000
Shri Shrikant P Joshi	None	None	None	-	59,20,000	-	59,20,000

Terms and reference of the Remuneration Committee include:

- To determine the remuneration, review of performance and decide on variable pay to the executive directors.
- To determine the number of stock options to be granted under the Company's Employees Stock Option Schemes and administration of the stock option plan.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Compensation Committee.
- Establishment and administration of employee compensation and benefit plans.

The details of shares held by the Directors as on 30th June, 2009

Sl.No	Names of the Director	No. of Shares held (FV Rs.2/-)
1	Dr. M V Ramana Rao	31037433
2	Shri Ranjan Kapur	172500
3	Shri Somendra Khosla	nil
4	Shri N Srinivasa Rao	65
5	Shri Y Harish Chandra Prasad	750000
6	Shri Shrikant P Joshi	100000
7	Shri L N Malleswara Rao	622634
8	Shri Vidya Sagar Anisingaraju	763185
9	Shri Atluri Venkata Ram	1082255
10	Shri Anil Goyal	1100
11	Shri Harsh Mariwala (Resigned with effect from 15 th October 2009)	710000
12	Shri U Ramakrishna (Resigned with effect from 26 th October 2009)	10000

DETAILS OF ANNUAL GENERAL MEETINGS:

Financial Year	Date & Time	Venue	Nature of special resolutions, if any passed
2007-2008	27-12-2008, 11.00 A.M	A-4/II, Electronic Complex, Kushaiguda, Hyderabad-62	No special resolution passed
2006-2007	22-12-2007, 4.00 P.M	A-4/II, Electronic Complex, Kushaiguda, Hyderabad-62	Amendment to Articles of Association for sitting fee provisions
2005-2006	27-12-2006, 11.30 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.

DISCLOSURES

• Related party transactions:

There were no materially significant related party transactions, which had potential conflict with the interests of the Company at large.

Disclosure with regard to transactions with related parties are given in the notes to accounts of the audited financial statements for the year ended 30th June, 2009 these transactions are not in conflict with the interest of the company.

• Penalties:

Details of Non-compliance by the company, Penalties 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, Penalties on any matter related to the capital markets, during last three years.

• 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 te Accounts of the Audited Financial Statements for the financial years ended 30th June 2009.

• Code of Conduct

The Board has laid down a Code of Conduct covering

the ethical requirements to be complied with covering all the Board members and senior management personnel of the Company an affirmation of compliance with the code is received form them on an annual basis.

• CEO/CFO Certification

The CEO/CFO certification on the financial statements and internal controls is separately annexed.

Details of compliance with mandatory requirements and adoption of the Non-mandatory requirements of this clause:

The Company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement. Remuneration Committee requirements have been adopted from Non-mandatory requirements.

• Whistle Blower Policy:

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. Employees are free to report violations of laws, rules, regulations or unethical conduct to their department head or the Company Secretary and Compliance officer of the company and in exceptional circumstances when the whistle blower reasonably believes that these individuals are involved in the intended disclosure, the Chairman of the Audit Committee of the Company. The reports received from any employee will be reviewed and investigated by the Audit Committee. The Directors and management personnel are obligated to

maintain confidentiality of such reporting and ensure that the whistle blowers are not subjected to any discriminatory practices.

• Risk Management

Business risk evaluation and management is an ongoing process within the organization. During the period under review, a detailed exercise on Business Risk Management (BRM) was initiated covering the entire gamut of business operations.

MEANS OF COMMUNICATION

• 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. Business Standard (English Daily), Eenadu(Telugu Daily), Andhra Prabha (Telugu Daily) and Vaartha (Tlugu Daily).

• News Releases & Presentations:

Official news releases, detailed presentations made to media, analysts, institutional investors, etc, if any will be displayed on the Company Website. www.micelectronics.com

• Management Discussion and Analysis (MDA) Report:

The Management Discussion and Analysis Report prepared by the management and forming part of the Annual Report is separately attached.

GENERAL SHAREHOLDER INFORMATION

▪ Registered office	A-4/II, Electronic Complex, Kushaiguda, Hyderabad-500062 Andhra Pradesh
▪ Date & Venue of AGM	Wednesday the 30 th December 2009 at A-4/II, Electronic Complex, Kushaiguda, Hyderabad-500062, A. P.
▪ Financial Year	1 st July 2008 to 30 th June 2009
▪ Tentative Calendar of Events for the FY 2009-2010 (July - June)	1 st Quarter ending 30 th Sep 2009 - 26 th Oct 2009 2 nd Quarter ending 31 st Dec 2009 - before end of Jan 2010 3 rd Quarter ending 31 st Mar 2010 - before end of Apr 2010 4 th Quarter ending 30 th Jun 2010 – before end of Jul 2010
▪ Book Closure for AGM	25 th December 2009 to 30 th December 2009
▪ Dividend Payment Date	on or after 30 th December 2009
▪ Listing on Stock Exchanges	National Stock Exchange Ltd (NSE) Stock Code - MIC Bombay Stock Exchange Ltd (BSE) Stock Code - 532850
▪ Registrars & Transfer Agents (RTA)	Venture Capital and Corporate Investments Private Limited #12-10-167, Bharatnagar, Hyderabad-500018 Tel: 040-23868257
▪ Share Transfer System	Physical share transfers are processed and share certificates are returned to the Shareholders with in a maximum period of one month from the date of receipt, Subject to the documents being valid and complete in all respects
▪ Dematerialisation of shares	Company had Provided demat facility through National Securities Depository Ltd & Central Depository Services Ltd, having ISIN: INE287C01029
▪ Outstanding GDRs / ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity	Company allotted 17481725 share warrants on 28 th July 2008 which are pending for conversion before 27 th January 2010
▪ CIN Number	L31909AP1988PLC008652
▪ Address for Correspondence	Company Secretary, MIC Electronics Limited A-4/II, Electronic Complex, Kushaiguda, Hyderabad-500062, Andhra Pradesh. email: cs@mic.co.in

Market Price data:

High / Low during each month in the Financial Year 2008-09 and performance in comparison to broad based indices such as BSE sensex, NSE Nifty.

Month & Year	NSE (in Rs.)		NIFTY		BSE (in Rs.)		Sensex	
	high	low	high	low	high	low	high	low
Jul 2008	117.70	85.55	4539.45	3790.20	118.00	86.20	15130.09	12514.02
Aug 2008	147.50	108.50	4649.85	4201.85	147.35	106.00	15579.78	14002.43
Sep 2008	144.75	88.00	4558.00	3715.05	144.70	88.10	15107.01	12153.55
Oct 2008	98.00	31.05	4000.50	2252.75	105.00	33.00	13203.86	7697.39
Nov 2008	56.00	33.40	3240.55	2502.90	53.00	33.00	10945.41	8316.39
Dec 2008	44.40	33.00	3110.45	2570.70	44.35	32.55	10188.54	8467.43
Jan 2009	46.20	22.10	3147.20	2661.65	46.15	22.00	10469.72	8631.60
Feb 2009	27.95	18.10	2969.75	2677.55	27.95	18.00	9724.87	8619.22
Mar 2009	19.50	14.50	3123.35	2539.45	20.95	14.35	10127.09	8047.17
Apr 2009	31.40	18.55	3517.25	2965.70	31.00	18.25	11492.10	9546.29
May 2009	40.65	23.55	4509.40	3478.70	40.35	23.90	14930.54	11621.30
Jun 2009	46.75	33.30	4693.20	4143.25	46.50	33.60	15600.30	14016.95

Distribution of Shareholding of the company as on 30th June, 2009

Category		Numbers of Shareholder	Percentage of Shareholders	Number of Equity Shares	Percentage of shareholding
From	To				
1	5,000	32,562	97.23	1,26,05,222	12.52
5,001	10,000	378	1.12	28,80,064	2.86
10,001	20,000	226	0.67	33,31,003	3.31
20,001	30,000	85	0.25	20,91,114	2.07
30,001	40,000	58	0.17	20,71,240	2.05
40,001	50,000	25	0.07	11,35,891	1.12
50,001	1,00,000	68	0.20	48,39,865	4.80
1,00,001	And above	87	0.26	7,16,83,876	71.22
TOTAL		33489	100.00	10,06,38,275	100.00


Share holding pattern as on 30th June 2009.

S.NO.	CATEGORY	No. of Shares held	Percentage of shareholding
1.	Promoters/Directors/Associates	35249172	35.03
2.	Mutual Funds	2868288	2.85
3.	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions / Non-government Institutions)	4500	0.00
4.	FII's	10250789	10.19
5.	Private Corporate Bodies	9731101	9.67
6.	Indian Public	37040602	36.80
7.	NRIs / OCBs	5493823	5.46
	TOTAL	100,638,275	100

By Order of the Board
For MIC Electronics Limited

Sd/-
Dr. MV Ramana Rao
(Chairman and Managing Director)

Place: Hyderabad
Date: 5th December 2009

DECLARATION

As provide under clause 49 of the Listing Agreement with the Stock Exchange, the Board of Directors and the Senior Management personnel have confirmed compliance with the Code of Conduct and Ethics for the Financial Year ended 30th June 2009.

Dr. MV Ramana Rao
Chairman & Managing Director

Auditor's Report on Compliance Conditions on Corporate Governance

To
The Members of
MIC Electronics Limited

I have examined the compliances of conditions of Corporate Governance by M/s. MIC Electronics Limited, for the year ended 30th June 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to Procedures and Implementation thereof, adopted by the Company for ensuring the compliances of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of the information and according to the explanations given to me and the representations made by the Directors and Management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

I 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.

Sd/-

D. V. M. Gopal
Practicing Company Secretary
CP No. 6798

Place: Hyderabad

Date: 5th December 2009



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 Director 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 statement for the year and that to the best of our knowledge and belief:
- (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- (c) we accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we 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 they have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit committee that there are no
- (i) significant changes in internal control over financial reporting during the year;
 - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (iii) instances of significant fraud of which they 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

Sd/-
Dr. MV Ramana Rao
Managing Director

Sd/-
L N Malleswara Rao
Director

Place: Hyderabad

Date: 5th December 2009

Financial Section



MIC Electronics Limited 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 2009 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 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th June 2009 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, 2009 and
- (b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date.

And

- (c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

for **Pinnamaneni & Co.**
Chartered Accountants

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

Place :Hyderabad

Dated: 5th December 2009

Annexure to Auditors' Report

Referred to In Paragraph (1) In Our Report of Even Date for the Year Ended 30.06.2009.

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.
(d) There is no overdue amount of loans taken from or granted to Companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956
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 following are the disputed dues relating to Income Tax, Wealth Tax, Customs Duty, Sales Tax and Excise Duty as on 30th June, 2009.

Name of the Statute	Nature of the Dispute	Disputed Amount (Rs.)	Amount deposited (Rs)	Period to which the amounts relate (F.Y)	Forum where the dispute is pending
Central Excise Act, 1944	Excise Duty	21,223,061	--	2002-2003	Customs, Excise & Service Tax Appellate tribunal, south zonal bench, Bangalore
Customs Act, 1962	Customs Duty	1,801,111	--	2008-2009	O/o.The Commissioner of Customs, Central Excise and Service Tax, Hyderabad III Commissionerate
The A.P.VAT Act, 2005	VAT	840,705	840,705	2008-2009	Appellate Deputy Commissioner (CT), Secunderabad Division
The A.P.VAT Act, 2005	VAT	545,677	545,677	2007-2008	Appellate Deputy Commissioner (CT), Secunderabad Division
The A.P.VAT Act, 2005	VAT	1,809,145	--	2005-2006	WP No.14764/2009 filed with High Court, AP

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, the terms and conditions on which the company has given guarantees for loans taken by the others from banks or financial institutions are not prejudicial to the interest of the company.

16. In our opinion, the term loans taken by the company were applied for the purpose for which they were taken.
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. No long term funds have been used to finance short term assets except permanent working capital..
18. According to the information and explanations given to us, the company has made preferential allotment of share warrants during the year to parties covered in the register maintained under section 301 of the Companies Act, 1956. In our opinion the price at which shares have been issued is not prejudicial to the interest of the company.
19. 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.
20. According to the information and explanation given to us, the company has not raised money by way of public issue during the year.
21. 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

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

Place : Hyderabad

Dated : 5th December 2009

Balance Sheet as at 30th June 2009

(Amount in Rs.)

Particulars	Sch. Ref	As at 30.06.2009	As at 30.06.2008
I. SOURCES OF FUNDS			
1. Share holders funds			
Share Capital	1	201,276,550	201,276,550
Share Warrants Application Money		391,773,961	383,506,961
Reserves & Surplus	2	2,697,497,430	2,076,942,656
		3,290,547,941	2,661,726,167
2. Loan Funds			
Secured Loans	3	689,156,197	241,193,830
TOTAL		3,979,704,138	2,902,919,997
II. APPLICATION OF FUNDS			
1. Fixed Assets			
Gross Block	4	535,599,003	313,525,415
Less: Depreciation		106,873,961	90,968,978
Net Block		428,725,042	222,556,437
Capital Work in Progress		860,945,860	817,522,599
		1,289,670,902	1,040,079,036
2. Investments			
	5	257,588,681	192,492,418
3. Current Assets, Loans & Advances			
Inventories	6	518,546,955	199,121,921
Sundry Debtors	7	1,377,920,101	1,450,344,949
Cash & Bank Balances	8	30,753,614	83,955,159
Loans & Advances	9	1,054,064,224	705,085,495
		2,981,284,894	2,438,507,524
Less: Current Liabilities & Provisions	10	650,635,770	781,102,374
Net Current Assets		2,330,649,124	1,657,405,150
4. Miscellaneous Expenditure (to the extent not written off)			
Issue expenses		20,461,881	30,692,821
5. Deferred Tax Asset			
		81,333,550	(17,749,428)
TOTAL		3,979,704,138	2,902,919,997
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

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

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

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

Place : Hyderabad
Date : 5th December 2009

Profit and Loss Account for the Year ended 30th June 2009

(Amount in Rs.)

Particulars	Sch Ref	Current Year	Previous Year
1. INCOME			
Sales & Services	11	2,413,174,310	3,122,112,639
Increase/(Decrease) in Stock	12	219,529,109	31,321,252
Other Income	13	12,530,752	17,985,231
TOTAL		2,645,234,171	3,171,419,122
II. EXPENDITURE			
Material Consumed	14	1,527,128,718	2,041,444,610
Employee Cost	15	85,179,193	55,748,761
Manufacturing, Administrative & Sales Expenses	16	280,551,109	212,204,566
R&D Expenditure	17	36,561,789	19,957,560
Interest and Financial Charges	18	68,229,142	25,833,486
Depreciation		22,604,784	18,773,005
TOTAL		2,020,254,735	2,373,961,988
III. PROFIT FOR THE YEAR		624,979,436	797,457,134
Provision for :			
Fringe Benefit Tax		1,254,744	1,260,368
Current Tax		78,047,637	131,555,273
Deferred Tax Asset (Previous year liability)		75,601,088	(6,448,212)
Net Profit After Tax		621,278,143	658,193,281
Add : Prior Period Adjustments		22,891,441	(5,384)
		644,169,584	658,187,897
Balance in Profit & Loss account b/f		1,026,984,046	465,892,849
Available for Appropriation		1,671,153,630	1,124,080,746
General Reserve		50,000,000	50,000,000
Deferred tax asset adjustment for earlier years		23,481,890	0
Proposed Dividend @ Re.0.40 on equity share of Rs.2/- each		40,255,310	40,255,310
Corporate Dividend Tax		6,841,390	6,841,390
Balance carried to balance sheet		1,597,538,820	1,026,984,046
EPS (Basic) on Equity Share of Rs.2/- each		6.40	6.54
EPS (Diluted) on Equity Share of Rs.2/- each		5.45	5.57
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

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

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

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

Place : Hyderabad
Date : 5th December 2009

Schedules forming part of the Balance Sheet as at 30th June 2009

(Amount in Rs.)

