



POLO HOTELS LIMITED

**Annual
Report
2004-2005**

**OWNER'S
HOTEL NORTH PARK, PANCHKULA**

POLO HOTELS LTD.

Directors	:	Shri A.R. Dahiya, Chairman Sh. Pankaj Dahiya Sh. Amardeep Dahiya Sh. Devender Jain Sh. Gurmukh Singh
Auditors	:	M/s Ashwani Kumar Gupta & Associates Chartered Accountants H. No. 1044-A, Sector-2, Panchkula
Bankers	:	Canara Bank Sector 10, Panchkula
Registered Office	:	Hotel North Park Village: Chowki Panchkula (Haryana)
Administrative Office	:	Plot No. 67, Indl. Area, Phase-1, Panchkula (Haryana)
Hotel	:	Hotel North Park Near Ghaggar Bridge Panchkula (Haryana)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of the members of the Company will be held on Wednesday, 21st September, 2005 at 9.00 A.M. at the Registered office of the Company at Hotel North Park, Village Chowki, Near Ghaggar Bridge, Panchkula to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet of the company at 31st March, 2005 and the Profit & Loss Account for the year ended on that date and the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Sh. Pankaj Dahiya who retires by rotation but being eligible has offered himself for reappointment.
3. To appoint a Director in place of Sh. Gurmukh Singh who retires by rotation but being eligible has offered himself for reappointment.
4. To appoint auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification the following resolution as Special Resolution :

“RESOLVED THAT pursuant to section 269 and other provisions applicable, if any, read with Schedule XIII to the Companies Act, 1956, the appointment of Sh. Amardeep Dahiya as Managing Director of the company for a period of five years w.e.f 30.7.2005 be and is hereby approved.

“FURTHER RESOLVED THAT Sh. Amardeep Dahiya will not be paid any remuneration for rendering services as Managing Director of the company.”
6. To consider and if thought fit, to pass with or without modification the following resolution as Ordinary Resolution :

“RESOLVED THAT pursuant to section 293(1)(d) and other provisions applicable, if any, of the Companies Act, 1956, consent of the members of the company be and is hereby accorded to the Board of Directors of the company, to borrow moneys from time to time which together with the moneys already borrowed by the company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of its business) may exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided however that the total amount so borrowed shall not exceed Rs.100 crores (Rupees one hundred crores only) at any time.”
7. To consider and if thought fit, to pass with or without modification the following resolution as Ordinary Resolution :

“RESOLVED THAT pursuant to Section 293(1)(a) and other provisions applicable, if any, of the Companies Act, 1956, consent of the company be and is hereby accorded to the Board of Directors of the company to mortgage, hypothecate, pledge or otherwise create charge, lease out/give on rent from time to time all movable and immovable, tangible and intangible assets of the company, present and future, in favour of any bank, financial institution and/or any other person to secure any loans or financial assistance received by the company or for furtherance of and in the course of business of the company, provided however, the aggregate amount of such loans and financial assistance excepting temporary loans shall not exceed Rs. 100 crores (Rupees one hundred crores) at any time.”

By order of the Board

Sd/-
(Amardeep Dahiya)
Director

Place: Panchkula
Dated: 30.07.2005

Notes:

1. A member who is entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company. The proxy form duly filed in and stamped must reach the registered office of the company at least 48 hours before the commencement of the meeting.
2. Pursuant to section 173(2) of the Companies Act, 1956 explanatory statement to item no. 5, 6 and 7 is enclosed herewith and forms an integral part of this Annual General Meeting Notice.
3. Members are requested to bring their copies of Annual Report and admission slip to the meeting.
4. Members are requested to notify to the company immediately change in their address, if any.
5. The Register of Members and Transfer Books of the Company will remain closed from 18th September, 2005 to 21st September, 2005 (both days inclusive) for the purpose of Annual General Meeting of the Company.
6. Members having any queries relating to the annual report are requested to write to the company at least seven days before the date of Annual General Meeting, so as to enable the Management to keep the information ready.
7. M/s Intime Specturm Registry Ltd., A-31, 3rd Floor, Near PVR Cinema Naraina Industrial Area, Phase-I, New Delhi-110 028 have been appointed as Demat Registrar and Share Transfer Agent of the Company.
8. Members may please note that no gift or coupons will be distributed at the Annual General Meeting.

EXPLANATORY STATEMENTS PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 5

Sh. Amardeep Dahiya , is a Promoter Director of the company since 1999. He is 39 years of age. He is a commerce graduate and has done MBA from West Germany. He has been a Management Consultant for privatisation of public sector companies in Slovenia for 5 years. Further he has been managing the overall affairs of the company under the superintendence of the Board of Directors of the company.

Since he is well versed with all the affairs of the company, the Board of Directors in their meeting held on 30.7.2005 have appointed him as Managing Director of the company for a period of 5 years. In terms of Schedule XIII to the Companies Act, 1956, his appointment is subject to the approval of the members of the company by way of special resolution.

