

kilburn

**ANNUAL
REPORT
AND
ACCOUNTS
2003 - 2004**

KILBURN OFFICE AUTOMATION LTD.

DIRECTORS	SANDEEP KUMAR JALAN V. VANCHI A. KHAITAN RAJIV KHAITAN C.R. PAUL M. SINGH A. D. NANAIYA M. SEN A. GUHA SARKAR	CHAIRMAN MANAGING DIRECTOR
COMPANY SECRETARY	D. K. GHOSH	
REGISTRARS & SHARE TRANSFER AGENTS	MAHESHWARI DATAMATICS PVT. LTD. 6, MANGOE LANE, 2ND FLOOR SURENDRA MOHAN GHOSH SARANI KOLKATA 700 001	
AUDITORS	LOVELOCK & LEWES CHARTERED ACCOUNTANTS	
SOLICITORS	KHAITAN & CO.	
BANKERS	CANARA BANK UNITED BANK OF INDIA CENTRAL BANK OF INDIA	
REGISTERED & CORPORATE OFFICE	'SHANTINIKETAN' 15TH & 16TH FLOOR 8, CAMAC STREET, KOLKATA - 700 017	
FACTORY	'BHASA' DIAMOND HARBOUR ROAD P.O BISHNUPUR DIST. 24 - PARGANAS (S) PIN - 743 503	
REGIONAL OFFICES	EASTERN REGIONAL OFFICE 7, RED CROSS PLACE KOLKATA - 700 001	
	WESTERN REGIONAL OFFICE GRESHAM ASSURANCE HOUSE SIR PHIROZESHAH MEHTA ROAD (ABOVE ANZ GRINDLAYS BANK) FORT, MUMBAI - 400 001	
	SOUTHERN REGIONAL OFFICE 200, PETERS ROAD, ROYAPETTAH, CHENNAI - 660 014	
	NORTHERN REGIONAL OFFICE B-161/4, GAUTAM NAGAR GULMOHAR HOUSE, 4TH FLOOR NEW DELHI - 110 049	
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KILBURN OFFICE AUTOMATION LTD.**NOTICE**

Notice is hereby given that the Twenty Third Annual General Meeting of the Company will be held at Gyan Manch, 11, Pretoria Street, Kolkata 700 071, on Thursday, the 23rd day of September, 2004 at 11.00 a.m. to transact the following business :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the year ended as on that date together with the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. C.R.Paul, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Director in place of Mr. M. Singh, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution :-
 " RESOLVED THAT pursuant to Schedule XIII and other applicable provisions of the Companies Act, 1956 and in accordance with Article 119 of the Articles of Association of the Company, Mr. V. Vanchi, be and is hereby re-appointed as the Managing Director of the Company for a further period of three years with effect from 14th November, 2003 on the terms and conditions and the remuneration contained in the Draft Agreement, duly initialed by the Chairman for the purpose of identification."

Date : 14th July, 2004
 Place : Kolkata

By Order of the Board
KILBURN OFFICE AUTOMATION LTD.
S K JALAN
CHAIRMAN

NOTES

1. The Register of Members of the Company will remain closed from 16th September, 2004 to 23rd September, 2004 (both days inclusive).
2. A Member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote thereat instead of himself and a proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company at its Registered and Corporate Office at "Shantiniketan", (15th & 16th Floor), 8 Camac Street, Kolkata 700 017 not less than forty eight hours before the meeting.
3. Shareholders are requested to bring the admission slip alongwith their Copy of the Annual Report at the Annual General Meeting.
4. Members are informed that consequent to the issue of Notification by the Department of Company Affairs, they can now avail the nomination facility in respect of their Shares/Debentures/Deposits held in the Company. Members may kindly send the Nomination Form to the Share Transfer Agents of the Company at the earliest.
5. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956**ITEM NO. 5**

The term of office of Mr. V. Vanchi, as the Managing Director of the Company expired on 13th November, 2003. Having regard to his skill, qualifications, extensive business experience and capabilities, the Board of Directors at its meeting held on 22nd October, 2003, has re-appointed him, as the Managing Director of the Company. The terms and conditions of re-appointment and remuneration package of Mr. V. Vanchi, was duly approved by the Remuneration Committee and the same shall be subject to the approval of the members at the ensuing Annual General Meeting as required under Schedule XIII of the Companies Act, 1956. An Abstract of the Terms and Conditions contained in the Draft agreement respecting the appointment of Mr. V. Vanchi, as the Managing Director of the Company and the Memorandum of Interest pursuant to Section 302 of the Companies Act, 1956 were mailed to the shareholders.