Particulars	As at 30.06.2009	As at 30.06.2008
Schedule 1 SHARE CAPITAL		
Authorised		
150,000,000 Equity Shares of Rs.2/- each	300,000,000	220,000,000
Issued & Subscribed		
100,638,275 Equity Shares of Rs.2/- each	201,276,550	201,276,550
Paidup		
100,638,275 Equity Shares of Rs.2/- each	201,276,550	201,276,550
TOTAL	201,276,550	201,276,550
Schedule 2 RESERVES & SURPLUS		
Capital Subsidy	267,000	267,000
Share Premium Account	951,691,610	951,691,610
Amalgamation Reserve	18,000,000	18,000,000
Surplus in P&I Account	1,597,538,820	1,026,984,046
General Reserve - Opening Balance	80,000,000	30,000,000
- Additions	50,000,000	50,000,000
- Closing Balance	130,000,000	80,000,000
TOTAL	2,697,497,430	2,076,942,656
Schedule 3 SECURED LOANS		
Working Capital Loans:		
State Bank Of India	195,058,958	150,151,100
Development Credit Bank Limited	122,009,552	63,454,798
Term Loans:		
Technology Development Board	25,895,808	23,759,000
Industrial Development Bank of India Ltd	150,759,161	0
UCO Bank	190,099,655	0
National Research Development Corp.	3,000,000	3,000,000
Loans under hire purchase against vehicles	2,333,063	828,932
TOTAL	689,156,197	241,193,830

Schedules forming part of the Balance Sheet as at 30th June 2009

Schedule 4 FIXED ASSETS

(Amount in Rs.)

Sl. No	Name of the Asset	Gross Block (at Cost)			Depreciation				Net Block		
		As at 01.07.2008	Additions	Deletions	As at 30.06.2009	Upto 01.07.2008	For the Year	Deletions	Upto 30.06.2009	As at 30.06.2009	As at 30.06.2008
1	Land & Land Development	23,912,824	7,436,897	-	31,349,721	-	-	-	-	31,349,721	23,912,824
2	Buildings	30,570,456	62,890,500	-	93,460,956	5,410,827	1,053,179	-	6,464,006	86,996,950	25,159,629
3	Plant & Machinery	219,496,758	137,150,828	-	356,647,586	70,896,989	18,064,506	3,552,660	85,408,836	271,238,750	148,599,769
4	Furniture, Fittings and Office Equipment	17,496,796	13,264,684	-	30,761,480	6,836,185	1,600,256	-	8,436,441	22,325,039	10,660,611
5	Vehicles	22,048,581	5,175,379	3,844,700	23,379,260	7,824,977	1,886,843	3,147,142	6,564,678	16,814,582	14,223,604
		313,525,415	225,918,288	3,844,700	535,599,003	90,968,978	22,604,784	6,699,802	106,873,961	428,725,042	222,556,437

Particulars	As at 30.06.2009	As at 30.06.2008
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Schedule 5 INVESTMENTS

UNQUOTED		
MIC Technologies Australia (Pty) Ltd, Australia	16,938,414	6,289,151
Infostep Inc., USA	147,004,108	147,004,108
Maave Electronics Pvt Ltd	12,826,659	12,826,659
MIC Digital Media Vizag Pvt. Ltd (Share Application Money)	5,850,000	5,850,000
MIC Electronics Inc., USA	74,869,500	20,522,500
MIC Green Energy Solutions Pvt. Ltd.	100,000	0
TOTAL	257,588,681	192,492,418

Schedule 6 INVENTORIES (AT COST)

(As valued and certified by the Management)		
Raw Materials	239,770,756	139,857,527
Work in Progress	278,776,199	59,264,394
TOTAL	518,546,955	199,121,921

Schedule 7 SUNDRY DEBTORS

(Unsecured considered good)		
Debts due over six months	374,241,765	241,005,868
Other debts	1,003,678,336	1,209,339,081
TOTAL	1,377,920,101	1,450,344,949

(Amount in Rs.)

Particulars	As at 30.06.2009	As at 30.06.2008
Schedule 8: CASH & BANK BALANCES		
Cash on hand	3,846,977	4,818,658
Cash with Scheduled Banks	2,316,686	10,273,467
Deposits with Scheduled Banks	24,389,951	68,663,034
Balance in Mutul Funds	200,000	200,000
TOTAL	30,753,614	83,955,159
Schedule 9: LOANS & ADVANCES		
(Unsecured, considered good recoverable in cash or in kind or for value to be received)		
Advances for : Capital Items	2,825,000	5,129,570
Purchases	15,225,336	28,912,482
Expenses	5,780,290	3,415,512
Advances recoverable in cash or in kind or for value to be received	706,060,400	356,049,238
Advances to Employees	2,566,241	2,012,018
Deposits recoverable	295,465,378	284,610,912
Balance with Central Excise Dept.	9,887,321	12,004,497
Prepaid expenses	1,668,564	2,502,925
Advance Income Tax, TDS & FBT	14,585,694	10,448,341
TOTAL	1,054,064,224	705,085,495
Schedule 10: CURRENT LIABILITIES & PROVISIONS		
a) Current Liabilities		
Creditors for materials	427,904,157	516,723,146
Creditors for expenses	36,841,587	34,813,152
Advances from Customers & others	22,074,547	39,390,598
SUB TOTAL (a)	486,820,291	590,926,896
b) Provisions:		
Proposed Dividend	40,255,310	40,255,310
Tax on Proposed Dividend	6,841,390	6,841,390
Income Tax	101,457,656	131,555,273
Fringe Benefit Tax	1,254,744	1,234,108
Leave Salary	4,454,768	3,014,452
Gratuity	9,551,611	7,274,945
SUB TOTAL (b)	163,815,479	190,175,478
TOTAL (a+b)	650,635,770	781,102,374

Schedules forming part of the Profit and Loss account for the Year ended 30th June 2009

(Amount in Rs.)

Particulars		Current Year	Previous Year
Schedule 114 SALES & SERVICES			
Domestic		2,222,388,578	3,016,156,442
Exports		139,375,712	51,473,914
Services		51,410,020	54,482,283
	TOTAL	2,413,174,310	3,122,112,639
Schedule 112 INCREASE/(DECREASE) IN STOCK			
Opening work in progress/ F.G.	59,264,394		27,943,142
Less : Transfer to free samples	17,304	59,247,090	
Closing work in progress		278,776,199	59,264,394
	TOTAL	219,529,109	31,321,252
Schedule 115 OTHER INCOME			
Interest earned on deposits & others		5,361,805	16,345,422
Other Receipts		7,168,947	1,639,809
	TOTAL	12,530,752	17,985,231
Schedule 114 MATERIALS CONSUMED			
Opening Stock		139,857,527	60,466,991
Add : Purchases		1,637,082,191	2,124,457,726
		1,776,939,718	2,184,924,717
Less : Material consumed for R&D		10,040,244	3,622,580
		1,766,899,474	2,181,302,137
Less : Closing Stock		239,770,756	139,857,527
	TOTAL	1,527,128,718	2,041,444,610
Schedule 115 EMPLOYEE COST			
Salaries, Wages & Bonus		77,348,137	48,843,257
Contribution to PF and other funds		2,089,708	1,461,874
Staff Welfare Expenses		1,864,973	1,003,456
Leave Salary		1,547,525	1,170,062
Gratuity		2,328,850	3,270,112
	TOTAL	85,179,193	55,748,761

(Amount in Rs.)

Particulars	Current Year	Previous Year
Schedule 16 MANUFACTURING, ADMINISTRATIVE AND SALES EXPENSES		
Stores Consumed	1,815,621	2,099,386
Electricity Charges	3,269,400	1,554,604
Excise duty & Service Tax	16,146,129	47,587,377
Insurance	1,154,475	673,281
Job Works, Plotting, Development & Testing Charges	5,831,298	4,459,520
Repairs and Maintenance	1,400,423	1,935,589
Expenses for Inter Connect Billing	9,880,845	15,377,035
Professional Charges	8,089,614	4,735,836
Rent, Rates & Taxes	54,860,515	53,066,214
Printing & Stationary	2,357,463	1,742,027
Postage, Telephone & Internet Expenses	3,548,921	3,441,503
Travelling, Conveyance & Transport Exp.	15,520,925	17,192,699
Freight, Packing & Forwarding	13,966,124	4,683,134
Vehicle Maintenance	2,658,376	1,765,324
Audit Fee	500,000	300,000
General Charges	23,064,877	27,569,250
Bad Debts & Debit Balances written back	91,973,603	523,867
Bank Charges	11,402,256	8,611,124
Sales Expenses	2,879,304	4,655,856
Issue Expenses Written off	10,230,940	10,230,940
TOTAL	280,551,109	212,204,566
Schedule 17 R&D EXPENDITURE		
Materials	10,040,244	3,622,580
Employees Cost	25,229,626	15,840,223
Other Expenses	1,291,919	494,757
TOTAL	36,561,789	19,957,560
Schedule 18 INTEREST AND FINANCIAL CHARGES		
Interest on Term Loans -		
UCO Bank	16,755,751	64,299
Technology Development Board	2,136,808	1,664,364
Small Industries Development Bank of India	0	20,539
Industrial Development Bank of India Ltd	8,662,354	0
Interest on Working Capital		
State Bank of India	21,964,783	6,873,304
Development Credit Bank Limited	17,364,469	12,793,689
Interest on Loan from others	1,211,596	3,269,305
Financial Charges	133,381	1,147,986
TOTAL	68,229,142	25,833,486

Schedules forming part of the Accounts

Schedule 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.

1 Disclosure of Accounting Policies:

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.

2 Valuation of Inventories:

- 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 raw material/components are deducted from cost of such materials.

3 Cash Flow Statements:

Cash flow statement is prepared and is forming part of the financial statements.

4 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.

5 Depreciation Accounting:

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.

6 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

7 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.

8 Accounting for Investments

All investments are Long-term investments and are carried at cost.

9 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.

10 Borrowing Cost

Borrowing Cost on qualifying asset is commenced for Capitalization when the expenditure on Qualifying asset and borrowing cost are incurred.

- 11 **Segment Reporting:**
The company has recognized revenue on segmental basis.
- 12 **Related party Disclosure:**
The company has entered into transactions with related parties and the said information is shown separately.
- 13 **Earnings Per Share:**
The company follows the relevant AS and the disclosures made accordingly.
- 14 **Consolidated Financial Statements:**
The company had made consolidated financial statements.
- 15 **Deferred Taxation:**
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.
- 16 **Accounting for investments in associates:**
Investments in associates is valued at cost of investment.
- 17 **Contingencies and events occurring after the balance sheet date:**
Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

II. Notes on Accounts:

1. Contingent liabilities not provided for on account of :

S.No	Particulars	(Amount in Rs.)	
		As at 30.06.09	As at 30.06.08
A	Counter guarantees given by the company to banks towards issue of B.Gs.	100,522,738	132,703,165
B	Counter guarantees given by the company to banks towards issue of B.Gs to Customs Dept. against advance licenses	1,098,855	1,098,855
C	Bonds executed to Customs Deptt.(net of BGs) against advance licenses	2,759,930	2,759,930
D	Letter of credits issued by bankers	33,926,707	29,798,618
E	Corporate Guarantees given by the company to banks	131,000,000	37,900,000
TAX Matters in Appeals			
A	Excise Duty	21,223,061	--
B	Customs Duty	1,801,111	--
C	Sales Tax	3,195,527	--

Schedule 19 **NOTES ON ACCOUNTS** *contd..*

2. Loans:

Working Capital Loans from SBI & DCB:

- a) State Bank of India and Development Credit Bank Limited are secured by pari passu charge on fixed assets and all chargeable current assets of the Company except assets pertaining to Technology Development Board, National Research Development Corporation, IDBI and UCO Bank. State Bank of India and Development Credit Bank Limited are secured by second charge on the assets financed by IDBI and 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) Development Credit Bank Limited is further secured by personal guarantee of Dr. M.V.Ramana Rao, Managing Director of the company.

Term Loans:

- a) 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 guarantee of Dr. M.V. Ramana Rao, Managing Director.
- b) National Research Development Corporation is secured by all the machinery and equipments acquired for the development of "Fraud Management and Control Centre (FMCC)".
- c) Term Loan taken from IDBI is secured as follows :

Primary : (i) a first mortgage and charge on Industrial Plot No.192/B in Survey No.274 admeasuring 5341 Sq. Yards situated at Phase II, IDA, Cherlapally village, Kapra Municipality, Ghatkesar Mandal, RR District valued at Rs. 2.50 Crores and proposed building thereon admeasuring 100000 Sq.Ft valued at Rs.12.52 Crores (Approx). (ii) A first hypothecation charge on plant and machinery valued Rs.6.89 Crores.

Collateral : NIL

Personal Guarantee : An irrevocable and unconditional guarantee from Dr. M.V.Ramana Rao in favour of IDBI
- d) Term Loan taken from UCO Bank is secured as follows :

Primary : (i) 1st hypothecation charge over the plant and machinery, LED Display Boards, software and other fixed assets of the project of the company at DMRC. (ii) 1st Charge on receivables arising out of the DMRC Project.

Collateral Security : Second charge on the fixed assets of the company other than what has been taken as first charge. The first charge will be with SBI and DCB. UCO Bank is further secured by personal guarantee of Dr. M.V.Ramana Rao, Managing Director.
- e) Loans taken against purchase of vehicles are secured by hypothecation of the respective vehicles.

3. Directors' remuneration included in staff cost.

(Amount in Rs.)

S No	Particulars	2008-09	2007-08
A	Managing Director		
	- Remuneration	2,400,000	1,604,032
	- Perquisite Value of rent	373,500	365,250
B	Other Directors		
	- Remuneration	5,520,000	1,200,000
	- Perquisite Value of rent	Nil	Nil

4. Segment Reporting:

Segments have been identified and reported taking into account the nature of products, the differing risk and returns, the organization structure, and the internal financial report scheme.

The company has identified the following segments as its reportable segments:

- Media
- Infotech & Communications

Particulars	2008-09	2007-08
1. Segmentwise Revenue		
(a) Media	1,865,159,418	1,803,328,888
(b) Infotech & Communication	548,014,892	1,318,783,751
(c) Unallocated	0	0
	2,413,174,310	3,122,112,639
Less: Inter segment Revenue	0	0
Net Sales/Income from Operations	2,413,174,310	3,122,112,639
2. Segment Results:		
Profit Before Tax and Interest		
(a) Media	616,955,634	658,632,496
(b) Infotech & Communication	76,252,944	164,658,124
(c) Unallocated	0	0
	693,208,578	823,290,620
Less:(i) Interest	68,229,142	25,833,486
(ii) other Un-allocable Expenditure net off	0	0
(iii) un-allocable income	0	0
Total Profit Before Tax	624,979,436	797,457,134
3. Capital Employed(Segment Assets - Segment Liabliites)		
(a) Media	2,488,519,320	1,890,082,129
(b) Infotech & Communication	439,150,468	414,896,077
(c) Unallocated	0	0
TOTAL	2,927,669,788	2,304,978,206

Schedule 19 NOTES ON ACCOUNTS contd..

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 asset of Rs.75,601,088/- on account of current year's deferred tax.

Deferred Taxation:

(Amount in Rs.)

Particulars	2008-09	2007-08
Opening Balance Deferred tax liability	17,749,428	11,301,216
Add : Deferred tax liability		6,448,212
Add : Deferred tax asset (Current year)	75,601,088	-
Add : Previous year adjustments	23,481,890	-
Closing Balance	81,333,550	17,749,428

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	MIC Technologies Australia (Pty) Ltd	Subsidiary Companies
2	Infostep Inc., USA	
3	MIC Electronics Inc., USA	
4	Maave Electronics Pvt Ltd	
5	MIC Green Energy Solutions Pvt Ltd	
6	Dr.M.V.Ramana Rao	Directors- Key Personnel
7	Mr L.N.Malleswara Rao	
8	Mr U.Ramakrishna	
9	Mr.Srikanth P Joshi	

b. Transactions during the year with related parties:

(Amount in Rs.)