Sh. Amardeep Dahiya being the proposed appointee and Sh. A.R. Dahiya and Pankaj Dahiya being the father and brother respectively of the proposed appointee are interested in the proposed resolution.

ITEM NO. 6

The company proposes to expand its business activities and venture into the entertainment and amusement business. For this purpose the company will have to borrow funds. It is therefore proposed to seek consent of the members for borrowings which may exceed the paid-up capital and free reserves of the company. It is proposed to limit these borrowings to Rs. 100 crores only, excluding the temporary loans.

Under section 293(1)(d) of the Companies Act, 1956, consent of the members of the company is required to borrow moneys in excess the paid-up share capital and free reserves of the company. The resolution is therefore being placed before the members for their approval by way of ordinary resolution.

None of the directors of the company is directly or indirectly interested in the proposed resolution.

ITEM NO. 7

The company proposes to borrow moneys for expanding its business for which the company will have to mortgage, hypothecate, pledge or otherwise create charge from time to time all movable and immovable, tangible and intangible assets of the company, present and future, in favour of any bank, financial institution and/or any other person to secure any loans or financial assistance received by the company or for furtherance of and in the course of business of the company. This requires approval of the members of the company. After the setting up of business, the company proposes to lease out, give on rent the facilities created by it.

The resolution is therefore being placed before the members for their approval by way of ordinary resolution.

None of the directors of the company is directly or indirectly interested in the proposed resolution.

Directors Report

To the Members
Polo Hotels Ltd.

Your Directors have pleasure in submitting their 21st Annual Report together with audited accounts for the year ended on 31st March, 2005.

Financial Results

	Financial Year Ending on 31.03.2005 (Rs. In Lacs)	Financial Year Ending on 31.03.2004 (Rs. In Lacs)
Gross Income	54.00	54.00
Profit before Interest, Dep. & Tax	47.84	49.71
Interest	27.88	30.70
Income Tax	----	----
Profit/ (Loss) before Depreciation	19.96	19.04
Depreciation	23.72	23.27
Net Profit/ (Loss) for the year	(3.76)	(4.23)
Deffered Tax Assets for the year	1.36	1.59
Net Profit/ (Loss) for the year	2.40	(2.64)
Loss brought forward	134.56	131.91
Total Loss carried to Balance Sheet	136.95	134.55

Operations

The Hotel North Park the only venture of the Company has been leased out from 26th September, 2001 to M/s Hot Millions Food (P) Ltd. Chandigarh a well known chain of fast food and restaurant in the region and the company is receiving a regular rental income.

Directors

Sh. Pankaj Dahiya, Director of the company is retiring at the forthcoming Annual General Meeting and being eligible has offered himself for re-appointment.

The Board recommends the re-appointment of Sh. Pankaj Dahiya.

Sh. Gurmukh Singh, Director of the company is retiring at the forthcoming Annual General Meeting and being eligible has offered himself for re-appointment.

The Board recommends the re-appointment of Sh. Gurmukh Singh.

Sh. Amardeep Dahiya, Director of the company is managing the affairs of the company. The Board of Directors have appointed him as Managing Director of the company w.e.f. 30.7.2005. However, he shall not be paid any remuneration in lieu of his services as Managing Director of the company.

Director's Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, it is hereby stated:

- i) That in the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) That the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit & loss of the Company for that period.
- iii) That Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for 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.

Listing

The share of your company are listed at the Stock Exchange of Mumbai, Delhi and Ludhiana. However, the company has applied for delisting of its shares from the Stock Exchange of Delhi & Ludhiana.

Corporate Governance

The company has complied with the guidelines of SEBI on the matters relating to Corporate Governance. Additional report in this regard is furnished separately.

Management Discussion and Analysis:

The trends in the Hotel and Hospitality industry in Panchkula are mixed. While on one overall size of the market has increased but competition has increased as one new hotel and several restaurant and banquet halls have come up in the territory. The increase in size of the market provides an opportunity while the competition is of course a threat and adequate measures for maintaining the clientele is required.

As for the different segments rooms and banqueting provide a good potential while restaurants and bar face stiff competition, the overall picture is tough and requires stringent measures to retain and increase the sales. The overall performance of the company is improving and from gross losses it is already in gross profits and in the near future should be on a good financial standing.

The Company's only venture Hotel North Park has been given on lease w.e.f. 26.09.2001 to M/s Hot Millions Food (P) Ltd. Chandigarh, a well known Restaurants and Fast Food chain in the region and the company is receiving a regular rental income.

Particulars of Employees u/s 217 (2A) of the Companies Act, 1956

Nil, because during the year under report the company did not have any employee covered under Section 217(2A) of the Companies Act, 1956.

Energy, Conservation and Technology Absorption

Not applicable, because the company is not a manufacturing company.

Foreign Exchange Earnings and Outgo

Nil, because your company has neither earned any foreign exchange nor it has incurred any expenditure in foreign exchange during the year under report.

