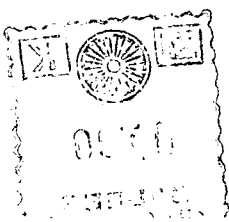


CENTUM ■
AN ISO 9001 COMPANY

MD	✓		BKC	✓
CS	MA		DPY	MA
RO	✓		DIV	MA
TRA	✓	✓	AC	✓
AGM	✓	✓	SH	✓
YE	✓	✓		

ANNUAL REPORT
1997-98

CENTUM
ELECTRONICS
LIMITED



BOARD OF DIRECTORS

Dennis Wood

- *Chairman*

Brian Antell

David Brown

P S Reddy

Ms. Kanti Nagaraj

M V Appa Rao

- *Managing Director*

ADITORS

A Bhaskar & Co.

BANKERS

State Bank of India

State Bank of Travancore

Dhanalakshmi Bank

REGISTERED OFFICE

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

SHARE TRANSFER AGENT

Sheshnka Financial Services Pvt. Ltd.
S-702, South Balack,
Manipal Centre,
Dickenson Road,
Bangalore - 560 042.

CENTUM ELECTRONICS LIMITED

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

Notice

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of the Members of Centum Electronics Limited will be held at the Registered Office of the Company at No. 44, KHB Industrial Area, Yelahanka New Township, Bangalore 560 064, on Friday, September 4, 1998 at 11.00 am, to transact the following business :

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 1998 and the Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M V Appa Rao, who retires by rotation and, being eligible offers himself for re-appointment as a Director not liable to retire by rotation.
3. To Appoint a Director in place of Mr. P S Reddy, who retires by rotation and, being eligible offers himself for re-appointment.
4. To consider and, if thought fit, to pass the following Resolution, with or without modification, as an ordinary resolution.

RESOLVED that Messrs. Bharat S Raut & Company, Chartered Accountants, be appointed Auditors of the Company to hold office from the conclusion of this Meeting upto the conclusion of the next Annual General Meeting of the Company on remuneration to be fixed by the Board of Directors of the Company.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass the following Resolution, with or without modification, as a special resolution -
RESOLVED that subject to the approval of the Central Government under Section 21 and other applicable provisions, if any of the Companies Act, 1956, the name of the Company be changed from "Centum Electronics Limited" to "C-MAC Centum Electronics Limited" and accordingly the name "Centum Electronics Limited" wherever it appears in the Memorandum and Articles of Association and in all other records of the Company be substituted by the name "C-MAC Centum Electronics Limited"
6. To consider and, if thought fit, to pass the following Resolution, with or without modification, as an ordinary resolution :

RESOLVED that Mr. Dennis Wood, Mr. Brain Antell and Mr. David Brown who were appointed as additional Directors of the Company by the Board of Directors and who cease to hold office under Section 260 of the Companies Act, 1956, and in respect of whom the Company has received a notice in writing proposing their candidature for the office of Director, be and are hereby appointed as Directors of the Company.

RESOLVED further that Mr. Dennis Wood above named be and is hereby appointed as a Director not liable to retire by rotation.

7. To consider and, if thought fit, to pass the following Resolution, with or without modification, as a special resolution :
RESOLVED that pursuant to Section 31 of the Companies Act, 1956, the Articles of Association of the Company be altered in the following manner :

(A) Insert the following Article as Article 2(ii)(g) after Article 2(ii)(f) :

2(ii)(g) "C-MAC" shall mean C-MAC Holding of British Virgin Islands or its subsidiaries and/or holding company

(B) Substitute the following Article in place of Article 20 :

The Board of Directors of the Company shall be comprised of (5) Directors, which shall include the Managing Director, if any, of the Company. So long as C-MAC or a subsidiary or its affiliate shall own a majority of the total paid-up share capital of the Company, C-MAC shall always be entitled to have a majority of the total number of Directors

(C) Insert the following Articles as Articles 20.1, 20.2, 20.3, 20.4, 20.5, 20.A, 20.B, 20.C, 20.D, 20.E and 20.F after Article 20 :

20.1 So long as C-MAC shall own not less than 50.67% of the total paid-up share capital of the Company, C-MAC shall have the right, by notice in writing addressed to the Company, to appoint one (1) Director who shall not be liable to retire by rotation. C-MAC shall have the right to remove any such Director and to appoint another individual in his place. C-MAC shall also have the right to fill any vacancy in the office of such Director whether caused by resignation, death or removal. In addition, C-MAC have the right to nominate two(2) other individuals for election as Directors of the Company. Indian Shareholders agree to vote in favour of the election of Directors nominated by C-MAC.