S.No	Nature of Transaction	Amount in Rs.
1	Investments in Subsidiaries : MIC Technologies Australia (Pty) Ltd MIC Electronics Inc., USA MIC Green Energy Solutions Pvt. Ltd.	10,649,263 54,347,000 100,000
2	Advances to Subsidiaries : MIC Green Energy Solutions Pvt Ltd	437,120
3	Sales to Subsidiaries : MIC Technologies Australia (Pty) Ltd MIC Electronics Inc., USA	18,144,000 6,538,210
4	Loans to/taken from Management personnel	Nil
5	Purchase of Raw Material from Associates:	2,067,900
6	Expenditure : Remunerations to Management personnel Rents paid towards accommodation provided to Management Personnel	7,920,000 373,500

7. Details of Prior Period items credited to P&L A/c.:

S.No.	Particulars	Current Year	Previous Year
a.	Excess depreciation written back	3,552,660	Nil
b.	Excess Provision of Income Tax written back	21,091,876	Nil
c.	Income tax for earlier years	1,753,095	5,384
	Total (a+b-c)	22,891,441	(5,384)

8. 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	LED based Light & Lamp Sets
3	LED based Solar Street Light Systems
4	LED based Solar Lantern
5	Hand Held Computers
6	Communication Hardware & Software Products

Schedule 19 NOTES ON ACCOUNTS contd..

S No	Particulars	2008-09 Numbers / Systems	2007-08 Numbers / Systems
b)	Production:		
1	LED based Display Systems	6865 modules	164
2	LED Lighting Products (Solar/Grid)	7141	978
3	Hand Held Computers	--	26
4	Communication Hardware & Software Products	--	--
c)	Opening Stock	Nil	Nil
d)	Closing Stock	Nil	Nil

e) Sales

(Amount in Rs.)

Particulars	2008-09		2007-08	
	Qty	Value	Qty	Value
Product Sales :				
LED Based Display Systems	6481 modules	1,616,451,700	154 systems	1,631,110,624
LED Lighting Products	1709	10,511,641	978	4,008,048
- Free Samples	6	--	--	--
Hand Held Computers	--	--	26	155,038
Communication Hardware & Software Products	--	548,014,892	--	1,316,628,713
Other Income/Services	--	45,815,578	--	50,127,046
Duties & Taxes	--	53,004,787	--	68,609,256
Export Sales :				
LED Based Display Systems	384 modules	135,408,217	10 systems	51,473,914
LED Lighting Products	5426	3,967,495	--	--
Total		2,413,174,310		3,122,112,639

f) Analysis of materials consumed

(Amount in Rs.)

Particulars	2008-09		2007-08	
	%	Value	%	Value
Indigenous	84.24	1,286,453,232	72.04	1,470,656,697
Imported	15.76	240,675,486	27.96	570,787,913
Total	100.00	1,527,128,718	100.00	2,041,444,610

g) Expenditure in Foreign Currency

Particulars	2008-09	2007-08
Travel Expenses	1,397,704	2,234,886
Others	114,865	1,197,151
Value of Imports on CIF basis:		
Components	271,370,992	524,875,356
Capital Equipment & Software	20,158,670	21,863,402
Earnings in foreign exchange on FOB basis	139,375,712	51,473,914

9. Earnings Per Share :

Particulars	FY 2009	FY 2008
	Equivalent No. of Shares	Equivalent No. of Shares
Closing No. of Shares	100,638,275	100,638,275
Convertible Share Warrants	17,481,725	17,481,725
Profit after Taxes (Amt. in Rs.)	644,169,584	658,187,897
EPS Basic (in Rs.)	6.40	6.54
EPS Diluted (in Rs.)	5.45	5.57

10. Payment to Auditors:

Particulars	Year Ending 30.06.2009
For Audit	500,000
Other Services	50,000
Total	550,000

Schedule 19 NOTES ON ACCOUNTS contd.

11. The names of the Small Scale Industrial (SSI) undertakings to whom the Company owes money which is outstanding for more than 30 days:

Amphenil Interconnect India Pvt.Ltd.	Goodwyn Enterprises	Praguna Power Systems Pvt Ltd	SVS Hydraulics
Bindu Labels (P) Limited	Gujarat Poly-AVX Electronics Ltd	R.R.Kabel Limited, Silvassa	Synergy Technologies
Comet Brass Product	Henkel Adhesive Technologies India (P) Ltd.	Qualitech Connectronics (P) Ltd	Tejaeshwar Enterprises
Cir-Q-Tech Tako Technologies (P) Ltd	Hi Cool Electronic Industries	Sanghi Packaging(P)Ltd	V3 Enterprises
Cipsa-Ric India Pvt Ltd	Hillfort Packaging Industries	S-Form Industries	Vajra Automation (P) Ltd
Cosmic Engineering Enterprises	Image Tooling Solutions	Shogini Technoarts Pvt Ltd	Value Point Systems ([P)Ltd
Diagram Fabricators [P] Ltd	Jagan Micro Devices	Shredha Engineers	Vidhitronics Inc, Secunderabad
Digi-Key Corporation	Lakshmi Precision Components	Signus Engineering Works	Vijetha Electronics
Electro Plast Engineers	Laxmi Packaging	SMEC Electronics (India) P Ltd	VM Precision Punch Pvt Ltd
EPE Industries India (P) Ltd	Mangal Precision Products (P) Ltd	S.S.B.Enterprises	
Eqic Dies & Moulds Engineering (P) Ltd	Merritronix Pvt Ltd	Sulakshana Circuits Ltd	
Evolute Solutions (P) Limited	Micropack Limited	Supreme Agencies	
Ferro Magnetic Devices	Nikhita Industries	Spectrum Tool Engineers Pvt.Ltd.	
Fine Packaging Company	Oriole.Electronics Pvt.Ltd.	S V Poly Phase Systems	

The list of SSI Undertakings were determined by the Company on the basis of the information available with the Company and relied upon by the Auditors.

12. The company has identified Micro and Small enterprises as per Micro, Small and Medium Enterprises Development Act 2006. The outstanding for more than 30 days as at 30th June 2009 for the enterprises is Rs. 28,593,977/-
13. Previous year's figures are regrouped wherever necessary to conform to the Current Year's Presentation/Classification.
14. 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

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

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

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

Place : Hyderabad
Date : 5th December 2009

Cash Flow Statement for the Year ended 30.06.2009

(Amount in Rs.)

Particulars	As on 30.06.2009	As on 30.06.2008
Cash flows from Operating activities		
Net Profit before taxation, and after prior period & extraordinary item	624,979,436	797,451,750
Adjustments for:		
Depreciation	22,604,784	18,773,005
Loss on Assets Discarded		
Loss on Assets Sold (Net)	4,647	-
Prior Period Adjustments	19,338,781	(5,384)
Interest Income	(5,361,805)	(16,345,422)
Operating Profit before working Capital changes	661,565,843	799,879,333
Change in Sundry Debtors	72,424,849	(54,092,684)
Change in Inventories	(319,425,034)	(110,711,788)
Change in Loans & Advances	(348,978,729)	(447,575,059)
Change in Deferred Revenue Expenditure (Issue Expenses)	10,230,940	12,196,941
Income taxes paid	(79,302,381)	(132,815,641)
Change in Current Liabilities	(130,466,604)	(133,559,194)
Cash generated from Operations	(133,951,116)	(66,678,092)
Net Cash flow from Operating Activities	(133,951,116)	(66,678,092)
Cash flows from Investing Activities		
Purchase of Fixed Assets	(225,918,288)	(57,545,494)
Capital Work in Progress	(43,423,261)	(663,262,705)
Sale proceeds of Fixed Assets	692,911	-
Long term Investments	(65,096,263)	(75,194,896)
Interest received	5,361,805	16,345,422
Net Cash flow from Investing Activities	(328,383,096)	(779,657,673)
Cash flows from Financing Activities		
Proceeds from Issue of Share Capital	8,267,000	383,506,961
(Decrease) Increase in borrowings -	447,962,367	68,505,910
Dividend Paid including Dividend Tax	(47,096,700)	(47,096,700)
Net Cash used for financing activities	409,132,667	504,916,171
Net increase in cash and cash equivalents	(53,201,545)	(341,419,594)
Cash and Cash equivalents at the beginning of period	83,955,159	425,374,753
Cash and Cash equivalents at the end of period	30,753,614	83,955,159

Place : Hyderabad

Date : 5th December 2009

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	30.06.2009		

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

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	39797.04	Total Assets	39797.04
Sources of Funds		Reserves & Surplus	26974.97
Paid-up Capital	2012.77	Unsecured Loans	NIL
Share Application	3917.74	Investments	2575.89
Secured Loans	6891.56	Misc. Expenditure	204.62
Application of Funds		Accumulated Losses	NIL
Net Fixed Assets	12896.71	Total Expenditure	18007.26
Net Current Assets	23306.49	Profit After Tax	6441.70
Deferred Tax Asset	813.33	Dividend per share	0.40

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

Turnover	24257.05	Total Expenditure	18007.26
Profit Before Tax	6249.79	Profit After Tax	6441.70
Earning per share	6.40	Dividend per share	0.40

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)	9405 50 40
Product Description	LED Lighting Products - Solar/Grid
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

Sl. No.	Particulars	Name of the Subsidiary Company			
		MIC Technologies (Aust) Pty. Ltd.	Infostep Inc., USA	Maave Electronics Private Limited	MIC Electronics Inc., USA
1.	The financial year of the Subsidiary Company ended on	30-06-2009	30-06-2009	31-03-2009	30-06-2009
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	6502674 Ordinary shares fully paid up	10,46,671 Equity shares of Rs. 10/- each fully paid up.	1000000 Ordinary shares fully paid up.
	b) Extent of interest of holding company at the end of the financial year of the subsidiary companies	90%	71.33%	100%	100%
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 companies accounts				
	i) For the financial year 30 th June 2009				
	ii) For the previous financial years of the subsidiary company's since they became the holding company subsidiaries	-	-	-	-
	b) Dealt in the holding companies accounts				
	i) For the financial year 30 th June 2009	Rs. 151,495/-	Rs.16,934,233/-	Rs. 1,356,187/-	(Rs. 3,695,285/-)
	ii) For the previous financial years of the subsidiary companies since they became the holding company's subsidiaries.	Rs. 1,362,064/-	Rs. 57,547,501/-	157,358	(Rs.2,633,541)

Auditors' Report on the Consolidated Financial Statements

To
The Shareholders of
M/s. MIC Electronics Limited

We have audited the Consolidated Balance Sheet of MIC Electronics Limited as at June 30, 2009 and also the related Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of entity's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

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.

We report that the consolidated financial statements have been prepared by the management of MIC Electronics Limited in accordance with the requirement of Accounting Standard (AS) - 21 issued by the Institute of Chartered Accountants of India.

In our opinion and according to the best of our information and explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. In the case of the Consolidated Balance Sheet, of the state of affairs of MIC Electronics Limited, as at June 30, 2009
- 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 Consolidated Cash Flow Statement, cash flows during the year ended on that date.

for **Pinnamaneni & Co.**
Chartered Accountants

(P.V.V. Satyanarayana)
Partner

Place : Hyderabad

Dated : 5th December 2009

Consolidated Balance Sheet as at 30th June 2009

(Amount in Rs.)

Particulars	Sch. Ref	As at 30.06.2009	As at 30.06.2008
I. SOURCES OF FUNDS			
1. Share holders funds			
Share Capital	1	201,276,550	201,276,550
Share Application Money		391,773,961	393,873,696
Reserves & Surplus	2	2,739,968,761	2,133,376,038
		3,333,019,272	2,728,526,284
		26,026,031	28,334,186
2. Minority Interest			
3. Loan Funds			
Secured Loans	3	698,067,921	250,320,452
Unsecured Loans	4	60,660,661	10,712,664
4. Deferred Tax Liability			39,673,182
TOTAL		4,117,773,884	3,057,566,767
II. APPLICATION OF FUNDS			
1. Goodwill on consolidation and acquisitions		215,722,475	147,198,332
2. Fixed Assets			
Gross Block		602,488,590	375,186,959
Less: Depreciation		132,777,051	112,006,583
Net Block		469,711,539	263,180,376
Intangible Assets		58,465,568	63,906,884
Capital Work in Progress		860,945,860	817,522,599
		1,389,122,968	1,144,609,859
3. Investments	5	47,294,000	5,850,000
4. Current Assets, Loans & Advances			
Inventories	6	531,409,880	207,687,939
Sundry Debtors	7	1,454,068,116	1,548,441,040
Cash & Bank Balances	8	32,027,591	88,403,003
Loans & Advances	9	1,098,182,580	712,273,965
		3,115,688,167	2,556,805,947
Less: Current Liabilities & Provisions	10	717,018,886	827,653,951
Net Current Assets		2,398,669,281	1,729,151,996
5. Miscellaneous Expenditure (to the extent not written off)			
Issue expenses		20,461,881	30,692,821
Preliminary Expenses		54,420	63,760
6. Deferred tax Assets		46,448,859	-
TOTAL		4,117,773,884	3,057,566,767
Notes on Consolidated Accounts	19		

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

For and on behalf of the Board

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

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

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

Place : Hyderabad
Dated : 5th December 2009

Consolidated Profit and Loss Account for the Year ended 30th June 2009

(Amount in Rs.)

Particulars	Sch. Ref	Current Year	Previous Year
I. INCOME			
Sales & Services	11	2,954,401,941	3,607,747,926
Increase/(Decrease) in Stock	12	218,476,109	35,499,952
Other Income	13	22,047,148	18,205,901
Total		3,194,925,198	3,661,453,779
II. EXPENDITURE			
Material Consumed	14	1,624,756,195	2,059,324,974
Employee Cost	15	316,031,359	182,849,329
Manufacturing, Administrative & Sales Expenses	16	458,320,936	477,989,084
R&D Expenditure	17	36,561,789	19,957,560
Interest and Financial Charges	18	69,074,052	27,469,399
Depreciation and impairment		56,496,615	23,106,506
Total		2,561,240,945	2,790,696,852
III. PROFIT FOR THE YEAR			
Prior Period Adjustments		633,684,254	870,756,927
Profit Before Tax		633,684,254	870,756,927
Add : Income Tax for earlier years		(1,753,095)	(5,384)
		631,931,159	870,751,543
Provision for :			
Fringe Benefit Tax		1,352,458	1,281,863
Income Tax		78,340,200	129,987,488
Deferred Tax		(80,231,993)	20,436,541
Net Profit After Tax		632,470,493	719,045,651
Add: Prior period adjustments		(4,529,620)	
Add: Effect of Currency Translation on Consolidation		39,200,563	167,053
Net Profit after Tax after adjustment for Currency Translation		667,141,437	719,212,704
Minority Interest		(8,225,223)	(18,300,559)
Less: Non - Recurring Items		(22,781,948)	-
Balance in Profit & Loss account b/f		1,083,417,428	479,601,983
Available for appropriation		1,719,551,693	1,180,514,128
General Reserve		50,000,000	50,000,000
Deferred Tax adjustment for earlier years		(23,481,890)	
Proposed Dividend		49,741,128	40,255,310
Corporate Dividend Tax		6,841,390	6,841,390
Balance Carried to Balance Sheet		1,636,451,065	1,083,417,428
Earning per share (face value Rs. 2/- each) - Basic		6.55	6.96
Earning per share (face value Rs. 2/- each) - Diluted		5.58	5.93
Accounting Policies & Notes on Consolidated Accounts;	19		

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

Sd/-
(P.V.V. Satyanarayana)
Partner
Place : Hyderabad
Dated : 5th December 2009

For and on behalf of the Board

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 2009

(Amount in Rs.)