Acknowledgement

The Directors take this opportunity to thank the company staff members for their continued support dedication and co-operation extended to the company. The Board also thanks its shareholders for the trust reposed by them in the company.

Place: Panchkula
Dated: 30.07.05

Sd/-
(A.R.Dahiya)
Chairman

REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE

The report on Corporate Governance is a requirement under Listing Agreement entered into with Stock Exchanges and forms part of the report of the Board of Directors to the shareholders of the company. This report gives an insight into the Organizational structures of the Company.

VISION AND PHILOSOPHY ON THE CODE OF GOVERNANCE

The vision of the Company is to be a financially sound, profitable, growth oriented company committed to building and maximizing sustainable value for all the shareholders. In its endeavor to attain the goal visualized, the company is laying maximum emphasis on the effective system of Corporate Governance.

BOARD OF DIRECTORS

Composition:

The Board has been constituted in accordance with Part VI Chapter II of the Companies Act, 1956 and clause 49 of the listing agreement with the Stock Exchanges.

The present strength of Board of Directors of the company is 5, comprising of three promoters directors and two independent directors having diversified professional experience. Sh. Amardeep Dhaiya has been appointed as Managing Director of the company by the Board of Directors in their meeting held on 30.7.2005 subject to the approval of the members of the company by way of Special Resolution in the forthcoming Annual General Meeting. All the directors except Sh. Amardeep Dahiya are non-executive directors. Details of directors of the company is as below:

Executive	:	01
Non-Executive (Promoters)	:	02
Non-Executive Independent	:	02
Nominee Director	:	Nil
Total	:	05

Chairman of the company is non-executive

The particulars relating to the Directors as on 31.03.2005 are given here below:

S. No.	NAME	DESIGNATION	NATURE OF DIRECTORSHIP	
1.	Sh. A.R. Dahiya	Chairman	Non-Executive	
2	Sh. Amardeep Dahiya	Managing Director	Executive	
3.	Sh. Pankaj Dahiya	Director	Non-Executive	
4.	Sh. Devender Jain	Director	Independent Non-Executive	
5.	Sh. Gurmukh Singh	Director	Independent Non-Executive	

CONDUCT OF BOARD MEETING:

The meeting of the Board of Directors are held at periodical intervals. The meeting dates are decided well in advance and the agenda papers are circulated sufficiently in advance to the directors. The directors have access to all the information about the company and can suggest for inclusion of any other matter in the agenda for discussion at the Board meetings.

The responsibilities, such a policy formulation, performance review and analysis & controls are handled by the Board. The Board has delegated various powers to the Committee of Board of Directors of the Company.

The meeting of the Board are ordinarily required to be held at least once in quarter and four times in a year. During the year, the board met 5 times on the following dates.

S. No.	Date of Meetings	Place of Meeting	Total Number of Directors on the Board	Number of Directors Present	Number of Directors for whom leave of absence granted
1.	30.04.04	Panchkula	05	05	Nil
2.	30.06.04	Panchkula	05	05	Nil
3.	26.07.04	Panchkula	05	05	Nil
4.	30.10.04	Panchkula	05	05	Nil
5.	31.01.05	Panchkula	05	05	Nil

The attendance of Directors at the above meetings for the year 2004-2005 is furnished below:

S. No.	Name of Director	Number of Board Meeting attended
1.	Sh. A.R. Dahiya	05
2.	Sh. Pankaj Dahiya	05
3.	Sh. Amardeep Dahiya	05
4.	Sh. Devender Jain	05
5.	Sh. Gurmukh Singh	05

The following Directors attended the last Annual General Meeting held on 25.08.2004.

1. Sh. A.R. Dahiya, Chairman
2. Sh. Amardeep Dahiya, Directors
3. Sh. Pankaj Dahiya, Director
4. Sh. Devender Jain, Independent Director
5. Sh. Gurmukh Singh, Independent Director

COMMITTEE OF THE BOARD OF DIRECTORS:

The Board has constituted Committees of Directors to have involvement in the working of the company. The Board constituted the following committees:

1. Audit Committee to oversee Audit functions of the Company.

2. Shareholders'/Investor's Grievances committee to look in to the redressal of shareholder's/Investors' Grievances.

The minutes of each Committee are placed before the Board of Directors at their subsequent meeting.

AUDIT COMMITTEE OF THE BOARD:

The Audit Committee of the Board has been constituted by the Board of Directors as per guidelines of SEBI vide circular No. SMDRP/POLICY/CIR-010/2000 Dated February 21, 2000. The terms & references of the committee is in accordance with paragraph C & D of clause 49(i) of the Listing Agreement entered with the Stock Exchanges and inter alia include the following:

- a) Overseeing the Company's financial reporting process and ensuring correct, adequate and credible disclosure of financial information.
- b) Reviewing the Management, financial statements with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements concerning financial statements and
- c) Review the adequacy of external and internal audit, internal control system, discuss with external auditors before finalization of annual accounts and report. Review companies finance and risk management policies.