The said terms and conditions including the remuneration are set out below for information :-

PERIOD : Mr. V. Vanchi shall be the Managing Director of the Company for a further period of three years with effect from 14th November, 2003

DUTIES : Mr. V. Vanchi, shall be subject to the superintendence, control and direction of the Board, perform such duties and exercise such powers which have been or may from time to time be entrusted to or vested to him by the Board. The proposed agreement also sets out the mutual rights and obligations of the concerned parties and other administrative details.

REMUNERATION :

SALARY : Rs.65,000/= per month with such revision as the Board may approve from time to time in the salary grade of Rs.65,000/= to Rs.90,000/= per month.

COMMISSION : At the rate of 1% of the net profits subject to a ceiling of fifty percent of the salary.

PERQUISITES : In addition to the above remuneration, Mr. V. Vanchi shall also be entitled to perquisites like furnished accommodation, gas, electricity, water, soft furnishings, medical reimbursements and leave travel concession for self and family, club fees, lump sum annual allowances, bonus, ex-gratia, medical insurance, personal accident insurance, leave encashment, benefits of Provident Fund, Superannuation Fund and Gratuity Fund, car and telephone etc., in accordance with the rules of the Company.

In case, no accommodation is provided to Mr. V. Vanchi, he shall be paid House Rent Allowance, as per the rules of the Company, subject to a ceiling of 60% of his Salary

MINIMUM REMUNERATION : In the event of loss or inadequacy of profits in any year during his tenure of his office, the Company will pay the remuneration by way of Salary and Perquisites as specified above.

The Board recommends the resolution for the approval of the shareholders.

No Director of the Company except Mr. V. Vanchi is concerned or interested.

**ANNEXURE TO THE NOTICE OF THE ANNUAL GENERAL MEETING
INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT FOR
RE-APPOINTMENT OF DIRECTOR**

Name of the Director(s)	MR. C. R. PAUL	MR. M. SINGH
Age	77 years	56 years
Date of appointment	30-12-1987	30-12-1987
Qualifications	M.Sc (Applied Physics)	B.A, LLB
Expertise in specific functional areas	Power Technologist and General Management	Marketing
List of outside Directorship held	1. Philips Carbon Black Limited-Director	1. Manor Travels Pvt. Ltd.-Managing Director 2. Manor Hotel Pvt. Ltd.-Director 3. Delhi Golf & Country Club Pvt. Ltd. Director
Memberships/Chairman of Committees held in other Public Companies	1. Member of Remuneration Committee- Philips Carbon Black Limited 2. Chairman of Shareholders'/Investors Grievance Committee- Philips Carbon Black Limited	Nil

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2004

Your Directors submit their Report together with the Audited Accounts of the Company for the Financial Year ended 31st March, 2004.

FINANCIAL RESULTS

Your Company recorded the following results for the Financial Year ended 31st March, 2004.

	Financial year Ended <u>31st March, 2004</u>	Financial year Ended <u>31st March, 2003</u>
Gross Operating Profit	35,46,515	46,97,096
Depreciation	22,14,703	21,60,583
Net Profit Before Taxation	13,31,812	25,36,513
Deferred Tax Credit	22,09,570	(19,13,798)
Net Profit after Taxation	35,41,382	6,22,715
Loss brought forward from Previous Year	(4,02,77,898)	(4,08,00,613)
Transfer to Debenture Redemption Reserve	3,00,000	1,00,000
Deficit carried to Balance Sheet	(3,70,36,516)	(4,02,77,898)

PERFORMANCE REVIEW :

In spite of a flat growth in the Office Automation Equipment sector during the year, the Company was able to register a 6.7% growth in operating revenues during the year. This was characterised by some prestigious orders that the Company was able to receive and execute successfully during the year. The Company was also successful in increasing its market share on Mailing Products, which has been its traditional area of strength and where it has a leadership position in India.