Particulars	As at: 30.06.2009	As at: 30.06.2008
Schedule 1: SHARE CAPITAL		
Paidup		
100,638,275 equity shares of Rs.2/- each fully paid up	201,276,550	201,276,550
TOTAL	201,276,550	201,276,550
Schedule 2: RESERVES & SURPLUS		
Capital Subsidy	267,000	267,000
Share Premium Account	953,537,595	951,691,610
Amalgamation Reserve	18,000,000	18,000,000
Surplus in P&I Account	1,636,451,065	1,083,417,428
General Reserve		
- Opening Balance	80,000,000	30,000,000
- Additions	50,000,000	50,000,000
- Closing Balance	130,000,000	80,000,000
Other Free Reserves	1,713,101	-
TOTAL	2,739,968,761	2,133,376,038
Schedule 3: SECURED LOANS		
Working Capital Loans:		
State Bank Of India - Cash Credit	195,058,958	150,150,972
Development Credit Bank Limited	122,009,552	63,454,798
Union Bank of California	8,911,724	9,126,750
Term Loans:		
Technology Development Board	25,895,808	23,759,000
UCO Bank	150,759,161	-
Industrial Development Bank of India Ltd.	190,099,655	-
National Research Development Corp.	3,000,000	3,000,000
Loans under hire purchase against vehicles	2,333,063	828,932
TOTAL	698,067,921	250,320,452

Schedules forming part of the Consolidated Balance Sheet as at 30th June 2009

(Amount in Rs.)

Particulars	As at 30.06.2009	As at 30.06.2008
Schedule 4: Unsecured Loans		
Loans from Others	4,724,661	10,712,664
Loans from Related Party	55,936,000	-
TOTAL	60,660,661	10,712,664
Schedule 5: INVESTMENTS		
UNQUOTED		
MIC Digital Media Vizag Pvt. Ltd (Share Application Money)	5,850,000	5,850,000
MIC Green Energy Solutions Pvt. Ltd.	100,000	-
Other Investments by MIC Inc.	41,344,000	-
TOTAL	47,294,000	5,850,000
Schedule 6: INVENTORIES (AT COST)		
(As valued and certified by the Management)		
Raw Materials	241,301,961	144,244,845
Work in Progress	279,563,399	61,104,594
Finished Goods	10,544,520	2,338,500
TOTAL	531,409,880	207,687,939
Schedule 7: SUNDRY DEBTORS		
(Unsecured considered good)		
Debts due over six months	374,241,765	241,894,421
Other Debts	1,079,826,351	1,306,546,619
TOTAL	1,454,068,116	1,548,441,040
Schedule 8: CASH & BANK BALANCES		
Cash on hand	4,919,595	5,920,681
Balance with Banks	2,452,865	13,619,287
Deposits with Scheduled Banks	24,455,132	68,663,034
Balance in Mutul Funds	200,000	200,000
TOTAL	32,027,591	88,403,003

(Amount in Rs.)

Particulars	As at: 30.06.2009	As at: 30.06.2008
Schedule 9 LOANS & ADVANCES		
(Unsecured, considered good recoverable in cash or in kind or for value to be received)		
Advances for: Capital Items	2,825,000	5,129,570
Purchases	15,225,336	28,912,482
Expenses	5,780,290	3,415,512
Advances recoverable in cash or in kind or for value to be received	706,998,614	352,011,132
Due from Related Parties	21,740,718	114
Advances to Employees	4,370,396	4,234,001
Deposits recoverable	298,895,536	289,220,897
Balance with Central Excise Dept.	9,896,000	12,985,224
Prepaid expenses	3,388,815	5,854,992
Advance Income Tax, TDS & FBT	14,585,694	10,448,341
Other Current assets	5,818,262	61,700
Note Receivable	8,657,920	-
TOTAL	1,098,182,580	712,273,965
Schedule 10 CURRENT LIABILITIES & PROVISIONS		
a) Current Liabilities:		
Creditors for materials	462,033,800	537,471,691
Creditors for expenses	64,692,286	72,251,156
Advances from Customers & others	25,652,510	26,611,935
SUB TOTAL (a)	552,378,595	636,334,783
b) Provisions:		
Proposed Dividend	40,255,310	40,255,310
Tax on proposed Dividend	6,841,390	6,841,390
Income Tax	102,184,754	132,677,468
Fringe Benefit Tax	1,352,458	1,255,603
Leave Salary	4,454,768	3,014,452
Gratuity	9,551,611	7,274,945
SUB TOTAL (b)	164,640,291	191,319,168
TOTAL (a+b)	717,018,886	827,653,951

Schedules Forming part of the Consolidated Profit and Loss account for the Year ended 30th June 2009

(Amount in Rs.)

Particulars	Current Year	Previous Year
Schedule 11 SALES & SERVICES		
Domestic	2,310,012,328	3,026,383,236
Exports	184,400,374	59,936,770
Services	459,989,240	521,427,920
TOTAL	2,954,401,941	3,607,747,926
Schedule 12 INCREASE/DECREASE IN STOCK		
Opening work in progress / Finished Goods	61,104,594	27,943,142
Less: Transfer to free samples	17,304	-
Closing work in progress	279,563,399	63,443,094
Increase / (Decrease) in Stock	TOTAL	TOTAL
	218,476,109	35,499,952
Schedule 13 OTHER INCOME		
Gain /(Loss) from exchange of foreign currency	7,655,264	-
Interest earned on deposits & others	6,303,620	16,528,859
Other Receipts	8,088,264	1,677,042
TOTAL	22,047,148	18,205,901
Schedule 14 MATERIAL CONSUMED		
Opening Stock	144,244,845	60,466,991
Add : Purchases	1,731,853,555	2,146,725,408
	1,876,098,400	2,207,192,399
Less : Material consumed for R&D	10,040,244	3,622,580
	1,866,058,156	2,203,569,819
Less : Closing Stock	241,301,961	144,244,845
TOTAL	1,624,756,195	2,059,324,974
Schedule 15 EMPLOYEE COST		
Salaries, Wages & Bonus	307,813,248	175,252,374
Contribution to PF and other funds	2,419,180	2,053,129
Staff Welfare Expenses	1,922,555	1,103,652
Leave Salary	1,547,525	1,170,062
Gratuity	2,328,850	3,270,112
TOTAL	316,031,359	182,849,329

(Amount in Rs.)

Particulars	Current Year	Previous Year
Schedule 16 MANUFACTURING, ADMINISTRATIVE AND SALES EXPENSES		
Stores Consumed	2,570,281	2,099,386
Electricity Charges	3,357,888	1,672,453
Excise duty & Service Tax	26,687,199	47,587,377
Insurance	3,403,130	2,073,686
Job Works, Plotting ,Development & Testing Charges	8,756,114	5,037,520
Repairs and Maintenance	1,600,848	2,327,852
Expenses for Inter Connect Billing	9,880,845	15,377,035
Professional Charges	16,285,609	15,807,502
Rent , Rates & Taxes	67,279,448	60,099,708
Printing & Stationary	2,545,311	1,852,182
Postage, Telephone & Internet Expenses	7,264,379	5,965,025
Travelling, Conveyance & Transport Exp.	19,655,064	23,574,229
Freight, Packing & Forwarding	14,730,342	4,696,194
Vehicle Maintenance	5,305,181	3,493,025
Auditors Remuneration :as auditors	586,840	546,680
General Charges	33,997,375	69,034,359
Bad Debts & Debit Balances written back	91,973,603	523,867
Bank Charges	11,882,043	8,685,917
Sales Expenses	7,253,494	8,877,552
Issue Expenses written off	10,230,940	10,230,940
Subcontractors & outside services	107,013,947	187,680,891
Entertainment Expenses	31,653	9,051
Sales Tax	3,335,321	442,358
Preliminary Expenses Written Off	7,700	7,700
Liquidated Damages	2,658,145	-
Computer Expenses	28,233	286,595
TOTAL	458,320,936	477,989,084

Schedules forming part of the Consolidated Profit and Loss account for the Year ended 30th June 2009

(Amount in Rs.)

Particulars	Current Year	Previous Year
Schedule 17 R&D EXPENDITURE		
Materials	10,040,244	3,622,580
Employees Cost	25,229,626	15,840,223
Other Expenses	1,291,919	494,757
TOTAL	36,561,789	19,957,560
Schedule 18 INTEREST AND FINANCIAL CHARGES		
Interest on Term Loans -		
UCO Bank	16,755,751	64,299
Technology Development Board	2,136,808	1,664,364
Small Industrial Development Bank of India		20,539
Industrial Development Bank of India Ltd	8,662,354	-
Interest on Working Capital		
State Bank of India	21,964,783	6,873,304
Development Credit Bank Ltd.	17,364,469	12,793,689
Union Bank of California		1,638,414
Interest on Loan from others	1,501,557	3,366,683
Financial Charges	688,330	1,048,107
TOTAL	69,074,052	27,469,399

Schedule 19 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS

1. Basis of Consolidation.

The Consolidated financial statements relate to the Company and its subsidiary Companies. The Consolidated financial statements have in accordance with the Accounting Standard - 21 ('AS-21') "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and have been prepared on the following basis:

- 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 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 may be.

- d. 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.
- 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.

The subsidiaries considered in Consolidated Financial Statements are :

	Country of Incorporation	Proportionate ownership interest	
		As at 30-06-09	As at 30-06-08
MIC Technologies Australia (Pty) Ltd	Australia	90.00%	90.00%
Infostep Inc.	USA	71.33%	71.33%
MIC Electronics Inc.	USA	100.00%	100.00%
Maave Electronics Pvt Ltd	India	100.00%	100.00%

The financial statements of the subsidiaries, considered in the consolidated accounts, are drawn upto 30th June, 2009 other than for Maave Electronics Pvt. Ltd. where the last audited financial statement is as on 31st March, 2009.

The subsidiary not considered in the preparation of the above statements is MIC Digital Media Vizag (P) Ltd as the amount is still lying as Share Application money in the subsidiary and shares are not allotted till date.

Since MIC Green Energy Solutions Pvt. Ltd. has not commenced its commercial operations, whose financials are not considered while consolidation.

2. Other Significant Accounting Policies

- Accounting Convention – Financial statements have been prepared under the historical costs convention and in accordance with applicable Accounting Standards. All income and expenditure having a material bearing in the financial statements are prepared on accrual basis.
- Valuation of Inventories – Raw Materials and Work in Progress are valued at cost. Stock-in-Trade is valued at cost or realisable value whichever is lower. CENVAT & VAT on purchase of raw material / components are deducted from cost of such materials.
- Fixed Assets – Fixed assets are capitalized at acquisition cost and other directly attributable cost of bringing the assets to its working condition and are net of Cenvat & VAT claimed on capital goods.
- Depreciation – Depreciation is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 and in terms of the useful life of assets as determined which is not higher than the rates prescribed under Schedule XIV to the Companies Act, 1956. In respect of additions made during the year, depreciation is provided on pro rata basis.
- Foreign Currency Transactions – All monetary items denominated in foreign currency are reflected at the rates prevailing on the Balance sheet date. Income and Expenditure items involving foreign exchange are translated at the exchange rate prevailing on the dates of transaction. 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.
- Employee Retirement Benefits – The Company has a provident fund scheme for their employees. Contributions to the scheme are charged to the profit and loss account. 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. 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.

Schedule 19 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS

(Contd.)

- g. 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.

3. Contingent liabilities:

(Amount in Rs.)

S. No.	Particulars	As at 30.06.09	As at 30.06.08
A	Counter guarantees given by the Company to banks towards issue of Bank Guarantees	100,522,738	132,703,165
B	Counter guarantees given by the Company to banks towards issue of Bank Guarantees to Customs Department against advance licenses	1,098,855	1,098,855
C	Bonds executed to Customs Department (net of Bank Guarantees) against advance licenses	3,858,785	2,759,930
D	Letter of credits issued by Bankers	33,926,707	29,798,618
E	Corporate Guarantees given by the Company to banks	131,000,000	37,900,000
	Tax matters in Appeals		
	a. Excise Duty	21,223,061	--
	b. Customs Duty	1,801,111	-
	c. Sales Tax	3,195,527	-

4. Secured Loans:

- a. Working Capital Loans:
- State Bank of India and Development Credit Bank are secured by pari-passu charge on fixed assets and all chargeable current assets of the Company except assets pertaining to Technology Development Board and National Research Development Corporation, IDBI and UCO Bank. State Bank of India and Development Credit Bank Limited are secured by a second charge on the assets financed by IDBI and UCO Bank.
 - SBI is further secured by personal guarantees of three of the following Directors of the Company.
 - Dr MV Ramana Rao
 - Mr LN Malleswara Rao
 - Mr N. Srinivasa Rao
 - Development Credit Bank is further secured by personal guarantee of Dr. M.V. Ramana Rao, Managing Director of the Company.
 - Union Bank of California is secured by personal guarantee of the shareholders of Infostep Inc. USA.
- b. Term Loans:
- 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 guarantee of Dr. M. V. Ramana Rao, Managing Director.
 - National Research Development Corporation is secured by all the machinery and equipments acquired for the development of "Fraud Management and Control Centre (FMCC)".

iii. Term Loan taken from IDBI is secured as follows:

Primary: (i) a first mortgage and charge on Industrial Plot No. 192/B in Survey No.274 admeasuring 5341 Sq. Yards situated at Phase II, IDA, Cherlapally village, Kapra Municipality, Ghatkesar Mandal, RR District valued at Rs. 2.50 Crores and proposed building thereon admeasuring 100000 Sq.Ft valued at Rs.12.52 Crores (Approx). (ii) A first hypothecation charge on plant and machinery valued Rs.6.89 Crores.

Collateral: NIL

Personal Guarantee: An irrevocable and unconditional guarantee from Dr.M.V.Ramana Rao in favor of IDBI.

iv. Term Loan taken from UCO Bank is secured as follows:

Primary: (i) 1st hypothecation charge over the plant and machinery, LED Display Boards, software and other fixed assets of the project of the company at DMRC. (ii) 1st Charge on receivables arising out of the DMRC Project.

Collateral Security: Second charge on the fixed assets of the company other than what has been taken as first charge. The first charge will be with SBI and DCB. UCO Bank is further secured by personal guarantee of Dr.M.V.Ramana Rao, Managing Director.

c. Loans outstanding against purchase of vehicles are secured by hypothecation of the respective vehicles.

5. Directors Remuneration (Holding Company) included in Personnel Cost:

		(Amount in Rs.)	
S. No.	Particulars	2008-09	2007-08
A	Managing Director		
	-Remuneration	2,400,000	1,604,032
	-Perquisite Value of rent	373,500	365,250
B	Other Directors		
	-Remuneration	5,520,000	1,200,000

6. Related party Disclosures:

In Accordance with the Accounting Standard – 18 (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	Dr.M.V.Ramana Rao	Directors - Key Management Personnel
2	Mr L.N.Malleswara Rao	
3	Mr U.Ramakrishna	
4	Mr Srikant P. Joshi	

Schedule 19 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS (Contd.)

b. Transactions during the year with related parties:

(Amount in Rs.)			
S. No.	Nature of Transaction	2008-09	2007-08
1	Expenditure :		
	Remunerations to Key Management Personnel	7,920,000	2,804,032
	Rents paid towards accommodation provided to Management Personnel	373,500	365,250

7. Earnings Per Share

Particulars	2008-09	2007-08
Closing No. of Shares	100,638,275	100,638,275
Convertible Share Warrants	17,481,725	-
Profit after Taxes (Amt. in Rs.)	658,916,214	700,912,145
Face value of Equity Shares	2	2
Basic EPS (in Rs.)	6.55	6.93
Diluted EPS (in Rs.)	5.58	-

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

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

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

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

Place : Hyderabad
Date : 5th December 2009

For and on behalf of the Board

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

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

Consolidated Cash Flow Statement for the Year ended 30.06.2009

(Amount in Rs.)