The Audit Committee comprises 3 Directors as on 31.03.2005 and details are given here below:

S. No.	NAME	NATURE OF DIRECTORSHIP
1.	Sh. Devender Jain	Independent Director & Chairman of Audit Committee
2.	Sh. Gurmukh Singh	Independent Director
3.	Sh. Amardeep Dahiya	Director

As per the requirements of Stock Exchanges, the Meeting of the Audit Committee should ordinarily be held atleast four times in a year and one meeting should be held before the AGM. During the year, Audit Committee met five time on the following dated:

S. No.	Date of Meeting	Place of Meeting	Total Number of Committee Members	Number of Members Present	Number of Directors for whom leave of absence granted
1.	21.04.04	Panchkula	03	03	Nil
2.	30.06.04	Panchkula	03	03	Nil
3.	19.07.04	Panchkula	03	03	Nil
4.	20.10.04	Panchkula	03	03	Nil
5.	22.01.04	Panchkula	03	03	Nil

S. No.	NAME	Number of meetings of Audit Committed attended
1.	Sh. Devender Jain	05
2.	Sh. Amardeep Dahiya	05
3.	Sh. Gurmukh Singh	05

THE SHAREHOLDERS/INVESTORS GRIEVANCES COMMITTEE:

The Share holders/investors Grievances cum Share Transfer Committee has been constituted with the following Directors as the members of the Committee:

1. Sh. A.R. Dahiya – Chairman
2. Sh. Amardeep Dahiya – Director

The committee monitors the redress of the shareholders/investors grievances like transfer of shares, non receipt of share certificate etc.

During the year nine meetings of the Share Holders/Investors Grievances cum Share Transfer Committee meetings were held and attended by all the members of the committee.

Compliance Officer:

Sh. Mohinder Singh, company Secretary has been appointed as Compliance Officer for the purpose of complying with various provisions of the Guidelines, Regulations issued by Securities & Exchange Board of India, Listing Agreement with Stock Exchanges, etc.

Investors Help Desk

Share transfers and all other investor related activities are attended and processed at the office our Registrars and Share transfers Agents. For lodgment of transfer deed and any other documents or to any grievances/complaints kindly contact at the following address:

M/S Intime Spectrum Registry Ltd.
A-31, 3rd Floor Near PVR Cinemas
Nariana Industrial Area Phase-1,
New Delhi, 110 028
Ph.: 011-51410592-94 Fax: 011-51410591

Shareholder grievances/queries are received directly by M/s Intime Spectrum Registry Ltd., Share Transfer Agents of the company. Those received at company' office are also forwarded to R&T Agents and resolved by them.

There is no shareholders complaint pending and there is no share transfer pending with the company.

During the year there is one complaint by a shareholder regarding the suspension of trading with The Stock Exchange, Mumbai, The complaint was redressed as the trading of shares has started at the Stock Exchange, Mumbai.

REMUNERATION COMMITTEE:

Under clause 49 constitution of Remuneration Committee is not a mandatory requirement. Since the company is not paying remuneration to any of its directors the company has not constituted remuneration committee. Therefore the particulars in respect of constitution of remuneration committee and its meetings are nil.

GENERAL BODY MEETINGS:

Details of last 3 Annual General Meetings are given here below:

Financial year ended	Date	Time	Venue
2001-2002	30.09.2002	9.00 A.M.	Hotel North Park, Panchkula
2002-2003	11.08.2003	9.00 A.M.	Hotel North Park, Panchkula
2003-2004	25.08.2004	9.00 A.M.	Hotel North Park, Panchkula

Special Resolution:

Following Special Resolution was passed in past 3 Annual General Meetings:

Date of AGM	Special Resolution
30.09.2002	No Special Resolution
11.08.2003	Special Resolution with regard to consent by the shareholders for delisting the equity shares of the company from Delhi Stock Exchange and Ludhiana Stock Exchange.
25.08.2004	No Special Resolution

Postal Ballot:

No Resolution was passed by Postal Ballot, resolutions were passed by show of hands.

DISCLOSURES:

There have been no materially significant related party transaction, pecuniary transaction or relationship between M/s Polo Hotels Ltd. and its Promoters, Directors, Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the company at large. However during the year under report the company has repaid Rs. 35,80,000/- to Sh. A.R. Dahiya Director from whom the company had borrowed temporary interest free Loan.

i) Non Compliance:

All the relevant provisions of Statutes, Rules, Clauses applicable to the company have been complied with.

Communication to Shareholders:

Company provides information relating to the company mainly through the annual reports which includes the Directors report, audited accounts, cash flow statements etc. The shareholders are also intimated the quarterly, half yearly and annual performances through intimation to stock exchanges.

GENERAL INFORMATION TO SHAREHOLDERS:

1. Listing on Stock Exchanges:

The shares of the company are listed on the following stock exchanges:

1. The Delhi Stock Exchange.
2. The Stock Exchange, Mumbai.
3. The Ludhiana Stock Exchange.

The company has filed applications for delisting of its shares from Delhi and Ludhiana Stock Exchanges.