FUTURE PROSPECTS :

The Company is confident of sustaining its leadership in the Mailing Business on which it has a tie-up with the global leader, M/s. Pitney Bowes Inc. of USA. As part of its strategic initiatives to improve the trend of performance, the Company is working very actively with Pitney Bowes to offer a range of solutions for collection of stamp duty and other Government revenues in secured net-worked environment. Likewise, the Dept. of Post's initiative of phasing out Service Postage Stamps will continue to open up markets for Postal Franking Machines. The Company is also working aggressively towards increasing the market share on the digital range of Copiers and Multi-functional Units in its tie-up with M/s Kyocera Mita Singapore Pte. Ltd. The present market is conducive to upgrading the users of Analog Copiers with Digital models, either on stand-alone or networked environment/s.

These measures are likely to result in better performance in future.

PARTICULARS OF EMPLOYEES

Industrial relations in the Company continued to be cordial and satisfactory. There is no employee in the Company within the requirements of Section 217(2A) of the Companies Act, 1956 and hence the Statement giving such information is not furnished.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Statement Pursuant to the Provisions of Sec.217(1)(e) of the Companies Act, 1956 Read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure "A".

DIRECTORS

Mr. C. R. Paul and Mr. M. Singh retire from office by rotation in accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, and being eligible, offer themselves for re-appointment.

Mr. V. Vanchi has been re-appointed as the Managing Director of the Company for a further period of 3 years with effect from 14th November, 2003 and the same is being placed before the shareholders for their approval at the ensuing Annual General Meeting of the Company.

DIRECTORS RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) inserted by Companies (Amendment) Act, 2000, your Directors have :

- a) followed in the preparation of the Annual Accounts, the applicable accounting standards with proper explanations relating to material departures.
- b) selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at 31st March, 2004 and of the profit of your Company for that period;
- c) taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting frauds and other irregularities; and
- d) prepared the Annual Accounts on a going concern basis.

AUDITORS

Messrs. Lovelock & Lewes, Chartered Accountants, the Auditor of the Company, retire and being eligible, shall subject to Section 224 of the Companies Act, 1956 offer themselves for re-appointment.

The Directors are of the view that notes to the Accounts adequately provide the necessary information and answer to the observations of the Auditors in their Report, and hence, are not being separately dealt with here.

SUBSIDIARY COMPANY

The Report and Accounts of the Subsidiary Company is annexed to the Report along with the Statement pursuant to Section 212 of the Companies Act, 1956.

CORPORATE GOVERNANCE

A Separate section on Corporate Governance, is included in the Annual Report and the Certificate from the Statutory Auditors confirming compliance of the conditions on Corporate Governance as stipulated in Clause 49 of the Listing Agreement is annexed thereto.

ACKNOWLEDGEMENT

Your Directors acknowledge the recognition given and trust reposed in your Company by the Depositors, Financial Institutions, Banks, Registrar of Companies, Reserve Bank of India, Stock Exchanges and other Government Agencies and record appreciation for their support and look forward to their continued confidence in the Company. Your Directors also place on record their appreciation for the valuable contribution and co-operation of all categories of employees of the Company.

For and on behalf of the Board

Place: Kolkata
Date: 14th July, 2004

S K Jalan
Chairman

Annexure 'A' to the Directors' Report**Statement Pursuant to the Provisions of Sec. 217(1)(e) of the Companies Act, 1956 Read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988****A. Conservation of Energy**

- a) Energy Conservation measures taken:

The existing plant and machinery of the Company and construction of Factories have been planned to avail of the maximum natural light facilities as ventilation. The Company does not have intense requirements of energy.

- b) Additional investments and proposals, if any being implemented for reduction of Consumption of energy.

- c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production goods:

Our existing energy consumption itself is not substantial and impact of measures taken as per para (a) above cannot be gauged accurately.

B) Technology Absorption**Research & Development (R&D)**

1) Specific areas in which R&D carried out by the Company.

Stamp Cancelling Machines comprises of Desk Top and Floor Mounted Machines both manual and electrically operated has been developed to suit the requirement of Postal Authorities.

2) Benefits derived as a result of above R&D :

The aforesaid Stamp Cancelling Machines has helped in liquidating the inventory of manual Franking Machines.

3) Future plan of action :

Keeping in view the fast changing scenario in the Industry, the Company will carry out research and development for introduction of new products, in response to the market need by way of modification and improvement of its existing products and curtail the cost of production by way of value engineering and import substitution.

4) Expenditure on R&D :

a) Capital

b) Recurring

c) Total

d) Total R&D expenditure as Percentage of total turnover

Research & Development is carried out by the Company as part of Production Process and therefore, no separate cost has been booked under the head "Research & development".