Particulars	For the Y.E. 30.06.2009	For the Y.E. 30.06.2008
Cash flows from Operating activities		
Net Profit after taxation, prior period & extraordinary item and effect of foreign currency translation	644,359,488	719,212,704
Adjustments for:		
Depreciation	56,496,615	23,106,506
Minority Interest	(8,225,223)	(18,300,559)
Interest Income	(6,303,620)	(16,528,859)
Operating Profit before working Capital changes	686,327,261	707,489,792
(Increase) Decrease in Sundry Debtors	94,372,924	(98,671,216)
(Increase) Decrease in Loans and Advances	(385,908,615)	(449,655,135)
(Increase) Decrease in Inventories	(323,721,941)	(118,357,725)
Increase / (Decrease) in Deferred Revenue Expenditure	(62,640,151)	21,650,691
(Increase) Decrease Share Issue and Preliminary Expenses	10,240,281	12,160,845
Increase / (Decrease) in Current Liabilities and Provisions	(110,635,065)	(127,076,697)
Cash generated from Operations	(91,965,307)	(52,459,445)
Net Cash flow from Operating Activities	(91,965,307)	(52,459,445)
Cash flows from Investing Activities		
Purchase of Fixed Assets and Capital Work in Progress (net)	(301,009,724)	(790,547,594)
Long term Investments	(41,444,000)	500,000
Interest received	6,303,620	16,528,859
Goodwill on Consolidation and Purchase	(68,524,143)	(41,549,362)
Net Cash flow from Investing Activities	(404,674,248)	(815,068,097)
Cash flows from Financing Activities		
Proceeds from Issue of Share Capital including Share Premium	(2,099,735)	393,873,696
Decrease (Increase) in borrowings -	497,695,466	167,548,781
Minority Interest	(2,308,155)	12,855,743
Dividend Paid including Dividend Tax	(56,582,518)	(47,096,700)
Net Cash used for financing activities	436,705,058	527,181,520
Effect of Exchanges differences on translation of foreign currency cash & Cash equivalent	3,559,086	-
Net increase in cash and cash equivalents	(56,375,411)	(340,346,022)
Cash and Cash equivalents at the beginning of period	88,403,003	428,749,025
Cash and Cash equivalents at the end of period	32,027,592	88,403,003

Place: Hyderabad

Date: 5th December 2009

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 2009 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: 26th November, 2009

Directors' Report

Your directors present this report on the company for the financial year ended 30 June 2009.

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

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 30 June 2009	Year ended 30 June 2008
	\$ 6,347	\$36,491

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.

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

Dated: 26th November, 2009

Sd/-

Paul Hager
 Director

Detailed Profit and Loss Statement for the year ended 30 June 2009

(Amount AUD)

	June 30, 2009	June 30, 2008
Income		
Gross Receipts	407,722	732,405
Interest received	37	323
Other income	10,300	1,848
Total income	418,058	734,576
Expenses		
Accountancy	2,000	6,400
Advertising and promotion	3,118	336
Agency fees	182	0
Bank Fees And Charges	1,909	1,300
Business Promotion	5,676	3,115
Casual labour	13,625	1,498
Cleaning/rubbish removal	229	606
Computer Expenses	786	7,917
Commissions	300	0
Conference/seminar costs	0	1,273
Consultants fees	11,897	153,284
Contract payments	30,664	4,151
Depreciation - other	75,740	87,027
Electricity	1,896	2,504
Fees & charges	2,366	0
Filing Fees	489	507
General expenses	422	0
Hire/rent of Plant & Equipment	4,852	2,971
Insurance	1,560	1,920
Interest - Australia	8,072	2,690
Legal fees	450	0
Materials & supplies	12,658	0
M/V car - Depreciation	6,501	3,585
M/V car - Fuel & oil	716	4,006
M/V car - Rego/Insurance	2,039	929
M/V car - Repairs	891	0
M/V car - Other	1,048	6,171
M/V commercial - Reg/Insurance	619	2,057
Office Expenses	0	6,252
Postage	596	505
Printing & stationery	3,399	1,910
Rates & land taxes	247	0
Rent on land & buildings	26,333	26,500
Repairs & maintenance	4,786	10,836
Salaries - ordinary	146,258	266,360



(Amount AUD)

	June 30, 2009	June 30, 2008
Security	1,408	390
Staff training	182	909
Sundry expenses	0	3,649
Superannuation	8,862	16,333
Telephone	11,138	9,048
Tools & Accessories	0	337
Travel, accom & conference	12,853	43,029
Transportation Charges	1,713	939
Uniform Expenses	0	967
Water Charges	508	234
Total expenses	408,992	682,446
Profit from Ordinary Activities before Income tax	9,067	52,130
Operating profit before income tax	9,067	52,130
Income tax attributable to operating profit (loss)	2,720	15,639
Operating profit after income tax	6,347	36,491
Retained profits at the beginning of the financial year	39,098	2,607
Total available for appropriation	45,445	39,098
Retained profits at the end of the financial year	45,445	39,098

Detailed Balance Sheet as at 30 June 2009

(Amount AUD)

	June 30, 2009	June 30, 2008
Current Assets		
Cash Assets		
Cash At Bank	0	8,936
Commonwealth Bank A/c	59	59
Cash on hand	168	158
	227	9,153
Receivables		
CRM Smart	373,542	373,542
Technology Development Centre	69,125	69,125
Global Lending Finance	50,000	0
	492,667	442,667
Other		
Receivables	1,603	1,603
Advance Payments	32,254	32,254
	33,857	33,857
Total Current Assets	526,751	485,678
Non-Current Assets		
Property, Plant and Equipment		
Fixtures & Fittings	8,832	6,114
Less: Accumulated depreciation	(1,978)	(1,224)
Plant & equipment - at cost	855,622	772,613
Less: Accumulated depreciation	(235,844)	(165,691)
Office Equipment	30,236	26,792
Less: Accumulated depreciation	(22,043)	(17,210)
Motor vehicles - at cost	42,028	42,028
Less: Accumulated depreciation	(11,450)	(4,949)
	665,404	658,473
Intangible Assets		
Goodwill	10,000	10,000
	10,000	10,000
Other		
Preliminary expenses	800	800
	800	800
Total Non-Current Assets	676,204	669,273
Total Assets	1,202,955	1,154,951

(Amount AUD)

	June 30, 2009	June 30, 2008
Current Liabilities		
Payables		
Unsecured:		
MSPV Pty Ltd	(77,250)	2,750
Turnkey Computers	387,532	387,532
Mic Electronics (India)	691,930	635,311
Bio Lab disputed funds	1,125	1,125
	1,003,337	1,026,718
Financial Liabilities		
Unsecured:		
Cash At Bank	44,608	0
BBX Ledger account	2,884	0
Other loans	2,643	289
Loan From Angelo	10,000	10,000
	60,136	10,289
Current Tax Liabilities		
GST payable control account	52,078	11,402
Input tax credit control account	(36,237)	(14,222)
Taxation	(436)	9,073
Amounts withheld from salary and wages	2,928	14,333
	18,333	20,586
Other		
Latha	457	457
Advance From Customer	10,193	10,193
Accounting Charges Payable	4,400	4,620
	15,050	15,270
Total Current Liabilities	1,096,856	1,072,863
Non-Current Liabilities		
Financial Liabilities		
Unsecured:		
Esanda Finance	12,722	17,493
Hire purchase	29,633	37,041
Less: Unexp interest charges	(9,311)	(11,645)
Loan from IBF	27,500	0
	60,545	42,890
Total Non-Current Liabilities	60,545	42,890
Total Liabilities	1,157,400	1,115,753
Net Assets	45,555	39,198
Equity		
Issued Capital		
Issued & paid up capital	110	100
Retained profits / (accumulated losses)	45,445	39,098
Total Equity	45,555	39,198

Notes to the Financial Statements for the year ended 30 June 2009

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 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, independent or directors' valuation. All assets, excluding freehold land and buildings, are depreciated over their useful lives to the company.

(b) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

	<i>(Amount AUD)</i>	
	June 30, 2009	June 30, 2008
Note 2: Revenue		
Operating Activities:		
Interest revenue	37	323
Other operating revenue:		
Gross Receipts	407,722	732,405
Other income	10,300	1,848
	418,058	734,576
Note 3: Profit from Ordinary Activities		
Profit (loss) from ordinary activities before income tax has been determined after:		
Charging as Expense:		
Borrowing costs	8,072	2,690
Depreciation of non-current assets:		
- Motor vehicles	6,501	3,585
- Other	75,740	87,027
Total depreciation expenses	82,241	90,612

(Amount AUD)

	June 30, 2009	June 30, 2008
Note 4: Cash assets		
Bank accounts:		
Cash At Bank	0	8,936
Commonwealth Bank A/c	59	59
Other cash items:		
Cash on hand	168	158
	227	9,153
Note 5: Receivables		
Current		
Trade debtors	492,667	442,667
	492,667	442,667
Note 6: Other Assets		
Current		
Other	33,857	33,857
	33,857	33,857
Non Current		
Preliminary expenses	800	800
Less: accumulated amortisation	0	0
	800	800
Note 7: Property, Plant and Equipment		
Leasehold improvements:		
- At cost	8,832	6,114
- Less: Accumulated depreciation	(1,978)	(1,224)
	6,854	4,890
Plant and equipment:		
- At cost	855,622	772,613
- Less: Accumulated depreciation	(235,844)	(165,691)
	619,778	606,922
Other plant and equipment:		
- At cost	30,236	26,792
- Less: Accumulated depreciation	(22,043)	(17,210)
	8,193	9,582
Motor vehicles:		
- At cost	42,028	42,028
- Less: Accumulated depreciation	(11,450)	(4,949)
	30,578	37,079
	665,404	658,473

(Amount AUD)

	June 30, 2009	June 30, 2008
Note 8: Payables		
Unsecured:		
- Trade creditors	1,003,337	1,026,718
	<u>1,003,337</u>	<u>1,026,718</u>
	1,003,337	1,026,718
Note 9: Financial Liabilities		
Current		
Unsecured:		
- Other loans	12,643	10,289
	<u>12,643</u>	<u>10,289</u>
Secured*:		
- Bank overdrafts	47,493	0
	<u>47,493</u>	<u>0</u>
	60,136	10,289
Non-Current		
Unsecured:		
- Bank loans	12,722	17,493
- Hire purchase liabilities	29,633	37,041
- Less: Unexpired hire charges	(9,311)	(11,645)
- Loans from related companies	27,500	0
	<u>60,545</u>	<u>42,890</u>
	60,545	42,890
* Total Current and Non-Current Secured Liabilities		
Bank overdrafts	47,493	0
	<u>47,493</u>	<u>0</u>
	47,493	0
Note 10: Tax Liabilities		
Current		
GST payable control account	52,078	11,402
Input tax credit control account	(36,237)	(14,222)
Taxation	(436)	9,073
Amounts withheld from salary and wages	2,928	14,333
	<u>18,333</u>	<u>20,586</u>
	18,333	20,586
Note 11: Other Liabilities		
Current		
Advance payments	10,650	10,650
Sundry	4,400	4,620
	<u>15,050</u>	<u>15,270</u>
	15,050	15,270

Depreciation Schedule for the year ended 30 June, 2009

				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	94	0		0	94	D	50.00	47	0	47	0	0	0	0
Computer	0.00	0	0.00	44	0		0	44	D	50.00	22	0	22	0	0	0	0
Computer	0.00	0	0.00	95	0		0	95	D	50.00	47	0	48	0	0	0	0
Computer	0.00	0	0.00	62	0		0	62	D	50.00	31	0	31	0	0	0	0
Computer	0.00	0	0.00	642	0		0	642	D	50.00	321	0	321	0	0	0	0
Computer	0.00	0	0.00	184	0		0	184	D	50.00	92	0	92	0	0	0	0
Computer	0.00	0	0.00	333	0		0	333	D	50.00	166	0	167	0	0	0	0
Computer	0.00	0	0.00	59	0		0	59	D	50.00	30	0	29	0	0	0	0
Laptop	0.00	0	0.00	382	0		0	382	D	50.00	191	0	191	0	0	0	0
VOIP Phones	0.00	0	0.00	497	0		0	497	D	7.50	37	0	460	0	0	0	0
Touch Screen Monitor	0.00	0	0.00	213	0		0	213	D	37.50	80	0	133	0	0	0	0
Printer	0.00	0	0.00	169	0		0	169	D	30.00	51	0	118	0	0	0	0
Telephone Equipment	0.00	0	0.00	97	0		0	97	D	7.50	7	0	90	0	0	0	0
Laptop	0.00	0	0.00	367	0		0	367	D	50.00	183	0	184	0	0	0	0
Computer Server	0.00	0	0.00	1,810	0		0	1,810	D	37.50	679	0	1,131	0	0	0	0
Computer	0.00	0	0.00	1,128	0		0	1,128	D	50.00	564	0	564	0	0	0	0
Computer	0.00	0	0.00	330	0		0	330	D	50.00	165	0	165	0	0	0	0
Electric Equipment	0.00	0	0.00	1,409	0		0	1,409	D	7.50	106	0	1,303	0	0	0	0
Television	0.00	0	0.00	1,666	0		0	1,666	D	20.00	333	0	1,333	0	0	0	0
Computer	0.00	2,099	0.00	0	0	09/07/08	2,099	2,099	D	50.00	1,027	0	1,072	0	0	0	0
Computer	0.00	1,345	0.00	0	0	11/07/08	1,345	1,345	D	50.00	654	0	691	0	0	0	0
		3,444		9,581		0		3,444			13,025		4,833	0	8,192		
Deduct Private Portion													0				
Net Depreciation													4,833				

Depreciation Schedule for the year ended 30 June, 2009

	Total	Priv	OWDV	DISPOSAL		ADDITION		DEPRECIATION				PROFIT			LOSS		
				Date	Consid	Date	Cost	Value	T	Rate	Deprec	Priv	CWDV	Upto +	Above	Total -	Priv
Plant & Equipment																	
Information Display System	0.00	0	0.00	79,457	0		0	79,457	D	7.50	5,959	0	73,498	0	0	0	0
Speakers	0.00	0	0.00	3,911	0		0	3,911	D	7.50	293	0	3,618	0	0	0	0
Equipment For LED	0.00	0	0.00	927	0		0	927	D	7.50	69	0	858	0	0	0	0
DVD Player	0.00	0	0.00	200	0		0	200	D	7.50	15	0	185	0	0	0	0
Equipment For LED	0.00	0	0.00	65	0		0	65	D	7.50	5	0	60	0	0	0	0
Information Display System-2	0.00	0	0.00	71,677	0		0	71,677	D	7.50	5,376	0	66,301	0	0	0	0
Alarm System	0.00	0	0.00	1,124	0		0	1,124	D	7.50	84	0	1,040	0	0	0	0
Projector	0.00	0	0.00	4,788	0		0	4,788	D	15.00	718	0	4,070	0	0	0	0
Software	0.00	0	0.00	29,846	0		0	29,846	D	60.00	17,908	0	11,938	0	0	0	0
Projector	0.00	0	0.00	5,000	0		0	5,000	D	15.00	750	0	4,250	0	0	0	0
Information Display System	0.00	0	0.00	25,654	0		0	25,654	D	7.50	1,924	0	23,730	0	0	0	0
Information Display System	0.00	0	0.00	12,118	0		0	12,118	D	7.50	909	0	11,209	0	0	0	0
Information Display System	0.00	0	0.00	104,436	0		0	104,436	D	7.50	7,833	0	96,603	0	0	0	0
Information Display System	0.00	0	0.00	32,212	0		0	32,212	D	7.50	2,416	0	29,796	0	0	0	0
LCD Monitor	0.00	0	0.00	215	0		0	215	D	37.50	81	0	134	0	0	0	0
Printer	0.00	0	0.00	290	0		0	290	D	30.00	87	0	203	0	0	0	0
Vacuum Cleaner	0.00	0	0.00	292	0		0	292	D	20.00	58	0	234	0	0	0	0
Steel Mountings	0.00	0	0.00	6,194	0		0	6,194	D	7.50	465	0	5,729	0	0	0	0
Indoor True Color LED Display	0.00	0	0.00	59,781	0		0	59,781	D	7.50	4,484	0	55,297	0	0	0	0
Frames for LED	0.00	0	0.00	515	0		0	515	D	7.50	39	0	476	0	0	0	0
Frames for LED	0.00	0	0.00	858	0		0	858	D	7.50	64	0	794	0	0	0	0
Frames for LED	0.00	0	0.00	862	0		0	862	D	7.50	65	0	797	0	0	0	0
Lifting Equipment	0.00	0	0.00	689	0		0	689	D	7.50	52	0	637	0	0	0	0
Video Mixer	0.00	0	0.00	1,199	0		0	1,199	D	7.50	90	0	1,109	0	0	0	0
Game Testing Equipment	0.00	0	0.00	380	0		0	380	D	7.50	28	0	352	0	0	0	0
DVD Recorder/Camera	0.00	0	0.00	2,310	0		0	2,310	D	7.50	173	0	2,137	0	0	0	0
Information Display System	0.00	0	0.00	104,615	0		0	104,615	D	7.50	7,846	0	96,769	0	0	0	0
Frames for LCD	0.00	0	0.00	3,072	0		0	3,072	D	7.50	230	0	2,842	0	0	0	0
Plant & Equipment	0.00	0	0.00	1,183	0		0	1,183	D	7.50	89	0	1,094	0	0	0	0