CENTUM ELECTRONICS LIMITED

- 20.2 So long as Indian Shareholders shall own not less than thirty percent (30%) of the total paid-up Share Capital of the Company, they shall have the right by notice in writing addressed to the Company, to nominate (1) individual for election as Director of the Company who shall not be liable to retire by rotation. C-MAC agrees to vote in favour of the election of the Director nominated by Indian Shareholders who shall have the right to remove any such Director and to appoint other individual in his place. Indian Shareholders shall also have the right to fill any vacancies in the office of such Directors whether caused by resignation, death or removal.
- 20.3 In case the Indian financial institution(s) who has/have lent sums to the company appoint one Director, then the Board of Directors shall be expanded to Six (6) Directors for the term of this Agreement. In such case, one (1) Director shall be appointed by the Indian financial institution (s), three (3) Directors shall be appointed by C-MAC, and two (2) Directors shall be appointed by the Indian Shareholders. C-MAC and Indian Shareholders agree to vote their shares in favour of such Directors.
- 20.4 In the event that any Director (hereinafter referred to as the "original Director") is away for a continuous period of more than three (3) months from the State in which the meetings of the Board of Directors are ordinarily held, the Board may appoint an Alternate Director for him. In a case where the original Director has been appointed or nominated by C-MAC or the Indian Shareholders, only a person selected by C-MAC or the Indian Shareholders, as the case may be, shall be appointed as an alternate Director.
- 20.5 At all times while C-MAC holds at least 50.67% of the total paid-up Share Capital of the Company, C-MAC shall have the right to cause the Board of Directors to be enlarged to provide that C-MAC has appointed at least the same number of directors as is proportional to the share holdings of C-MAC.
- 20A Restrictions regarding the exercise of certain powers
- 20A.1 Matters arising at meetings of the Board of Directors shall be decided by a simple majority of votes, but at least one Director appointed by C-MAC shall vote on all actions listed in Article 20 A.2 below (hereinafter called specific actions) for such vote to be effective.
- 20A.2 Specific actions shall mean and include
- Preparation of annual financial statements and annual business plan
 - Appointment, termination and compensation of Managing Director
 - Additional capital required, including amount and method of contribution.,
 - Capital expenditure not included in annual business plan and overruns of 10% or more
 - All loans and borrowings by Company beyond Rupee equivalent of US\$ 100,000.
 - Intellectual property matters
 - Mortgage and other securitization of assets
 - Appointment, removal and fixation of remuneration to the statutory auditors of the company for recommendation to the general body of the company.
 - Declaration of dividend
- 20B Meetings of the Board
- 20B.1 Not less than thirty (30) day's written notice shall be given of meetings of the Board to all Directors of the company whether in India or outside India. Notice shall be given by fax (followed up with a delivery of such notice via courier) to directors who reside outside India. The notice shall be accompanied by an Agenda of the matters to be considered at the meeting. A meeting of the Directors may be called by giving a shorter notice (or notice may be waived) with the unanimous consent of all the Directors.
- 20B.2 The quorum for meetings of the Board of Directors shall be one-third of the total number of Directors or a majority of the total number of Directors, whichever is higher, (provided that for the purpose of any resolution on the specified actions, the said number shall include at least one Director nominated or appointed by C-MAC and at least one Director nominated or appointed by the Indian Shareholders) A Director whose attendance is mandatory will not be required if he does not attend second calling of a meeting which is rescheduled because the Director failed to attend the first meeting.

20C Chairman of the Board

20C.1 C-MAC shall have the right to designate the chairman of the Board of Directors, who shall have a second or casting vote in case of a tie.

20D Managing Director / "Manager"

20D.1 C-MAC shall have the responsibility to nominate the Managing Director. The Managing Director shall have the sole and substantive responsibility entrusted by the Board to run the day-to-day operation of the Company

20D.2 In case the person entrusted with the responsibility of day-to-day management is not a director, he shall be appointed as a "Manager" u/s. 2 (24) of the Companies Act, 1956.