Technology, absorption, adaption and innovation:

As a consequence of the continuing efforts of the Company towards upgradation of technology, the Company has had no occasion to import any technology, during the last year. R&D activities are being directed mainly towards expanding the existing product range.

Imported Technology :

The Company has not imported any technology.

C) Foreign Exchange Earnings & Outgo

Foreign Exchange Earnings : Nil

a) Total Foreign exchange used :

The expenditure in foreign exchange has been equivalent to Rs.11,77,50,147 comprising of Rs.11,67,04,431 being the CIF value of imports consisting of raw materials, finished goods and components and Rs 10,45,716 for travelling and others.

For and on behalf of the Board

Place: Kolkata

Date: 14th July, 2004

S K Jalan

Chairman

REPORT ON CORPORATE GOVERNANCE

(Pursuant to Clause 49 of the Listing Agreement)

The Directors present the Company's Report on Corporate Governance:

A. MANDATORY REQUIREMENTS**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

The Company firmly believes in transparency, professionalism and accountability in its dealings and lays emphasis on integrity and compliance of regularity provisions and has constantly endeavoured to practice good Corporate Governance. The above policies adopted by the Company recognise the accountability of the Board and assist its top management in the efficient conduct of the business of the Company and at the same time in meeting its social obligations.

2. BOARD OF DIRECTORS

The Board consists of nine Directors, one of whom is the Managing Director. All other Directors are non-Executive. The Chairman is non-Executive and not less than one-third of the Board comprises of independent Directors.

The Company did not have any Pecuniary relationship or transactions with the Non-Executive Directors during the period under review.

The remuneration, in the form of sitting fees, of Non-Executive Directors is decided by the Board of Directors.

During the year, five Board Meetings were held on 3rd April, 2003, 30th June, 2003, 26th July, 2003, 22nd October, 2003 and 28th January, 2004.

The composition of Directors and the attendance at the Board meetings during the year and at the last Annual General Meeting and also number of other Directorships/ Committee Memberships are given below :

Names of Directors	Category of Directorship	Directorships held in Domestic Companies (including Kilburn Office Automation Ltd.)*		Committee Memberships held in Domestic Public Companies (including Kilburn Office Automation Ltd) **		No of Board meetings attended	Attendance at last A.G.M.
		As Director	As Chairman	As Member	As Chairman		
1. Sri S.K. Jalan	Chairman Non Executive Chairman	7	1	3	-	3	Yes
2. Mr.V.Vanchi	Executive Managing Director	5	-	1	3	5	Yes
3. Mr.A.Khaitan	Non-Executive Independent Director	9	-	4	-	1	No
4. Mr.R.Khaitan	Non-Executive Independent Director	8	-	1	1	-	No
5. Mr.A.D.Nanaiya	Non-Executive Independent Director	2	-	3	-	2	No
6. Mr.C.R.Paul	Non-Executive Independent Director	2	-	1	1	3	Yes
7. Mr.M.Singh	Non-Executive Independent Director	1	-	-	-	1	Yes
8. Mr.M.Sen	Non-Executive Independent Director	1	-	1	1	5	Yes
9. Sri A.Guha Sarkar	Non-Executive Independent Director	5	-	1	2	5	Yes

* Excludes Directorships held in Private Limited Companies, Foreign Companies, Companies under Section 25 of the Companies Act, 1956 and Memberships of Managing Committees of various Chambers/ Institutions.

** Memberships / Chairmanships of Audit Committee, Remuneration Committee and Shareholders / Investors Grievance Committee have been considered.

3. AUDIT COMMITTEE

The Audit Committee comprises of Mr.S.K.Jalan, Mr.A.Guha Sarkar, Mr.M.Sen and Mr.A.D.Nanaiya.

Mr.A.Guha Sarkar is the Chairman of the said Committee.

The Audit Committee met three times during the year on 30th June 2003, 22nd October, 2003 and 28th January 2004.

During the year, Mr. A. Guha Sarkar and Mr. M. Sen attended all the three meetings. However, Mr. S. K. Jalan and Mr. A. D. Nanaiya attended only two meetings.

Mr. D. K. Ghosh, Secretary of the Company, acts as the Secretary of the said committee.

The terms of reference of the Audit Committee include the powers as stipulated in Clause 49 (IIC) of the Listing Agreement and the role as laid out in aforesaid Clause 49(IID) of the Listing Agreement.