					DISPOSAL		ADDITION		DEPRECIATION				PROFIT			LOSS	
		Total	Priv	OWDV	Date	Consid	Date	Cost	Value	T	Rate	Deprec	Priv	CWDV	Upto +	Above	Total -
Box for Trailers	0.00	0	0.00	1,819		0	0	1,819	D	20.00	364	0	1,455	0	0	0	0
Sign Board	0.00	0	0.00	333		0	0	333	D	10.00	33	0	300	0	0	0	0
Trailer	0.00	0	0.00	1,647		0	0	1,647	D	20.00	329	0	1,318	0	0	0	0
Trailer	0.00	0	0.00	4,198		0	0	4,198	D	20.00	840	0	3,358	0	0	0	0
LED Video Display	0.00	0	0.00	36,479		0	0	36,479	D	7.50	2,736	0	33,743	0	0	0	0
Trailer	0.00	0	0.00	6,241		0	0	6,241	D	20.00	1,248	0	4,993	0	0	0	0
Trailer Frame	0.00	0	0.00	1,429		0	0	1,429	D	20.00	286	0	1,143	0	0	0	0
Steel Boxes	0.00	0	0.00	908		0	0	908	D	10.00	91	0	817	0	0	0	0
Electrical Fittings	0.00	1,470	0.00	0		0	02/07/08	1,470	D	11.25	165	0	1,305	0	0	0	0
HYdraulic Cylinders	0.00	2,195	0.00	0		0	07/07/08	2,195	D	20.00	432	0	1,763	0	0	0	0
Trailer Doors Brightweld	0.00	890	0.00	0		0	09/07/08	890	D	20.00	174	0	716	0	0	0	0
Camera Recorder	0.00	856	0.00	0		0	10/07/08	856	D	20.00	167	0	689	0	0	0	0
Smith Electrical Fittings	0.00	3,200	0.00	0		0	14/07/08	3,200	D	11.25	347	0	2,853	0	0	0	0
Aluminium Flybar Making Br	0.00	4,200	0.00	0		0	24/07/08	4,200	D	11.25	443	0	3,757	0	0	0	0
Smith Electrical Cable	0.00	2,102	0.00	0		0	06/08/08	2,102	D	11.25	213	0	1,889	0	0	0	0
LED Machine	0.00	67,550	0.00	0		0	09/09/08	67,550	D	7.50	4,095	0	63,455	0	0	0	0
Sound System	0.00	545	0.00	0		0	07/10/08	545	D	20.00	80	0	465	0	0	0	0
		83,008		606,924		0		83,008			689,932		70,153	0	619,779		
Deduct Private Portion													0				
Net Depreciation											70,153						

Depreciation Schedule for the year ended 30 June, 2009

				DISPOSAL		ADDITION		DEPRECIATION				PROFIT			LOSS		
	Total	Priv	OWDV	Date	Consid	Date	Cost	Value	T	Rate	Deprec	Priv	CWDV	Upto+	Above	Total	Priv
Furniture & Fixtures																	
Furniture	0.00	0	0.00	130	0		0	130	D	11.25	15	0	115	0	0	0	0
Furniture	0.00	0	0.00	213	0		0	213	D	11.25	24	0	189	0	0	0	0
Furniture	0.00	0	0.00	1,879	0		0	1,879	D	11.25	211	0	1,668	0	0	0	0
Furniture	0.00	0	0.00	535	0		0	535	D	11.25	60	0	475	0	0	0	0
Racks	0.00	0	0.00	1,355	0		0	1,355	D	11.25	152	0	1,203	0	0	0	0
Racks	0.00	0	0.00	778	0		0	778	D	11.25	87	0	691	0	0	0	0
Furniture & Fittings	0.00	718	0.00	0	0	16/10/08	718	718	D	11.25	57	0	661	0	0	0	0
Furniture & Fittings	0.00	636	0.00	0	0	23/10/08	636	636	D	11.25	49	0	587	0	0	0	0
Furniture & Fittings	0.00	455	0.00	0	0	06/11/08	455	455	D	11.25	33	0	422	0	0	0	0
Furniture & fittings	0.00	909	0.00	0	0	06/11/08	909	909	D	11.25	66	0	843	0	0	0	0
	2,718		4,890		0		2,718	7,608			754	0	6,854				
Deduct Private Portion											0						
Net Depreciation											754						
Motor Vehicle																	
Car	0.00	0	0.00	15,364	0		0	15,364	D	18.75	2,881	0	12,483	0	0	0	0
UTE	0.00	0	0.00	21,715	0		0	21,715	D	16.67	3,620	0	18,095	0	0	0	0
	0		37,079		0		0	37,079			6,501	0	30,578				
Deduct Private Portion											0						
Net Depreciation											6,501						



InfoSTEP, Inc.
Report of Independent Public Accountant

To the Board of Directors

InfoSTEP, Inc.

Santa Clara, CA

We have audited the accompanying consolidated balance sheet of Infostep, Inc. as of June 30, 2009 and 2008 and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years 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.

We did not audit the financial information of Infostep India Private Limited, a wholly owned subsidiary, whose statements reflect total assets of \$276,266 and total revenues of \$213,518, for the year ended June 30, 2009.

In our opinion, except for the effects of above adjustments, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of Infostep, Inc. as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended are in conformity with accounting principles generally accepted in the United States of America.

Sd/-

Naresh Arora & Gulrajani, LLP

Certified Public Accountants

Santa Clara, California

November 17, 2009

InfoSTEP Inc. and its Subsidiary Consolidated Balance Sheet

(Amount in USD)

	June 30, 2009	June 30, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,473	60,804
Trade accounts receivable and unbilled revenue	1,381,992	1,875,982
Inventories	22,587	2,257
Related party receivables	210,258	1,89,897
Employee advances		45,101
Prepays and other current assets	35,367	7,434
TOTAL CURRENT ASSETS	1,651,677	2,268,711
PROPERTY AND EQUIPMENT, AT COST	416,161	397,347
Less : Accumulated depreciation	(309,882)	(307,882)
NET PROPERTY AND EQUIPMENT	106,278	89,465
OTHER ASSETS		
Capitalized software development costs, net	1,193,957	1,481,815
Deposits	41,366	34,899
NET OTHER ASSETS	1,235,323	1,516,714
TOTAL ASSETS	2,993,277	3,874,890
LIABILITIES & SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Trade accounts payable and accrued liabilities	558,176	838,522
Income taxes currently payable	-	17,101
Note payable to bank	183,218	212,993
Deferred income tax liability, current portion	244,174	513,000
TOTAL CURRENT LIABILITIES	985,568	1,581,616
OTHER LIABILITIES		
Deferred income tax liability, net of current portion	470,552	-
TOTAL OTHER LIABILITIES	470,552	-
SHAREHOLDERS' EQUITY		
Common Stock	717,533	717,533
Additional paid-in capital	37,952	-
Notes receivable from shareholders	(694,400)	(694,400)
Retained earnings	1,385,117	2,362,232
Accumulated comprehensive loss	90,956	(92,091)
TOTAL SHAREHOLDERS' EQUITY	1,537,158	2,293,274
TOTAL LIABILITIES & SHAREHOLDER'S EQUITY	2,993,277	3,874,890

Accompanied notes are an integral part of these financial statement.

InfoSTEP Inc. and its Subsidiary Consolidated Statements of Income

(Amount in USD)

	For the Year Ended June 30, 2009	For the Year Ended June 30, 2008
REVENUES	8,142,494	1,091,260
COST OF REVENUES		
Subcontractors and outside services	2,186,177	4,613,168
Employee wages, benefits and taxes	3,127,002	2,543,533
Other direct costs	404,077	1,22,906
	5,717,256	7,279,607
GROSS PROFIT	2,425,238	3,632,994
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	2,249,390	1,720,673
INCOME (LOSS) FROM OPERATIONS	175,848	1,912,321
OTHER INCOME (EXPENSES)		
Interest expense	4,770	(40,595)
Gain (loss) from exchange of foreign currency	1,494	-
	6,264	(40,595)
INCOME (LOSS) BEFORE INCOME TAXES	182,112	1,871,726
INCOME TAX (EXPENSE) BENEFIT		
Current	11,354	(45,053)
Deferred income tax (expense) benefit	99,407	(348,000)
	110,761	(393,053)
NET INCOME (LOSS)	292,873	1,478,673
Retained earnings, beginning of year	2,362,232	883,559
Prior period adjustment	(603,021)	-
Non Recurring Item	(470,896)	-
Dividends to Shareholders	(196,069)	-
RETAINED EARNINGS, END OF PERIOD	1,385,119	2,362,232

Accompanied notes are an integral part of these financial statement.

InfoSTEP Inc. and its Subsidiary's Consolidated Statement of Changes in Shareholders' Equity

(Amount in USD)

	COMMON STOCK		NOTES RECEIVABLE FROM SHAREHOLDERS'	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED COMPREHENSIVE LOSS	SHAREHOLDERS' EQUITY
	SHARES	AMOUNT					
Balances, July 1, 2008	10,128,454	7 17,533	(694,400)	-	2,362,232	(92,091)	2,293,274
Prior period adjustments					(603,021)		(603,021)
Dividends					(196,069)		(196,069)
Grant of common stock options to employees				37,952			37,952
Comprehensive income:							
Net Profit					292,873		292,873
Foreign currency translation						1 83,047	183,047
Non Recurring Item					(470,896)		(470,896)
Balances, June 30, 2009	10,128,454	7 17,533	(694,400)	37,952	1,385,119	9 0,956	1,537,160

Accompanied notes are an integral part of these financial statement.

InfoSTEP Inc. and its Subsidiary's Consolidated Statements of Cash Flows

(Amount in USD)

	For the Year Ended June 30, 2009	For the Year Ended June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	292,873	1,478,673
Prior period adjustments	(603,021)	-
Currency translation adjustment	183,047	(29,697)
Adjustments to reconcile net income to net cash used in operations:		
Depreciation and amortization	2,000	4,643
Non-cash compensation charges related to grant of employee stock options	37,952	-
Changes in operating assets and liabilities:		
Trade accounts receivable	493,989	(633,946)
Related party receivables	(20,361)	(63,080)
Employee advances	45,101	(16,736)
Prepays and other current assets	38,974	(50,825)
Deposits	(6,467)	9,824
Accounts payable and accrued liabilities	(280,346)	2,66,955
Income taxes currently payable	(17,101)	1,7,101
Notes payable to bank	(29,775)	(263,139)
Deferred income tax liability	201,724	3,48,000
Non Recurring Item	(470,896)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	(132,307)	1,109,543
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(18,814)	(26,260)
Capitalized software development costs	287,858	(1,043,073)
NET CASH USED IN INVESTING ACTIVITIES	269,045	(1,069,333)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends to shareholders	(196,069)	-
Proceeds (Payments) on capital lease obligations and loan facility		(6,730)
NET CASH USED IN FINANCING ACTIVITIES	(196,069)	(6,730)
NET INCREASE (DECREASE) IN CASH	(59,331)	3,3,479
CASH, BEGINNING OF YEAR	60,804	2,7,325
CASH, END OF YEAR	1,473	60,804

Accompanied notes are an integral part of these financial statement.

Notes to Financial Statements - June 30, 2009 and 2008

NOTE A - ORGANIZATION

Infostep, Inc. (the "Company") and its software development services subsidiary in India provide business intelligence consulting solutions and implementation 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.

During 2007, majority 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, highend electronic and telecommunication equipment and development of telecom software since 1988.

NOTE B - BASIS OF PRESENTATION

The consolidated financial statements 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

The Company reviews the carrying values of long-lived assets whenever events and circumstances indicate that the net book value of an asset may not be recovered through expected future cash flows from its use and eventual disposition. The amount of impairment loss, if any, is measured as the difference between the net book value and the estimated fair value of the asset.

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 basis over their estimated useful lives, generally three years. 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.

The Company reviews the carrying value of capitalized software when events or circumstances indicate these assets might be impaired. The company tests impairment using historical cash flows and other relevant facts and circumstances as the primary basis for an estimate of future cash flows. For the years ended June 30, 2009 and 2008, the company has recorded impairment charges of \$187,893 and \$302,833, respectively. There can be no assurance that future assets impairment tests will not result in a charge to earnings.

Capitalized software development costs and accumulated amortization are as follows:

	June 30, 2009	June 30, 2008
Capitalized costs	\$ 1,751,393	\$ 1,633,844
Less: Accumulated amortization	(557,436)	(152,029)
	\$ 1,193,957	\$ 1,481,815

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

Income tax for the period comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax charge or (benefit) is the amount expected to be paid or recovered from the taxation authorities in respect of taxable profits or losses for current periods and prior periods. Taxes, other than on income, are recorded within operating expenses.

Deferred tax is provided using the balance sheet liability method for loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax balances are measured at tax rates enacted or substantially enacted at balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profits will be available against which the deductions can be utilized.

Stock-based compensation

Effective January 1, 2008, the Company adopted SFAS 123(R) using the modified prospective approach. Under SFAS 123(R), stock-based awards are expensed on a straight-line basis over the requisite service period, generally one to four years, using the grant-date fair value estimated in accordance with the provisions of SFAS 123(R)

The Company received employee services in share-based payment transactions and issued options under the Company's stock option plans. The shares issued have been recorded in accordance with the principles outlined in SFAS 123(R).

NOTE D – PRIOR PERIOD ADJUSTMENTS

The Company has restated its financial statements as of and for the year ended June 30, 2008 to provide for the following:

Deferred income tax expense	\$300,188
Impairment of capitalized software development costs	302,833
Total prior period adjustment	\$603,021

NOTE E – NOTES PAYABLE

Notes payable consist of the following:

	As of June 30, 2009	As of June 30, 2008
	USD	USD
Asset-based line of credit of \$500,000 from Union Bank of California, payable on demand with interest on outstanding amounts at 10% p.a. The line of credit is personally guaranteed by the shareholders.	8,523	-
Term loan of \$250,000 from Union Bank of California, maturity date July 2, 2012, payable in monthly installments of \$5,130.54 carrying interest rate of 8.5% p.a.	174,695	212,993
Total notes payable, current portion	183,218	212,993

NOTE F – INCOME TAXES

The difference between IRS and U.S. tax regulations give rise to certain temporary differences between carrying value of certain assets and liabilities for financial reporting purposes and income tax purposes. Deferred income tax assets and liabilities are measured at the average effective U.S. income tax rate applicable when the asset and liability will reverse.

The components of net deferred tax liability as of June 30, 2009 comprised the following:

Deferred tax assets

Accounts payable and accrued expenses	\$ 209,615
Compensation charges related to stock grants	16,319
State tax benefit	62,328
	288,262

Deferred tax liabilities

Accounts receivable and unbilled revenue	\$ (558,805)
Inventory	(9,712)
Depreciation and amortization	(10,258)
Capitalized software development costs	(513,401)
Foreign subsidiary tax attributes	(10,056)
	(1,102,233)
Net deferred tax liability	\$ (813,970)
Deferred tax liability, current portion	\$ (343,418)
Deferred tax liability, net of current portion	\$ (470,552)

Other tax exposures

During 2008, the Company paid a dividend of \$142,668 to MIC, a foreign shareholder. However, the Company did not comply with the withholding requirements of Internal Revenue Code Sec. 1442, Withholding of Tax on Foreign Corporations and failed to withhold taxes on dividends paid. The income tax provision for 2008 does not include taxes or penalties that could result from this noncompliance.