Annual Listing fee for the year 2004-05 has been paid to the Stock Exchange, Mumbai, but the same has not been paid to Delhi and Ludhiana Stock Exchanges.

Share of the company has been traded on The Mumbai Stock Exchange, (BSF)

Distribution of shareholder of the Company as on 31.03.2005–Category wise

S. No.	Category	No. of shares held	Amount (Rs.)	% age of Shareholdings
1.	Promotes	9,75,650	97,56,500.00	28.72
2.	Haryana State Industrial Development Corp.	3,00,000	30,00,000.00	08.83
3.	Mutual Funds	Nil	Nil	Nil

4.	Foreign Institutional Investor	Nil	Nil	Nil
5.	NRI/OCBs	Nil	Nil	Nil
6.	Bodies Corporates	1,41,960	14,19,600.00	04.18
7.	Public	19,79,990	1,97,99,900.00	58.27
	TOTAL	33,97,600	3,39,76,000.00	100.00

Distribution of Shareholding of the company as on 31.03.2005- Value Wise

Nominal Value	Number	% age	Total	% Age
Upto 2,500	1386	63.230	25,54,200	7.518
2500 to 5000	497	22.673	18,95,200	5.578
5001 to 10000	203	9.261	14,51,000	4.271
10001 to 20000	26	1.186	3,90,800	1.150
20001 to 30000	13	0.593	3,21,000	0.945
30001 to 40000	12	0.547	4,48,800	1.321
40001 to 50000	7	0.319	3,21,000	0.945
50001 to 100000	24	1.095	19,57,000	5.760
100001 and above	24	1.095	2,46,37,000	72.513
TOTAL	2192	100.00	3,39,76,000	100.00

DEMATERIALISATION OF SHARES AND LIQUIDITY:

The Company's shares were traded in dematerialized form only. The Company has entered into agreements with both depositories viz. National Securities Depositories Limited (NSDL) and Central Depositories Services India Limited (CDSL) for dematerialization of the Company's shares. The ISIN allotted to the Company's shares in INE084C01012

Particulars of shares in Dematerialised and Physical form held by the shareholders of the Bank as on 31.03.2005 are as under:

	No. of Shareholders	No. of Shares	% shareholding
Physical	1909	24,74,770.00	72.84
NSDL	240	9,12,250.00	26.85
CDSL	43	10,580.00	0.31
Total	2192	33,97,600.00	100.00

Hotel Location : Hotel of the company is located at Village Chowki, Near Ghaggar Bridge, Panchkula (HR)

Address for correspondence : Plot No. 67, Industrial Area, Phase-I, Panchkula (Haryana)
Tel. 0172-2560540, 2560205, Fax 0172-2571245

**AUDITORS CERTIFICATE ON CORPORATE
GOVERNANCE**

To,

The Members of Polo Hostels Ltd.

We have examined the compliance of conditions of corporate governance by M/s Polo Hotels Ltd. for the year ended 31st March 2005 as stipulated in the relevant clauses of the Listing Agreements of the said Company with the Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

On the basis of the records and documents maintained by the company and the information and explanations given to us, in our opinion, the company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreements with the Stock Exchanges.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by Shareholders and Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For Ashwani K. Gupta & Associates
Chartered Accountants

Place : Panchkula

S/d
(Ashwani K. Gupta)
Partner

Dated : 30.07.05

AUDITOR'S REPORT

TO THE MEMBERS OF M/S POLO HOTELS LIMITED

1. We have audited the attached Balance Sheet of **POLO HOTELS LIMITED** as at 31st March, 2005 and also the Profit and Loss and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements, based on our audit.
2. 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 provide a reasonable basis for our opinion
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 such books.
 - iii. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - iv. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by this report comply with the Accounting standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956.
 - v. On the basis of the written representation received from the directors as on 31st March, 2005 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2005 from being appointed as directors 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 read with the Significant Accounting Policies and Notes on Accounts give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view;
- a. In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2005,
 - b. In the case of Profit and Loss Account of the Loss of the Company for the year ended on that date, and
 - c. In the case of the Cash Flow statement, of the cash flow for the year ended on that date.

For ASHWANI K. GUPTA & ASSOCIATES
CHARTERED ACCOUNTANTS

PLACE: CHANDIGARH

DATED: 30.07.2005

Sd/-
(ASHWANI K. GUPTA)
PARTNER

ANNEXURE TO THE AUDIT REPORT

(Referred to in paragraph 3 of our report of even date on the accounts of **POLO HOTELS LIMITED**, for the year ended on 31st March, 2005)

- i. In respect of its fixed assets;
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b. As informed to us, fixed assets of the company have been physically verified by the management during the current year, and no serious discrepancies have been noticed on such verification.
 - c. No substantial (or major) part of the fixed assets has been disposed off during the year.
- ii. As there are no inventories during the year therefore reporting under clause ii of Paragraph 4 of the order does not arise.
- iii. According to information and explanation given to us, the company has not granted or taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information explanations given to us there are adequate internal control system commensurate with the size of the company and nature of its business for the purchase of fixed assets. During the course of our audit we have not observed any continuing failure to correct major weaknesses in the internal control system.
- v. (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that there are no particulars of contracts or arrangements referred to in section 301 of the companies Act, 1956, that need to be entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, there are no transaction made in pursuance of contracts or arrangements entered in to the register in pursuance of section 301 of the Act exceeding the value of Rupees Five Lacs in respect of any party during the year.
- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder.
- vii. In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with size and nature of its business.