4. REMUNERATION COMMITTEE

The Remuneration Committee comprises of Mr. A. Guha Sarkar, Mr. M. Sen and Mr. A. D. Nanaiya.

Mr. M. Sen, is the Chairman of the said Committee.

The Remuneration Committee met twice during the year on 30th June, 2003 and 22nd October, 2003.

All the three members of the said Committee attended both the meetings held during the year.

Mr. V. Vanchi was re-appointed as the Managing Director of the Company for a further period of 3 years with effect from 14th November, 2003 and the said re-appointment was approved by the Board at its meeting held on 22nd October, 2003 and the remuneration was finalised at the remuneration committee meeting held on 22nd October, 2003.

The Committee is empowered to recommend / fix / revise the remuneration packages of the Whole Time / Managing Director based on performance and other defined criteria.

The remuneration policy generally consists of basic remuneration, perquisites and performance incentives.

The details of remuneration paid to Directors for the year ended March 31, 2004 are as follows:

Name of the Directors	Sitting Fees (Rs)	Salary (Rs)	Perquisites (Rs)	Retirement Benefits (Rs)	Commission (Rs)	Total (Rs)
Mr. S.K.Jalan	9,000	—	—	—	—	9,000
Mr. Mr.V.Vanchi,Managing Director	—	6,68,500	2,13,926	2,04,561	—	10,86,987
Mr. A. K. Khaitan	1,500	—	—	—	—	1,500
Mr. R. Khaitan	—	—	—	—	—	—
Mr. A. D. Nanaiya	9,000	—	—	—	—	9,000
Mr. C. R. Paul	4,500	—	—	—	—	4,500
Mr. M. Singh	1,500	—	—	—	—	1,500
Mr. M. Sen	15,000	—	—	—	—	15,000
Mr. A. Guha Sarkar	18,000	—	—	—	—	18,000

The Company does not have any Employee Stock Option Scheme.

The agreement with the Managing Director is contractual in nature and is for a period of three years (i.e. from 14th November, 2003 to 13th November, 2006). The agreement may be terminated by either party by giving a notice of not less than six months in writing.

5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Shareholders/Investors Grievance Committee comprises of Mr. S. K. Jalan, Mr. V. Vanchi and Mr. A. Guha Sarkar.

Mr. A. Guha Sarkar, is the Chairman of the said Committee.

The Shareholders/Investors Grievance Committee met twice during the year on 30th June, 2003 and 28th January, 2004. Mr. V. Vanchi and Mr. A. Guha Sarkar attended both the meetings, whereas Mr. S. K. Jalan attended only one meeting.

All valid requests for share transfers received during the year have been acted upon and there were no shares pending for transfer as on 31st March 2004.

Computation of compliants received and resolved during the year ended 31st March, 2004: -

a.	No. of complaints received from Shareholders mainly for non receipt of annual report, share certificate etc	25
b.	No. of Compliants resolved	25
c.	No. of pending Compliants as on 31.03 2004	Nil

Mr. D. K. Ghosh, Secretary of the Company is the Compliance Officer.

6. GENERAL BODY MEETINGS

(i) Details of Annual General Meetings

The location and time of the General Meetings held during the last three years are as follows:

AGM/EGM	Date	Venue	Time	No. of Special Resolutions passed
AGM	26.09.2003	Gyan Manch, 11, Pretoria Street, Kolkata - 700 071	11.00 A.M	Nil
AGM	18.09.2002	- Do -	- Do -	Nil
AGM	25.09.2001	-Do-	-Do-	2

(ii) Special Resolutions/Postal Ballot Resolutions

No Special Resolutions were put through Postal Ballot, at the last Annual General Meeting.

- a. An ordinary resolution under Section 293(1)(a) of the Companies Act, 1956 for disposal of the whole or substantially the whole of one or more of the undertaking(s) of the Company was passed through postal ballot at the Annual General Meeting held on 26th September, 2003.

The Results of the Postal Ballot declared on 26th September, 2003 is as follows: -

Serial No.	Particulars	No. of Ballots	No. of Shares held	Nominal Value of Shares (Rs.)
1.	Votes in favour of the Resolution	97	45,81,358	4,58,13,580
2.	Votes against the Resolution	18	5,850	58,500
TOTAL		115	45,87,208	4,58,72,080

- b. Mr. Partha Pratim Mitra was appointed as the scrutiniser for conducting the Postal Ballot voting process in a fair and transparent manner.