20E Approval of the Shareholders

20E.1 In case any of the matters referred to in the Sections above is required to be approved by the Shareholders, the same shall be approved by an ordinary or special resolution passed at a General Meeting of the Shareholders as provided in the Company's Articles of Association. The quorum for a General Meeting shall be the holders of a majority of the share outstanding.

20F Non-working Directors.

20F.1 Non-working Directors shall not be responsible for the operations of the company day-to-day or otherwise and shall only be responsible to use good faith in their deliberations to vote in favour or against a resolution put before the Board during the Board Meetings. In all other respects, the non-working Directors shall have no responsibility in any form or manner.

Notes :

- (a) The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of Item nos. 4 to 7 set out above is annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND, ON A POLL, TO VOTE INSTEAD OF HIMSELF. SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID AND EFFECTIVE MUST BE DELIVERED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN FORTY-EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
- (c) Members are requested to notify immediately, change in their address, if any, to the Company's Registrar and Transfer Agents, Messrs. Sheshanka Financial Services (P) Ltd. S-702, (South Block), Manipal Centre, Dickenson Road, Bangalore - 560 042, quoting their folio number.
- (d) The Share Transfer Book and Register of Members of the Company will be closed from 24 August, 1998 to 4 September, 1998, both days inclusive.
- (e) As a measure of economy, copies of the Annual Report and Accounts and Attendance Slip will not be distributed at the Meeting. We therefore request the Members to bring their copies to the Meeting.

Explanatory Statement under Section 173 (2) of the Companies Act, 1956

Item No. 4

Although not necessary, the explanatory statement is being given in respect of item no. 4 of the Notice. A special notice in terms of section 190 of the Companies Act 156, has been received under section 225 (1) from a member proposing the appointment of Messrs. Bharat S Raut & Co., Chartered Accounts in place of M/s. A Bhaskar & Co., the retiring auditors of the Company. The retiring auditors have informed the Company, that they have no representation to make for notification to the members of the Company relating to the special notice.

As required, Messrs. Bharat S Raut & Co. have forwarded a certificate to the Company stating that the appointment, if made, will be within the limit specified in Sub-Section (1B) of Section 224 of the Companies Act, 1956.

The Directors recommend the resolution for your approval.

None of the Directors are interested in this resolution.

CENTUM ELECTRONICS LIMITED

Item No. 5

Consequent to your Company becoming a subsidiary of C-MAC Holdings Limited, it is appropriate that the Company's name reflect the presence of C-MAC in all the activities of the Company. The name of C-MAC prefixed to your Company's name will also make the Company more noticeable with all outside agencies. The name will particularly be relevant when frequent commercial transactions are carried out outside India.

The Registrar of Companies, Karnataka has confirmed that the new name is available for registration under section 20 of the Companies Act, 1956.

If the change of name is approved, share certificates already issued will not be called in for the purpose of exchange in to certificates bearing the new name, but will be so exchanged as and when the existing certificates come into the possession of the company. In the mean time the existing certificates will continue to be accepted for all purposes, as indicating entitlement to shares of the company.

The Board of Directors recommend the resolution for your approval.

None of the Directors are interested in this resolution.

Item No. 6

Consequent to C-MAC Holdings Limited acquiring a majority shareholding in your Company., Mr. Dennis Wood. Mr. Brian Antell and Mr. David Brown were appointed as Additional Directors of the Company by the Board of Directors on 26th September 1997. According to the provisions of sections 260 of the Companies Act, 1956 they hold office as Directors of the Company upto the date of the ensuing AGM.

Mr. Dennis Wood, Mr. Brian Antell and Mr. David Brown have varied experience in overall management of business and in particular with respect to the products under manufacture in your Company. They are men of strong technical skills and business acumen. There is no hesitancy that your Company will substantially benefit with the wide experience and direction they will offer.

As required under Section 257 of the Companies Act, a notice has been received from a member signifying his intention to propose their appointment as Directors.

In terms of Section 255 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Dennis Wood is to be appointed as a director not liable to retire by rotation.

The Board of Directors recommend the resolution for your approval

Mr. Dennis Wood, Mr. Brian Antell and Mr. David Brown are interested in this resolution.