- viii. The Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) or the Companies Act, 1956, for the Company.
- ix. Statutory and other dues:
- a. According to the information and explanations given to us and based on the records examined by us, the Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Income Tax and any other statutory dues as applicable with the appropriate authorities during the year. We have been informed that there are no undisputed dues which have remained outstanding as at the end of the financial year, for a period of more than six months from the date they become payable.
- b. According to the information and explanations given to us, no dispute is pending for dues in respect of Sales Tax, Income Tax, Wealth Tax, Custom Duty, Excise Duty or Cess as at 31.03.2005.
- x. The Company has accumulated losses amounting Rs. 136.94 lacs as at the end of the financial year. The Company has not incurred cash losses during the current and the immediately preceding financial year.
- xi. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xii. The provisions of any special statute applicable to chit fund are not applicable to the company.
- xiii. The Company is not dealing or trading in shares, securities, debentures and other investments.
- xiv. There are no guarantees given by the Company for loans taken by others from banks and financial institutions.
- xv. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues of financial institutions, banks or debentures holders.
- xvi. The terms loans were applied for the purpose for which loans were obtained.
- xvii. According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, fund raised on short term basis have, prima facie, not being used during the year for long term investment (fixed assets etc.) but out of funds raised on long terms basis Rs. 32.61 lacs have been used for short term purposes.
- xviii. The Company has not made preferential allotment of shares to parties and companies covered in Register maintained under Section 301 to the Companies Act, 1956.

- xix. The Company has not issued any debentures during the year.
- xx. The Company has not raised any money by way of public issues during the year.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.
- xxii. In relation to service activities of the company:
 - a. Items (ii) and (iii) of Clause B of Paragraph 4 are not applicable.
 - b. There exists reasonable internal control system commensurate with the size of the company and nature of its business.
- xxiii. As per the information and explanation given to us taking into consideration the nature of Company's activities, other items of clause A of paragraph 4 of the CARO are not applicable to the Company.

For ASHWANI K. GUPTA & ASSOCIATES
CHARTERED ACCOUNTANTS

PLACE: CHANDIGARH

DATED: 30.07.2005

(ASHWANI K. GUPTA)
PARTNER

M/S POLO HOTELS LTD.
BALANCE SHEET AS ON 31.03.2005

	SCH.	31.03.2005		31.03.2004
Sources of Funds:				
SHAREHOLDER'S FUND				
Capital	"A"	33976000		33976000
LOAN FUNDS				
Secured Loans	"B"	22010131		20288824
TOTAL		55986131		54264824
APPLICATION OF FUNDS:				
FIXED ASSETS:				
Gross Block	"C"	56008802	56008802	
Less: Depreciation		15161541	40847261	12789596
Investments	"D"	81579		81579
Current Assets Loans & Advances	"E"	1285573	1490049	
Current Liabilities & Provisions	"F"	4689500	8641239	
NET CURRENT ASSETS		(3,403,927)		(7,151,189)
Miscellaneous Expenditure	"G"	3469774		3500115
Profit & Loss Account		13694938		13455077
Deffered Tax Assets		1296506		1160037
Notes on Accounts	"L"			
TOTAL		55986131		54264824

Auditors Report :

As per our separate report of even date attached

(0)

For Ashwani K Gupta & Associates

Chartered Accountants

For & on behalf of Board of Directors

Sd/-

(Ashwani K. Gupta)

Partner

Sd/-

(A.R.Dahiya)

Director

Sd/-

(Amardeep Dahiya)

Director

Place: Panchkula

Date: 30.07.2005

M/S POLO HOTELS LTD.
PROFIT & LOSS A/C FOR THE PERIOD ENDED 31.03.2005

INCOME:		31.03.2005	31.03.2004
Sales & Other Income	"H"	5400000	5,400,000
Total		5400000	5,400,000
EXPENDITURE:			
Employee Cost	"I"	139410	142,680
Other Expenses	"J"	476583	282,962
Financial Expenses	"K"	2788393	3,069,951
Total		3404386	3,495,593
Profit before Depreciation & Tax		1,995,614	1,904,407
Depreciation for the year		2371944	2,327,464
Profit /(Loss) before Taxation		(376,330)	(423,057)
Deferred Tax Assets for the year		136469	159,121
Provision for Tax (MAT)		-	-
Net Profit (Loss) after Tax		(239,861)	(263,936)
Previous Year's Loss brought forward		(13,455,077)	(13,191,141)
Loss Carried to Balance Sheet		(13,694,938)	(13,455,077)

Auditors Report :

As per our separate report of even date attached

For Ashwani K Gupta & Associates

Chartered Accountants

For & on behalf of Board of Directors

Sd/-

(Ashwani K. Gupta)

Partner

Sd/-

(A.R.Dahiya)

Director

Sd/-

(Amardeep Dahiya)

Director

Place: Panchkula

Date: 30.07.2005

M/S POLO HOTELS LTD.