NOTE G – STOCK OPTIONS

In October 2007, the company adopted the 2007 Stock Option Plan (the Plan) under which the Board of Directors may grant common stock options to employees, directors and consultants. The Plan provides for grant of "Incentive Stock Options" (ISO) or "Nonqualified Stock Options" (NSO) as defined by the Internal Revenue Code. Options granted generally have a maximum term of ten years from the grant date, and vest over a four-year period.

During 2008 the Company received employee services in share-based payment transactions and granted stock options under the Company's stock option plans. The shares issued have been recorded in accordance with the principles outlined in SFAS 123. The fair value of services received in this share-based transaction is more reliably measurable than the fair value of the shares issued. The management's estimate of the fair value of services received is the equivalent of \$0.40 per share.

For the year ended June 30, 2009, the Company recorded stock-based compensation expense of \$37,951.

NOTE H – RELATED PARTY TRANSACTIONS

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, 2009 and 2008, the Company has a recoverable balance of \$210,258 and \$189,897, respectively from MIC for costs incurred on its behalf.

NOTE I – COMMITMENTS AND CONTINGENCIES

Operating lease commitments

In 2008 the company extended the lease term up to July 2010 for the office space in Santa Clara, California.

The following is a schedule of future minimum lease payments:

Year ending June 30,	
2010	\$ 63,132

Note J – Selling, General And Administrative Expenses

(Amount in USD)

	For the Year Ended June 30, 2009	For the Year Ended June 30, 2008
Business promotion	60,756	64,922
Auto expenses	50,764	31,001
Compensation charges related to stock grants	37,951	-
Depreciation and amortization	449,113	47,027
Asset impairment charges	187,193	
Employees wages, benefits and taxes	758,204	803,267
Insurance	32,733	31,628
Legal and professional fees	152,310	127,869
Office and general	210,657	336,831
Rent and utilities	186,485	135,834
Taxes and licenses	19,846	7,088
Telephone and connectivity	66,307	52,878
Travel, meals and entertainment	37,071	82,328
	2,249,390	1,720,673

Accompanied notes are integral part of these financial statements.

Maave Electronics Pvt. Ltd. Notice

Notice is hereby given that the Second Annual General Meeting of the members of the Maave Electronics Private Limited will be held on Tuesday, 29th September 2009 at 4.00 P.M at the Registered office of the Company situated at Plot No.35-37, A&B, 5th Floor, Navya Estates, Moulali, Hyderabad – 500 040 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at 31st March 2009, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution :

"RESOLVED THAT M/s. Pinnamaneni & Co., Chartered Accountants, be and are hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

Place : Hyderabad
Dated : 02.09.2009

By Order of the Board
For **Maave Electronics Pvt Ltd**

Sd/-
G. Venkateswara Rao
Director



Directors' Report

Your directors have pleasure in presenting the Second Annual Report of your company together with the Audited accounts for the year ended 31-03-2009

FINANCIAL RESULTS:

Particulars	Current Year Ended 31.03.09	Previous Year (01.11.07 - 31.03.08)
Turnover including Other Income	8,97,99,185	1,02,64,610
Profit before Interest & Depreciation	30,84,673	1,91,672
Interest	5,54,949	-
Provision for Depreciation	1,53,250	55,197
Profit for the Year	23,76,474	1,36,475
Less : Provision for Income Tax, FBT & Others	8,41,881	37,105
Provision for Deferred Tax	1,78,406	(57,988)
Net Profit	13,56,187	1,57,358

OPERATIONS :

During the year under review, the company has achieved a turnover of Rs.8,97,99,185 against previous year turnover of Rs.1,02,64,610 and earned a net profit of Rs.13,56,187 against previous year profit of Rs.1,57,358

FIXED DEPOSITS:

The company has not received the deposits falling within the provisions 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules 1975 and there are no unclaimed / over due deposits as on 31.03.2009

PARTICULARS OF EMPLOYEES:

No employee of your company is drawing salary, the particulars of which need to be disclosed under the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 and no other provisions of the aforesaid section are applicable to the company for the financial year under review.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO:

CONSERVATION OF ENERGY:

The operations of the Company are not energy intensive. However, adequate measures have been taken to conserve and reduce the energy consumption by using energy efficient hardware and other equipment. It is proposed to convert all the existing lights in the company into LED lighting to maximize the benefits of energy savings through this technology. We believe that energy saved is energy produced.

TECHNOLOGY ABSORPTION:

We are focused in Indian Railways and we are involved in design and development of the following products for final approval of Research Design and Standards Organisation (RDSO).

1. True colour display boards (at Railway Stations).
2. Destination display boards (on Railway Coaches).
3. LED based lighting for complete coach for Railway Coach Factory (RCF) & Integral Coach Factory ICF.

4. LED based reservation chart light, LED based night Lamp cum bearth indication light and LED chain pulling alarm indication light for LHB coaches of ICF.
5. LED based berth reading with 7VA inverter mobile charging.

FOREIGN EXCHANGE EARNINGS AND OUT GO:

Their were no foreign exchange earnings and out go during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT:

The directors of your Company hereby report that:

- i) In the preparation of Annual Accounts of the year ended 31st March, 2009 the applicable accounting standards have been followed along with proper explanation relating to material departures, if any, there from;
- ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of 31st March, 2009 and the profit and loss of the company for that period;

- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions for this Act for safeguarding the assets of the Company and for detecting fraud and other irregularities;
- iv) The Directors have prepared the annual accounts for the year ended 31st March, 2009 on a going concern basis.

AUDITORS:

The Statutory Auditors of your Company M/s. Pinnamaneni & Co., Chartered Accountants, retire at the conclusion of this Annual General Meeting and being eligible offers themselves for re-appointment as statutory auditors of the company till the conclusion of the next Annual General Meeting. The Board recommends their re-appointment.

ACKNOWLEDGMENT:

Your directors take this opportunity to record their sincere appreciation for the support extended by all the persons, organizations, institutions and Bankers of the Company. Your directors appreciate and extend their gratitude to all the employees who have played an instrumental role in attaining good and satisfactory results of the company.

By Order of the Board

Sd/-
(P. Venkateswara Rao)
Director

Sd/-
(G. Venkateswara Rao)
Director

Place: Hyderabad
Date: 02.09.2009

Auditors' Report

To

The Share Holders of
M/s. Maave Electronics Pvt Ltd
Hyderabad (A.P)

We have audited the attached Balance Sheet of M/s. Maave Electronics Pvt Ltd, as at 31st March 2009 and also the Profit and Loss Account 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.

Place : Hyderabad
 Dated : 02.09.2009

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 and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - iv. In our opinion, the Profit and Loss Account and Balance Sheet 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 31st March 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 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 31st March, 2009 and

And

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

for Pinnamaneni & Co.
 Chartered Accountants

Sd/-
P.V.V. Satyanarayana
 Partner

Annexure to Auditors' Report

Referred to in Paragraph (1) In our Report of Even Date for the Year Ended 31.03.2009.

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 not 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.
7. The Company has no 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. 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 31st March, 2009 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 not 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.
19. In our opinion, the company has not raised money by way of public issue for any specific purpose 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

Sd/-
P.V.V.Satyanarayana
Partner

Place : Hyderabad
Dated : 02.09.2009

Balance Sheet as on March 31, 2009

(Amount in Rs.)

Sl. No	Particulars	Schedule	As on 31.03.2009	As on 31.03.2008
I.	SOURCES OF FUNDS			
1.	Share holders funds			
	Equity share capital	1	10,466,710	10,466,710
	Share Application Money		0	25
	Reserves & Surplus		1,513,545	157,358
2.	LOAN FUNDS			
	Unsecured Loans		0	8,521,689
3.	DEFERRED TAX LIABILITY		120,418	(57,988)
	TOTAL:		12,100,673	19,087,794
II.	APPLICATION OF FUNDS			
1.	Fixed Assets	2	9,974,975	9,716,570
	Less: Depreciation		208,447	55,197
	Net Block		9,766,528	9,661,373
2.	Current assets, Loans & Advances			
	Inventories	3	2,318,405	6,227,518
	Sundry Debtors	4	6,885,043	2,158,924
	Cash and Bank Balances	5	329,062	950,833
	Loans and Advances	6	7,138,681	4,063,278
	Sub-Total		16,671,191	13,400,553
	Less: Current Liabilities and Provisions	7	14,360,146	4,004,932
	Net Current Assets		2,311,045	9,395,621
3.	Miscellaneous Expenditure			
	(To the extent not written off)			
	Preliminary expenses	8	23,100	30,800
	TOTAL:		12,100,673	19,087,794
	Accounting Policies & Notes on Accounts :	13		

As per our report of even date
for **Pinnamaneni & Co.**
Chartered Accountants

for and on behalf of the Board

Sd/-
P.V.V. Satyanarayana
Partner

Place : Hyderabad
Date : 02.09.2009

Sd/-
P. Venkateswara Rao
Director

Sd/-
G. Venkateswara Rao
Director

Profit and Loss Account for the Year ended 31st March 2009

(Amount in Rs.)

Particulars	Schedule	Current Year	Previous Year (01.11.07-31.03.08)
INCOME			
Sales		89,691,650	10,194,275
Other Income		107,535	70,335
Total:		89,799,185	10,264,610
EXPENDITURE:			
Raw Material Consumed	9	59,502,474	9,030,808
Salaries and staff Exp.	10	3,201,132	1,331,406
Admn and selling Exp.	11	22,950,206	1,543,224
Increase/(Decrease) In Stock	12	1,053,000	(1,840,200)
Preliminary Expenses Written Off		7,700	7,700
Total:		86,714,512	10,072,938
Gross Profit before Interest & Depreciation		3,084,673	191,672
Less: Depreciation	2	153,250	55,197
Interest & Financial Charges		554,949	0
Profit for the period		2,376,474	136,475
Less: Provision for Fringe Benefit Tax		97,714	21,495
Less: Provision for Current Tax		744,167	15,610
Less : Provision for Deferred Tax		1,78,406	-57,988
Net Profit		13,561,87	157,358
Profit brought forward from the last year		1,573,58	0
Profit / (- Loss) carried to balance sheet		1,513,545	157,358
Accounting Policies and Notes on Accounts	13		

As per our report of even date
for **Pinnamaneni & Co.**
Chartered Accountants

for and on behalf of the Board

Sd/-
P.V.V. Satyanarayana
Partner

Sd/-
P. Venkateswara Rao
Director

Sd/-
G. Venkateswara Rao
Director

Place : Hyderabad
Date : 02.09.2009

Schedules forming part of the Balance Sheet as at 31st March, 2009

(Amount in Rs.)

Particulars	As on 31.03.2009	As on 31.03.2008
Schedule 1		
Equity Share Capital		
Authorised: 12,50,000 Equity shares of Rs. 10/- each	12,500,000	12,500,000
Issued 10,46,671 Equity shares of Rs. 10/- each	10,466,710	10,466,710
Subscribed and paid up: 10,46,671 Equity shares of Rs. 10/- each	10,466,710	10,466,710
Total:	10,466,710	10,466,710

Schedule 2 FIXED ASSETS									
(Amount in Rs.)									
Sl. No	Particulars	Gross Block			Depreciation Block			Net Block	
		Cost as on 01.04.2008	Additions	Total as on 31.03.2009	Upto 01.04.2008	Current Year	Total	As at 31.03.2009	As at 31.03.2008
1	Plant & Machinery	2,256,537	125,790	2,382,327	50,224	126,662	176,886	2,205,441	2,206,313
2	Computers	59,467	40,950	100,417	3,417	13,647	17,064	83,353	56,050
3	Furniture & Fittings	150,566	91,665	242,231	1,556	12,941	14,497	227,734	149,010
4	Goodwill	7,250,000	0	7,250,000	0	0	0	7,250,000	7,250,000
	Totals:	9,716,570	258,405	9,974,975	55,197	153,250	208,447	9,766,528	9,661,373

Schedule 3		
Inventories		
(As valued and certified by the Management)		
Raw Materials	1,531,205	4,387,318
Work in Progress	787,200	1,840,200
	2,318,405	6,227,518

Schedule 4		
Sundry Debtors		
(Unsecured considered good)		
Debts due over six months	0	888,553
Other Debts	6,885,043	1,270,371
	6,885,043	2,158,924

Particulars	As on 31.03.2009	As on 31.03.2008
Schedule 5		
Cash and Bank Balances		
Cash in Hand (As certified by the Management)	201,659	581,058
Balance in Current Accounts	62,222	369,775
Deposits with Schedule Banks	65,181	0
TOTAL	329,062	950,833
Schedule 6		
Loans and Advances		
(Unsecured - Considered good)		
Deposits Recoverable	1,311,740	3,020,851
Balance with Revenue Authorities	8,679	980,727
Other Current Assets	5,818,262	61,700
TOTAL	7,138,681	4,063,278
Schedule 7		
Current Liabilities and Provisions		
Outstanding liabilities for expenses	414,127	726,473
Creditors for Trade & Expenses	13,104,138	3,175,854
Advance from Customers	0	65,500
Provisions		
Current Tax Payable	744,167	15,610
Fringe Benefit Tax Payable	97,714	21,495
TOTAL	14,360,146	4,004,932
Schedule 8		
Pre-operative expenses		
(Up to 31st March 2009, to be capitalised)		
Preliminary expenses	23,100	30,800
TOTAL	23,100	30,800

Schedules forming part of the Profit & Loss Account for the year ended 31st March,2009

Particulars	Current Year	Previous Year
Schedule 9		
Raw Material Consumed		
Opening Stock	4,387,318	0
Add : Purchases	56,646,361	134,181,26
	61,033,679	134,181,26
Less : Closing Stock	1,531,205	43,873,18
Total	59,502,474	9,030,808
Schedule 10		
Employee Cost		
Salaries and Wages	3,138,940	1,299,121
Contribution to PF & Other Funds	11,149	0
Staff welfare Expenses	51,043	32,285
Total	3,201,132	1,331,406
Schedule 11		
Manufacturing, Administrative & Sales Expenses		
Consumables	299,970	0
Electricity Charges	20,369	27,204
Excise Duty & Service Tax	10,541,070	0
Insurance	28,907	5,394
Jobworks, Plotting, Development & Testing Charges	1,333,941	373,506
Repairs & Maintenance	28,498	0
Sales Tax	3,335,321	442,358
Rent	712,920	166,150
Rates & Taxes	520,166	5,338
Printing & Stationery	65,756	41,013
Postage, Telephone & Internet Expenses	56,222	18,361
Travelling & Conveyance Exp	1206,487	257,325
Freight, Packing & Forwarding & Transport Charges	764,218	75,386
Audit Fee	15,000	15,000
Entertainment Expenses	31,653	9,051
General Charges	386,390	76,205
Bank Charges	411,201	27,733
Liquidated Damages	2,658,145	0
Sales Expenses	533,972	3,200
Total	22,950,206	1,543,224
Schedule 12		
Increase/(Decrease) In Stock		
Opening Work in Progress/F.G	1,840,200	0
Closing Work in Progress	787,200	1,840,200
Total	1,053,000	(1,840,200)

Schedule 13

ACCOUNTING POLICIES & NOTES ON ACCOUNTS

Significant Accounting Policies :

- The accounts are prepared on historical cost convention and accrual basis of accounting.
- Depreciation on Fixed Assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act.
- Income and services are inclusive of taxes collected.
- Raw Materials and Work in Progress are valued at cost.
Stock-in-Trade is valued at cost or realizable value whichever is less.
- Current Tax is determined as 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.

Notes to Accounts :

- Contingent liabilities not provided for – NIL
- 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 for deferred tax against the income pertaining to current year and has accordingly provided for deferred tax liability of Rs.1,78,406/-

3. Related Party Disclosures :

In accordance with the Accounting Standard AS-18 "Related Party Disclosures" issued by ICAI, the transactions with related parties are given below :

- List of related parties with whom transaction have been taken place and relationship :

MIC Electronics Limited – Holding Company

- Transactions during the year with related parties :

(Amount in Rs.)

