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COSBOARD

INDUSTRIES LIMITED

TWENTY- SIXTH ANNUAL REPORT
2005 - 2006

BOARD OF DIRECTORS:**Ratan Kumar Gilra***Chairman & Managing Director***Gurucharan Singh Gill***Director***Anil Kumar Gilra***Whole Time Director***AUDITORS:****L.N. More & Co.***Chartered Accounts**Cuttack***BANKERS:****State Bank of India****REGISTRARS & SHARE TRANSFER AGENTS:****Big Share Services Pvt. Ltd.**

E-2/3 Ansa Industrial Estate,

Sakivihar Road, Sankinaka,

Andheri (E)

MUMBAI - 400 072

REGISTERED OFFICE:

New Industrial Estate,

Phase – II, Jagatpur,

Cuttack – 754 021

(ORISSA)

FACTORY:

New Industrial Estate,

Phase – II, Jagatpur,

Cuttack – 754 021

(ORISSA)

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COSBOARD INDUSTRIES LIMITED**NOTICE OF THE ANNUAL GENERAL MEETING**

Notice is hereby given that the 26th Annual General Meeting of **COSBOARD INDUSTRIES LIMITED**, will be held at Regd. Office of the company situated at New Industrial Estate, Phase-II, Jagatpur, Cuttack on Saturday the 30th September, 2006 at 11.30 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Statement of Accounts for the year ended 31st March 2006 together with the Report of Directors and Auditors thereon.
2. To appoint a Director of Shri Gurucharan Singh Gill who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT in accordance with the provision of Section 198, 269, 309, 310 read with schedule XIII and other applicable provisions, if any of the Companies Act, 1956, the re-appointment of Mr. Anil Kumar Gilra as Whole Time Director of the Company for a period of five years with effect from 01.07.2006 at the following remuneration, perquisites and other benefits be and is hereby approved".

Salary: Rs.20,000.00 Per month.

Perquisites:

- | | | |
|--|---|---|
| i. House Rent Allowance | : | 25% of Salary |
| ii. Medical reimbursement | : | for self & family subject to ceiling of one month's salary per year or three months salary over a period of 3 years. |
| iii. Leave Travel Concession | : | for self & family once a year subject to a limit of one month's salary. |
| iv. Club Fees | : | Fees to Clubs, subject to a maximum of two clubs. This will not include payment of admission as life membership fees. |
| v. Personal Accident | : | Insurance premium not to exceed Rs.4000.00 per annum. |
| vi. Provident Fund | : | Companies Contribution towards provident fund to the extent not taxable under the Income Tax Act. |
| vii. Gratuity | : | As half month's salary for each completed year of service, (subject to the maximum as per the provision of gratuity). |
| viii. Provision for Car & Telephone at Residence : | : | Long distance personals calls on telephone as use of Car for Private purpose shall be billed by the Company. |

"FURTHER RESOLVED THAT the above remuneration be paid as minimum remuneration to Mr. Anil Kumar Gilra in case of absence of inadequacy of profits".

BY ORDER OF THE BOARD

PLACE: CUTTACK
DATE: 30th JUNE 2006

RATAN KUMAR GILRA
CHARMAN & MANAGING DIRECTOR

COSBOARD INDUSTRIES LIMITED

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote on a poll instead of himself and the Proxy need not be a member of the Company.
2. The Register of Members and Share transfer books of the Company will remain closed from 23rd September, 2006 to 30th September, 2006 (both days inclusive) in connection with the Annual General Meeting.
3. Members/Proxies attending this meeting are requested to bring with them the followings:
 - i. Copy of the Notice and Annual Report (as no copies thereof would be distributed at the meeting).
 - ii. The attendance slip duly completed.
4. Equity Shares of the Company have been placed under compulsory Demat Trading since 01.04.2002. Members who have not dematerialized their physical holding in the Company are advised to avail the facility of dematerialisation of equity shares of the Company.
5. Members are requested to intimate to the company, queries, if any, on the accounts at an early date, so as to enable the Management to keep the information ready.
6. Members are requested to notify any change in their address, and consolidation of folios in identical names immediately to the Registrar & Share Transfer Agent, M/s. Big Share Services Pvt. Ltd.

BY ORDER OF THE BOARD

PLACE: CUTTACK
DATE: 30th JUNE 2006

RATAN KUMAR GILRA
CHARMAN & MANAGING DIRECTOR

COSBOARD INDUSTRIES LIMITED

EXPLANATORY STATEMENTS:

ITEM No. 4

Members may recall that Mr. Anil Kumar Gilra, was appointed as Whole Time Director of the company for a period of five (5) years w.e.f. 1st July 2001. Accordingly, the tenure of office of Mr. Anil Kumar Gilra as whole Time Director, has expired on 30th June 2006.

At the meeting held on 31st July, 2006, the Board of Directors re-appointed Mr. Anil Kumar Gilra, Whole Time Director for a period of 5 years w.e.f. 1st July, 2006. The remuneration and terms of appointment of Mr. Anil Kumar Gilra, remain the same as was existing during the earlier tenure. The Board of Directors has agreed to pay remuneration from 1st April, 2006 as he forego during the year 2005-2006.

According to section 198, 269, 309, 310 of the Companies Act, 1956, read with Schedule XIII of the said Act, the re-appointment of Whole Time Director is subject to the approval of the Shareholders of the General Meeting.

Your Directors recommend that the resolution be passed.

Non of the Directors, except Mr. Ratan Kumar Gilra and Mr. Anil Kumar Gilra, who are a Director of the Company are interested in the proposed resolution.