Item No. 7**Item No. 7 (A)**

Consequent to C-MAC becoming a major share holder in Centum Electronics Limited, it has become necessary to define C-MAC for ease of reference.

Item No. 7 (B)

Article 20 of the Articles of Association defines the first directors of the Company. With the change in the majority ownership of the Company and several directors of the Company retiring / resigning and not offering themselves for re-appointment, it was felt that the Article should be appropriately amended to reflect the changed status of the Company.

Item No. 7 (C)

The Articles 20.1 through 20.5 and Articles 20.A through 20.F are being recommended for insertion as new Articles in order to reflect the majority shareholding of C-MAC and also to protect the interest of the other shareholders.

The Board of Directors recommend the resolution for your approval.

Other than Mr. Dennis Wood, who is a Director in C-MAC and accordingly who may be deemed to be interested in this resolution, none of the other Directors are interested in this resolution.

A copy of the Memorandum and Articles of Association will be available for inspection by the Members of the Company at its Registered Office during normal business hours on any working day up to the date of this Annual General Meeting.

By Order of the Board

M V Appa Rao
Managing Director

Bangalore, 26th June 1998

Directors' Report

To the Members

Your Directors are happy to present their Fifth Annual Report together with the Audited Accounts for the year ended 31st March 1998.

1. Financial Results

(In million Rs.)

	Year ended 31.03.98	Year ended 31.03.97
Turnover	120.14	59.95
Other Income	9.87	1.19
Increase/(Decrease) in stock of Finished Goods	0.30	(0.62)
Profit / (Loss) :		
Before Depreciation & Interest	9.43	13.95
Depreciation	13.62	6.49
Interest	14.94	21.11
Profit / (Loss) :		
After Depreciation & Interest	(19.13)	(13.65)
Prior Period Adjustments	26.23	0.12

2. Operations

During the year, the turnover of the Company has grown by over 100% as compared to the previous year.

Your directors are happy to inform that the Company has turned round the corner and has made profits in the second half of 1997/98. The sale during the second half year was Rs. 86.2 million. The Profit before depreciation and tax and Profit before tax was Rs. 11.60 million and Rs. 4.90 million respectively for the second half year.

Against a loss in the previous year, of Rs. 13.6 million, the loss for the year increased to Rs. 19.1 million. This was due to an increase in the depreciation charge and other write offs carried out in the year under review. The depreciation charge increased from Rs. 6.4 million in the previous year to Rs. 13.6 million during the year.

3. Report on Activities

During the year under review the Company developed several new hybrid micro circuits. These HMC's were very competitive and gave a leading edge to the Company to penetrate varied customers.

The R & D activities of the Company continue to strive to innovate new products which are cost effective and meet the stringent quality requirements of the customer.

Several modifications were also made to improve the productivity of the available capacity. The increase in the production in the year under review were largely due to these measures undertaken in house.

The export of Resistor Networks manufactured in the EHTP area also continued to make good progress with the exports for the year being Rs. 15.5 million, as compare to Rs. 4.3 million in the previous year. Several productivity improvement measures were also undertaken in this area. Exports continue to be the thrust area for the Company and it is expected that the current year will result in considerable increase in export sale.

These and several other significant efforts by the Company resulted in the turnover increasing by 100% and also set the path for profitability.

4. Joint Venture with C-MAC

Following the approval at the Extra Ordinary General Meeting held on 30 June, 1997, C-MAC Holding was allotted 50.7% of the shares of the Company in September 1997.

CENTUM ELECTRONICS LIMITED

C-MAC is a Canadian corporation and the parent company of a multinational industrial group in the field of state-of-the-art electronics. Through its subsidiaries, C-MAC operates nineteen high-technology plants around the world in Canada, the United States, the United Kingdom, France, Belgium, China and India.

Its products and services serve international manufactures of electronic systems and find application mainly in telecommunications, automotive industry, avionics, computer and medical equipment.

Backed by the know-how and commitment of its people, C-MAC has become, in just a few years, a preferred partner of the largest manufacturers of electronic products worldwide.

Undoubtedly the synergy with C-MAC will prove to be profitable for your Company. With the assistance of C-MAC, your Company will be in a position to access current technology in related products and export markets.