1) Purchases from Holding Company	NIL
2) Sales to Holding Company	46,29,900
3) Advances to Holding Company	37,88,918

- Figures have been rounded off to the nearest rupee.
- Previous year's figures are regrouped wherever necessary to confirm to the current year's presentation/classification.
- The information required by para 3 & 4 of Schedule VI to the Companies Act, 1956 is as under.

CIF Value of Imports	2008-2009	2007-2008
Capital Goods	Nil	Nil
Others	1,88,30,871/-	34,18,311/-

Schedules forming part of the Profit & Loss Account for the year ended 31st March, 2009

7. The Information required to be furnished under Part – II of Schedule VI of the Companies Act 1956.

a) Class of Goods manufactured	LED based lighting products
b) Production	LED based lighting products - 26297 Nos
c) Opening Stock	Nil
d) Closing Stock	Nil
e) Sales	

	Current Year (2008-09)		Previous Year (2007-08)	
	Qty	Value (Rs)	Qty	Value (Rs)
LED based lighting products	26297	8,96,91,650	2423	1,01,94,275

8. Analysis of material consumed

	Current Year		Previous Year	
	Percentage	Value (Rs)	Percentage	Value (Rs)
Indigenous	68.76	4,09,13,901	54.13	48,88,376
Imported	31.24	1,85,88,573	45.87	41,42,432
	100.00	5,95,02,474	100.00	90,30,808

9. Balance Sheet Abstract and company's general business profile (in terms of amendment to Schedule VI part IV) is annexed herewith.

As per our report of even date

As per our report of even date
for **Pinnamaneni & Co.**
Chartered Accountants

For and on behalf of the Board

Sd/-
P.V.V. Satyanarayana
Partner

Place : Hyderabad
Date : 02.09.2009

Sd/-
P. Venkateswara Rao
Director

Sd/-
G. Venkateswara Rao
Director

Cash Flow Statement for the Period ended 31.03.2009

Particulars	As on 31.03.2009	As on 31.03.2008
Cash flows from Operating activities		
Net Profit before taxation, and after prior period & extraordinary item	2,376,474	136,475
Adjustments for:		
Depreciation	153,250	55,197
Loss on Assets Discarded		
Loss on Assets Sold		
Prior Period Adjustments		
Interest Income		
Income from Mutual Funds		
Preliminary Expenses written off	7,700	
Operating Profit before working Capital changes	2,537,424	191,672
Increase in Sundry Debtors	(4,726,119)	(2,158,924)
Decrease in Other Current Assets	3,909,113	(6,227,518)
Increase in Loans & Advances	(3,075,403)	(4,063,278)
Increase in Deferred Revenue Expenditure		(30,800)
Preliminary Expenses		
Income taxes paid	(841,881)	(37,105)
Increase in Current Liabilities	10,355,214	4,004,932
Cash generated from Operations	8,158,348	(8,321,021)
Net Cash flow from Operating Activities	8,158,348	(8,321,021)
Cash flows from Investing Activities		
Purchase of Fixed Assets	(258,405)	(9,716,570)
Increase in Capital Work in Progress		
Increase in Preoperative Expenses		
Sale proceeds of Fixed Assets		
Long term Investments		
Investments in Mutual Funds		
Interest received		
Dividend received		
Net Cash flow from Investing Activities	(258,405)	(9,716,570)
Cash flows from Financing Activities		
Proceeds from Issue of Share Capital	(25)	10,466,735
Increase in borrowings - Lease Accounting - AS 19	(8,521,689)	8,521,689
Repayment of Leased Borrowing		
Dividend Paid including Dividend Tax		
Net Cash used for financing activities	(8,521,714)	18,988,424
Net increase in cash and cash equivalents	(621,771)	950,833
Cash and Cash equivalents at the beginning of period	950,833	
Cash and Cash equivalents at the end of period	329,062	950,833

Place : Hyderabad

Date : 02.09.2009

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	U74999AP2007PTC055355	State Code	01
Balance Sheet Date	31.03.2009		
ii) Capital Raised during the year (Rs. in Lacs)			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
iii) Position of Mobilisation and Deployment of Funds (Rs. in Lacs)			
Total Liabilities	121.01	Total Assets	121.01
Sources of Funds			
Paid-up Capital	104.67	Deferred Tax Liability	1.2
Sh.Application	NIL	Reserves & Surplus	15.14
Secured Loans	NIL	Unsecured Loans	NIL
Application of Funds			
Net Fixed Assets	97.67	Investments	NIL
Net Current Assets	23.11	Misc. Expenditure	0.23
Accumulated Losses	NIL		
iv) Performance of Company (Amt. Rs. in lacs)			
Turnover	897.99	Total Expenditure	874.23
Profit Before Tax	23.76	Profit After Tax	13.56
Earning per share	NIL	Dividend per share	NIL
v) Generic Names of Two Principal Products of Company (as per monetary terms)			
Item Code No. (ITC Code)	8541 40 20		
Product Description			
LED Based Lighting Products			
Item Code No. (ITC Code)	NIL		
Product Description			



MIC Electronics Inc. Report of Independent Public Accountant

To the Board of Directors
MIC Electronics Inc.
Santa Clara, CA 95054

We have audited the accompanying balance sheet of MIC Electronics Inc., a development stage enterprise, as of June 30, 2009 and 2008, and the related statements of operations and shareholder's equity and cash flows, for the years 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.

The company has not reported the investment in Sports LED Media, Inc. (a corporate joint venture) in accordance with APB Opinion No. 18 The Equity Method of Accounting for Investments in Common Stock which requires the adoption of equity method to value the investments in equity.

In our opinion, except for the departure from generally accepted accounting principles, discussed in the preceding paragraph, the financial statements referred to above, present fairly, in all material respects, the financial position of MIC Electronics Inc. as of June 30, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note A to the financial statements, the Company is in the development stage and has incurred losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note A. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Sd/-

Naresh Arora

Naresh Arora & Gulrajani, LLP

Certified Public Accountants
Santa Clara, California

November 23, 2009

Balance Sheet June 30, 2009 and 2008

(Amount USD)

	June 30, 2009	June 30, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,771	12,007
Trade accounts receivable	378,430	576,328
Inventory	194,200	60,200
Loans to related party	60,000	60,000
Employee advances	37,092	6,754
Prepaid items		3,887
Total current assets	687,493	719,176
LOANS TO RELATED PARTY, net of current portion	176,714	234,255
INVESTMENTS	850,000	-
OTHER ASSETS		
Deposits	2,187	2,187
Note receivable	178,000	-
TOTAL ASSETS	1,894,394	955,618
LIABILITIES & SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade accounts payable and accrued expenses	357,663	546,070
Accounts payable to related party	60,200	60,200
Total current liabilities	417,863	606,270
LOANS FROM RELATED PARTY	1,150,000	-
SHARE HOLDERS' EQUITY		
Common stock (Authorized, issued and outstanding)	100,000	100,000
Additional paid in capital	400,000	400,000
Accumulated other comprehensive income	35,220	-
Accumulated deficit	(208,689)	(150,652)
Total Shareholders' Equity	326,531	349,348
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,894,394	955,618



Statements of Operations

(Amount USD)

	June 30, 2009	June 30, 2008
Revenue:		
Product sales	1,440,820	5,76,328
Cost of goods sold:		
Purchases	1,334,095	540,570
Freight and delivery	6,854	11,228
	1,340,949	551,798
Gross profit	99,871	24,530
Selling, general and administrative expenses:		
Accountants fee	3,500	5,500
Business development	12,091	35,360
Insurance	11,990	1,214
Legal fees	2,675	3,295
Officers compensation	120,000	30,000
Office expenses	5,441	2,832
Outside services	25,769	37,000
Salaries and payroll tax burden	142,939	35,183
State taxes	800	-
Telephone and connectivity	616	624
Travel and entertainment	12,628	28,429
	338,449	179,437
Net loss from operations	(238,578)	(154,907)
Other income		
Interest	14,670	4,255
Foreign currency transaction gain	156,738	-
Other income	9,132	-
Net loss	(58,037)	(150,652)

Statement of Shareholder's Equity June 30, 2009

(Amount USD)

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	OTHER COMPREHENSIVE INCOME	ACCUMULATED DIFICIT	TOTAL SHAREHOLDERS EQUITY
	SHARES	AMOUNT				
Balances, July 1, 2008	1,000,000	100,000	4,00,000	-	(150,652)	349,348
Net Loss					(58,037)	(58,037)
Currency translation adjustment				35,220		35,220
Balances, June 30, 2009	1,000,000	100,000	4,00,000	35,220	(208,689)	326,531

Statements of Cash Flows

(Amount USD)

	For the Year Ended June 30, 2009	For the Year Ended June 30, 2008
Cash flows from operating activities :		
Net loss	(58,037)	(150,652)
Currency translation adjustment	35,220	-
Adjustments to reconcile net loss to net cash provided by operations:		
Changes in operating assets and liabilities:		
Trade accounts receivable	197,898	(576,328)
Inventory	(134,000)	(60,200)
Employee advances	(30,338)	(6,754)
Prepaid items	3,887	(3,887)
Deposits	-	(2,187)
Trade accounts payable and accrued expenses	(188,407)	546,070
Accounts payable to related party	-	60,200
Net cash used in operating activities	(173,777)	(193,738)
Cash flows from investing activities :		
Investment in SLM	(850,000)	-
Net cash used in investing activities	(850,000)	-
Cash flows from financing activities :		
Issuance of common stock	-	100,000
Additional paid in capital	-	400,000
Loan to related party	(120,459)	(294,255)
Loans from related party	1,150,000	-
Net cash provided by financing activities	1,029,541	205,745
Net increase (decrease) in cash and cash equivalents	5,764	12,007
Cash and cash equivalents, beginning of period	12,007	-
Cash and cash equivalents, end of period	17,771	12,007



Notes to Financial Statements June 30, 2009 and 2008

NOTE A – THE COMPANY

Nature of Business

MIC Electronics Inc., a development stage enterprise (the “Company” or “MIC Inc”), was incorporated in October 2007 in the state of California (USA) to promote sales and marketing of LED Video displays, LED Perimeter Boards and LED Lighting solutions. The Company engages in the business of purchasing LED equipment and sells and installs them at their customer sites in the Americas.

In December 2007, the Company became a wholly owned subsidiary of MIC Electronics Limited (“MIC Ltd”), an Indian company engaged in the business of design, development & manufacturing of LED video displays, high-end electronic and telecommunication equipment.

In April 2008, the Company entered into a Joint Venture agreement with another US company to pursue advertising and sporting revenue rights in United States, Latin America and Europe.

Development Stage Enterprise

Since its inception in October 2007 although the Company has commenced its principal operations, it has not achieved a sufficient level of sales and market demand to become an established operating enterprise. Therefore, as per the Statement of Financial Accounting Standards (“SFAS”) No.7, “Accounting and Reporting by Development Stage Enterprises”, the Company is being classified as a development stage enterprise and its financial statements are presented in accordance with SFAS No. 7.

Major Financial Support

The Company has limited operating history in US and its prospects are subject to risk, expenses and uncertainties that are frequently encountered by companies in emerging markets. These risks include the failure to develop and extend the Company’s product and service brands, the rejection of the Company’s services by consumers and the inability of the Company to generate sales as well as other risks and uncertainties. Failure to address these risks successfully may have a material and adverse impact on the Company’s results of operations and financial position.

The Company has sustained net losses from operations since its inception. The Company’s ability to meet its obligations in the ordinary course of business is dependent upon major financial support from the parent Company and its ability to establish profitable operations. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of MIC Electronics Inc. is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Method of Accounting

The company prepares its financial statements for reporting and management purposes on accrual basis of accounting and uses the same for recognizing income for tax purposes.

Cash and Cash Equivalents

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

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 the geographical and operating diversity of the companies involved. The Company’s revenues and resulting accounts receivable are derived primarily from large organizations in various industries throughout the Americas.

During the period ended June 30, 2009, the Company did not make any sales in the Americas and its only sale was to a company located in India.

The allowance for doubtful accounts is based on specifically identified amounts that the Company believes to be uncollectible. If actual collections experience changes, revisions to the allowance may be required.

Inventory

Inventory is stated at the lower of cost or market using the average cost method of inventory accounting. The cost of inventory also includes certain costs associated with the preparation of inventory for resale and distribution center costs, net of vendor funds.

Revenue Recognition

The Company classifies revenue by the three sources from which it is earned: Product Sales; Support and Maintenance; and Long term Advertising Rights.

Product Sale: Currently the Company's primary source of revenue, the Company recognizes revenue on equipment sales, when title passes, which is usually upon shipment and then only if the terms of the arrangement are fixed and determinable and collectibility is reasonably assured. The estimated sales returns and discounts are recorded as a reduction of net sales in the same period revenue is recognized. For the period ended June 30, 2009, all of the reported revenue is from sale of equipment.

Product maintenance: In connection with the sale of products, the Company offers to sell separately priced extended warranties and product maintenance contracts. The revenue related to such contracts is deferred and recognized ratably as net sales over the term of the contracts. During the period ended June 30, 2009, the Company did not have any revenue from product maintenance.

Long-term receivables and sporting/advertising rights: The Company is projecting growth in its revenue from sale and installation of products at facilities in exchange for the rights to sell or to retain future advertising revenues. The Company would recognize revenue as it becomes earned and the related costs of the equipment would be amortized over the term of the advertising rights owned. On these transactions, advance collections of advertising revenues would be recorded as deferred revenue.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) 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.

NOTE C - RELATED PARTY TRANSACTIONS

Loans to Related Party

During the period ended June 30, 2009, the Company provided loans to an officer of the Company under a promissory note executed in April 2008. The loans carry an interest rate of 5% per annum and are payable in equal installments of \$10,000 commencing from January 1, 2009 until principal and interest are paid in full. The note may be prepaid by the borrower in whole or in part at any time without penalty. In the event of default by the borrower the unpaid principal and accrued but unpaid interest of the loan shall become payable on demand.

Accounts Payable to Related Party

Accounts payable to related party of \$60,200 represent balances owed to MIC Electronics Ltd for purchase of LED equipment for resale in the US and South America.

NOTE D - INVESTMENTS

In October 2008, the Company entered into a Joint Venture agreement with another US company to pursue advertising and sporting revenue rights in United States, Latin America and Europe. During the year the Company made an investment of \$850,000 in the joint venture.

During the year the Company also provided \$178,000 in interest-free advances to the joint venture for funding its working capital requirements.

Corporate Information

Annual General Meeting

Date : 30th December 2009
Day : Wednesday
Time : 10.00 a.m.
Place : Registered Office
#A-4/II, Electronic Complex
Kushaiguda
Hyderabad 500062

Registrar and Transfer Agents

Venture Capital and Corporate
Investments Pvt. Ltd
#12-10-167
Bharat Nagar
Hyderabad 500018
Tel: 040 - 23868257
Email: info@vccilindia.com
www.vccilindia.com

Board of Directors

Dr. M. V. Ramana Rao Chairman & Managing Director
Shri Ranjan Kapoor
Shri Somendra Khosla
Shri N.Srinivasa Rao
Shri Y. Harish Chandra Prasad
Shri Shrikant P Joshi
Shri L. N. Malleswara Rao
Shri Vidya Sagar Anisingaraju
Shri Atluri Venkata Ram
Shri Anil Goyal

Company Secretary

Vasudeva Rao Devaki

Bankers

State Bank of India

SIB Saifabad Branch, Hyderabad.

Development Credit Bank Ltd.

Dr. A S Rao Nagar Branch, Hyderabad.

UCO Bank

MG Road Branch, Hyderabad.

IDBI Bank

Basheerbagh, Hyderabad.

Auditors

M/s Pinnamaneni & Co.
Chartered Accountants
4th Floor, My Home Tycoon, Life Style
Building, Greenlands, Hyderabad - 500016

Registered Office

#A-4/II, Electronic Complex
Kushaiguda
Hyderabad - 500062
Andhra Pradesh



MIC Electronics Limited

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