For the special business Item No. 4 as above all the relevant documentary are available at the Registered Office of the Company for inspection by members of the Company during office hours on any working day prior to meeting date.

BY ORDER OF THE BOARD

PLACE: CUTTACK

DATE: 30th JUNE 2006

RATAN KUMAR GILRA
CHARMAN & MANAGING DIRECTOR

DIRECTORS' REPORT

Your Directors have pleasure in presenting their Annual Report and Audited Accounts for the financial year ended 31st March 2006.

FINANCIAL RESULTS:

	<u>2005-2006</u>	(Rs. in Lakhs) <u>2004-2005</u>
Turnover during the year	2284.19	1757.06
Profits/(Loss) before Depreciation & Tax	(138.75)	(361.22)
Less: Depreciation	102.61	123.03
Profits/(Loss) before Tax	(241.36)	(484.25)
Provision for Tax		
: Deferred Tax	21.63	47.32
: Fringe Benefit Tax	(0.18)
Profit/(Loss) after tax	(219.91)	(436.93)
Add/(Less) past Year Adjustment	(2.15)	(1.76)
Profit brought forward	(1165.89)	(727.20)
Balance carried forward	(1387.95)	(1165.89)

COSBOARD INDUSTRIES LIMITED**OPERATIONS:**

The sales turnover of the Company for the year was Rs.2284.19 lakhs as compared to previous year Rs.1757.06 lakhs. Production for the year was 13465.775 M.T as compared to previous year 11676.470 MT.

The Sales turnover has been increased by 30% and Production increased by 15% as compared to previous year. The Company is incurring losses due to high interest cost.

PUBLIC DEPOSITS:

During the year the Company has not accepted any fixed deposits within the meaning of Sec. 58 A of the Companies Act, 1956.

EXPENDITURE ON R & D:

Research, Development and Improvement of Products are in built on going activity within the existing manufacturing operation of the company. Expenditure on R & D is not separately allocated and identified.

TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION:

The Company does not require any technical know how as the process of manufacturing is conventional one. The Company does not have any separate technical arrangement for running the unit.

PARTICULARS OF EMPLOYEES & INDUSTRIAL RELATIONS:

None of the employees has been in receipt of remuneration as envisaged in Section 217 (2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY:

As required under companies (Disclosure of particulars in the Report of Board of Directors) Rule, 1988 the necessary particulars regarding conservation of energy are given in Annexure-1 to this report.

BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION (BIFR):

The Company's net worth has been completely eroded and hence it has been referred and the same was registered by BIFR vide Case No. 311/2004 and declared sick by BIFR vide their Minutes dt.30.11.05. The Operating Agency has been appointed for necessary revival of the unit.

COSBOARD INDUSTRIES LIMITED**DIRECTORS:**

In accordance with the provision of the Companies Act, 1956 Sri. Gurucharan Singh Gill retires by rotation and is eligible for re-appointment.

CORPORATE GOVERNANCE:

The Company is taking steps for compliance with the conditions of Corporate Governance as stipulated under the listing agreement with the Stock Exchange.

DIRECTOR'S RESPONSIBILITY STATEMENT:

The Board of Directors of your Company state:

- i. THAT in the preparation of the annual accounts, the applicable accounting standards had been followed.
- ii. THAT the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable & prudent so as to give a true & fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.
- iii. THAT the Directors has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. THAT the Directors have prepared the annual accounts on a going concern basis.

AUDITORS:

The Auditors of your Company M/s. L.N. More & Company, retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

APPRECIATION:

Your company and the Directors wish to extend their sincere thanks to the Governments, the financial Institutions and Commercial Banks for their continuing co-operation and assistance.

FOR & ON BEHALF OF BOARD OF DIRECTORS

PLACE: CUTTACK

RATAN KUMAR GILRA

DATE: 30th JUNE 2006

CHARMAN & MANAGING DIRECTOR

COSBOARD INDUSTRIES LIMITED

ANNEXURES – 1 TO DIRECTORS' REPORT

Information under Section 217/(i) (c) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2006.

A. CONSERVATION OF ENERGY:

Energy Conservation Measures : Nothing to Report.

TOTAL ENERGY CONSUMPTION

I. POWER & FUEL CONSUMPTION	2005-2006	2004-2005
1. ELECTRICITY		
Purchased Units	10487580	10952070
Total Amount	35461275	41663909
Rate/Unit	3.38	3.80
2. COAL		
Unit (M.T)	12272.575	10252199
Amount	10252199	8033331
Cost/Unit	835.37	778.83
II. CONSUMPTION PER UNIT OF PRODUCTION		
Electricity (Unit/MT)	778.83	936.36
Coal (MT/MT)	0.91	0.87

B. TECHNOLOGY ABSORPTION : Nothing to Report

C. FOREIGN EXCHANGE EARNINGS & OUTGO : Nil Nil

FOR & ON BEHALF OF BOARD OF DIRECTORS

PLACE: CUTTACK
DATE: 30th JUNE 2006

RATAN KUMAR GILRA
CHARMAN & MANAGING DIRECTOR

AUDITORS' REPORT

TO THE MEMBERS OF COSBOARD INDUSTRIES LIMITED.

1. We have audited the attached Balance Sheet of **COSBOARD INDUSTRIES LIMITED**, as at 31st March, 2006 and the Annexed Profit & Loss account of the company for the year ended on that date annexed thereto and the Cash Flow statement as on that date, which we have signed under reference to this report. 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:
2. We have conducted our audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining on a test basis, evidences 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.
3. As required by the Companies (Auditors' Report) order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we state that:-
 - i. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii. In our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of such books.