5. Prospects

The prospects for the current year appear very promising. The turnover and profitability of the Company for the first two months of the current financial year has exceeded the expectations. The current financial year should be a good year for the Company with a turnaround in the performance of the operations.

6. Directors

Mr. Dennis Wood, Mr. Brian Antell and Mr. David Brown had been co-opted as Additional Directors by the Board in its Board Meeting held on 26th September 1997. Their wide experience in the field of manufacture and business of hybrid micro circuits will immensely benefit the Company.

Being Additional Directors Mr. Dennis Wood, Mr. Brian Antell and Mr. David Brown vacate their office at the end of the ensuing Annual General Meeting. Notices have been received from Members proposing their candidature for being appointed as Directors of the Company liable to retire by rotation in pursuance of Section 257 of the Companies Act, 1956.

The Directors would like to acknowledge the guidance and support received from Mr. U Venkateswarlu, Mr. G. Mohan Rao, Mr. K. K. Taneja, Mr. U. V. Naik, Mr. Krishna T. Shetty, Mr. Timothy Da Silva and Mr. Jai Hakhu, all of whom resigned from the Board.

Mr. M. V. Appa Rao and Mr. P. S. Reddy retire at the ensuing AGM and are eligible for re-appointment.

7. Auditors

M/s. A. Bhaskar & Co., Chartered Accountants, the retiring auditors have expressed their inability to continue as statutory auditors of the Company. Notice has been received from one of the shareholders proposing the name of M/s. Bharat S. Raut & Co., for appointment as statutory auditors of the Company from the conclusion of the ensuing AGM to the conclusion of the next AGM.

8. Acknowledgments**8.1. Share Holders**

Your Directors appreciate the understanding and patience of shareholders without which your Company would not have reached a level which it now has.

8.2. Employees

Your Directors would like to place on record their appreciation for the untiring efforts of each and every employee of the Company who form a great team and who enthusiastically dedicated themselves to the success of our customers and therefore to the Company. The Directors wish to thank all of them for their outstanding work and achievements.

8.3. Financial Institution and Banks

Your Directors like to place on record their appreciation of the assistance and support extended by the Financial Institutions and Banks without whose support the Company would not have achieved a turnaround.

On behalf of the Board

Brian Antell
Chairman

Bangalore, 26 June 1998

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Information pursuant to the Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988.

1. Conservation of Energy:

Some of the measures your company had undertaken during the period under report in the high priority area of Energy Conservation are given below:

- 1.1. Optimum utilisation of machines with regular maintenance and overhauling.
- 1.2. Efficient use of Compressed Air to obtain maximum energy savings.
- 1.3. Optimising the illumination of the plant.
- 1.4. Optimisation of process parameters to minimise Energy Consumption.

2. Disclosures of particulars with respect to absorption of technology, research and development

2.1 Research and Development.

Your company has a design department which is engaged in development of new products to meet the customer's needs. A few circuits are under development and will be launched in the Year 1998-99.

2.2 Technology absorption.

Know-how and engineering documents have been obtained from M/s. Tokyo Magnetic Industry Company Ltd., Japan. Extensive training has been imparted to your company's engineers and the technology has been fully absorbed. Your Directors are confident of operating the plant of the Company at the International Standards of Capacity utilisation and Product quality.

2.3 Foreign exchange earnings / outgo.

For details of Foreign Exchange Earnings and outgo during the period of report, please refer to the Notes on Accounts.

Information pursuant to Section 2(A) of Section 217 of the Companies Act 1956, Read with the Companies (Particulars of Employees Rules, 1975, and forming part of the Directors Report for the Year Ended 31st March 1998.

Sl.NO	Name	Designation	Qualification	Age
1	M.V.Appa Rao	Managing Director	M.Engg	41 years
Date of Joining/ Experience		Gross Remuneration	Previous Employment	
01.08.1994 14 Years		*Rs 0.94 Million	Project Manager Rao Insulating Co., Ltd., Bangalore	

* In addition, arrears of remuneration of Rs.0.75 Million pertaining to earlier years have been paid.

Mr. M V Appa Rao was appointed as Managing Director on 1st August 1994. Mr. M V Appa Rao is not a relative of any Director of the Company. Nature of employment is contractual.