SCHEDULE "A" SHARE CAPITAL

PARTICULARS	31.03.2005	31.03.2004
AUTHORISED:		
40,00,000 Equity shares of Rs. 10/- each	40000000	4000000
Issued, Subscribed & Paid Up:		
33,97,600 Equity shares of Rs10/- each	33976000	33976000
Total	33976000	33976000

SCHEDULE "B" SECURED LOAN

PARTICULARS	31.03.2005	31.03.2004
Term Loan from Canara Bank	22010131	20288824
Total	22010131	20288824

SCHEDULE "D" INVESTMENT

PARTICULARS	31.03.2005	31.03.2004
4500 Equity shares of Rs. 10/- each of M/s Trans Asia Tube Ind. Ltd. (at cost)	81579	81579
Total	81579	81579

SCHEDULE "E" CURRENT ASSETS, LOANS & ADVANCES

PARTICULARS	31.03.2005	31.03.2004
A. CURRENT ASSETS:		
Cash in hand	18502	27775
Balance with schedule bank	86749	85212
Income Tax refund receivable	166056	22701
Rent Receivable	435886	436162
Total	707193	571850
B. LOANS & ADVANCES		
Advance to supplier & contractors	225000	595204
Prepaid Insurance	28728	-
Security Deposits	156940	156940
TDS	167712	166056
Total	578380	918200
Grand Total	1285573	1490049

SCHEDULE "F" CURRENT LIABILITIES

PARTICULARS	31.03.2005	31.03.2004
Sundry Creditors	57524	56522
Statutory Liabilities	1325	33162
Dues to Directors	3067491	6647491
Other Liabilities	1563160	1904064
Total	4689500	8641239

SCHEDULE "G" MISCELLANEOUS EXPENDITURE

PARTICULARS	31.03.2005	31.03.2004
Defferred Revenue Expenditure (Lease Registration Exp.)	364088	394429
Public Issue Expenses	3105686	3105686
Total	3469774	3500115

SCHEDULE "H" INCOME

Lease Rentals	5400000	5400000
Other Income	0	0
Total	5400000	5400000

SCHEDULE "I" EMPLOYEE COST

PARTICULARS	31.03.2005	31.03.2004
Salary & H.R.A.	120000	120000
Provident Fund	9810	13080
Conveyance Allowance	9600	9600
Total	139410	142680

SCHEDULE "J" OTHER EXPENSES

PARTICULARS	31.03.2005	31.03.2004
Bank Charges	111045	25653
Printing & Stationery	27582	40233
Postage & Telegram & Telephone Exp.	51897	40239
Fee & Legal Exp.	234539	126604
Insurance Charges	28728	0
Misc. Expenses	6262	31983
Advertisement	0	2500
Auditors's Remuneration	16530	15750
Total	476583	282962

SCHEDULE "K" FINANCIAL EXPENSES

PARTICULARS	31.03.2005	31.03.2004
Interest	2788393	3069951
Total	2788393	3069951

SCHEDULE 'C' FIXED ASSETS AS ON 31.03.05 OF M/S POLO HOTELS LTD.

Particulars	Original Cost	Addition	Total	DEPRECIATION			WRITTEN DOWN VALUE	
				Upto 31-Mar-04	For the Period	Upto 31-Mar-05	As on 31-Mar-05	As on 31-Mar-04
Land & Site Development	2,544,523	-	2,544,523	-	-	-	2,544,523	2,544,523
Building	32,737,519	-	32,737,519	6,263,199	1,093,433	7,356,632	25,380,887	26,474,320
Plant & Machinery	14,537,484	-	14,537,484	3,777,123	690,530	4,467,653	10,069,830	10,760,361
Furniture & Fixtures	6,189,276	-	6,189,276	2,749,274	587,981	3,337,255	2,852,021	3,440,002
Total	56,008,802	-	56,008,802	12,789,596	2,371,945	15,161,541	40,847,261	43,219,206

SCHEDULE "L" NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The accounts of the company are prepared under the historical cost convention and materially comply with mandatory accounting standards issued by the institute of Chartered Accountants of India. The significant accounting policies followed by the Company are stated below;

i. **Fixed Assets**

Fixed assets are stated at Cost. The cost of an asset comprise its purchase price and any directly attributable cost of bringing the asset to working condition for its intended use and also including an appropriate share of Pre-Operative expenses capitalization.

ii. **Depreciation**

Depreciation has been provided on straight line method at the rate prescribed under schedule xiv of the Companies Act, 1956 on single shift basis for the current Financial Year. No provision has still been made for arrears of Depreciation amounting to Rs. 51,96,593/- on straight line method at the rate prescribed under Schedule xiv of the Companies Act, 1956 on single shift basis upto 31.3.1998. According the Net Block and Profit & Loss account Balance are understated to that extent in the Balance Sheet.

iii. **Inventories :**

Inventories are Nil as the Company's only venture Hotel North Park has been given on lease and operations are being managed by Lessee.

iv. Public issue expenses to be written off, would be considered, when the entire hotel project comes into operation.

v. Investment are valued at Cost.

2. No Provisions for Income Tax has been made as there is book loss during the year..

3. **Deferred Taxation**

As per AS 22 on Accounting for taxes on Income" issued by the Institute of Chartered Accountants of India, the company has recognized a Net Deferred Tax Assets amounting to Rs. 1,36,469.00 as at 31st March, 2005.

4. **Related Party Disclosure:**

Related Party disclosure as required by AS18 are given below;

a. **Associates**

- i. A.R.D. Polypacks Pvt. Ltd.
- ii. Auto Brakes Pvt. Ltd.
- iii. Sumeru & Sehri
- iv. North India Institute of Hotel Management.

b. Key Management Personnel.

- i. A.R. Dahiya
- ii. Pankaj Dahiya
- iii. Amardeep Dahiya

c. Related Party Disclosure for the year 2004-2005

S.r No.	Particulars	Associate	Key Management Personnel
1.	Outstanding Guarantee taken in favour of Canara Bank securing Term Loan	-----	2,20,00,000.00
2.	Temporary Borrowing repaid	-----	35,80,000.00
3.	Temporary Borrowing at year end	-----	30,67,491.00

5. The debit and credit balances in the account of parties and individuals are subject to confirmation by the respective parties/individuals.
6. Term Loan from Canara Bank is secured by the First Charge on all present and future moveable and immovable assets of the company.
7. There is no foreign exchange earning during the year.
8. No employees of the Company is covered under section 217 (2A) of the Companies act, 1956 in current as well as in the previous year.
9. The Company holds 4500 equity shares of Rs. 10/- each of Trans Asia Tunes and Ind. Ltd. which have been shown under the head Investment at cost. Market value as on 31.03.2005 is Nil (Previous year Nil)
10. **Deferred Revenue Expenditure**
Deferred Revenue Expenditure is being written off in the ratio of 1/15th every year i.e over the total lease period.
11. Previous year figures have been regrouped/recast, wherever deemed necessary.
12. Schedule A to L form an integral part of Balance Sheet /Profit & Loss Account.

Auditor's Report

AS per our separate report of even date attached.
For **Ashwani K. Gupta & Associates**
Chartered Accountants

(Ashwani K. Gutpa)
Partner

for & on behalf of Board

Place : Panchkula

Sd\-

Sd\-

Dated: 30.07.2005

(A.R. Dahiya)
Director

(Amardeep Dahiya)
Director

POLO HOTELS LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2005

PARTICULARS

	31.03.2005	31.03.2004
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/ (Loss) before Tax & Extra ordinary items	(376,330)	(423,057)
Adjustement for:		
Depreciation	2,371,944	2,327,464
Interest Expenses	2,788,393	3,069,951
Misc. Expenditure Wirtten Off	30,341	30,341
Operating profit before working capital changes	4,814,348	5,004,699
Adjustement for		
Trade & Other receiveable	341,752	141,153
Trade Payable	(3,951,739)	(4,829,504)
Cash generated from operations	1,204,361	316,348
Income Taxes Paid	(145,011)	(159,012)
	2,788,393	3,069,951
Net Cash from Operating Activities	1,729,043	2,912,615
B. Net cash used in investing Activities	---	
Purchase of Fixed Assets	---	(468,222)
Cash Outflow from Investing Activities	---	(468,222)
C. Cash flow from financing Activities:		
Proceeds from Borrowings	1,721,307	3,288,824
Interest Paid	(2,788,393)	(3,069,951)
Cash outflow from financing activities	(1,067,086)	218,873
Net increase/(decrease) in cash & cash equivalent	(7,736)	(92,013)
Opening balance of cash & cash equivalent	112,987	205,000
Closing balance of cash & cash equivalent	105,251	112,987

Note :

1. Cash and Cash Equivalents consist of cash on hand and Balance with banks
2. Previous year figures have been regrouped, rearranged, wherever considered necessary

For Ashwani K. Gupta & Associates
Chartered Accountants

For & on behalf of Board of Directors

Sd/-
(Ashwani K.Gupta)
Partner

Sd/-
(A.R.Dahiya)
Director

Sd/-
(Amardeep Dahiya)
Director

Date:30.07.2005
Place: Panchkula

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1.	Registration Details			
	State code	05	Registration No.	0032355
	Balance sheet date	Date	Month	Year
		31	03	2005
2.	Capital raised during the year (Amount in Rs. Thousands)			
	Public issue	000000000	Right issue	000000000
	Bonus issue	000000000	Private issue	000000000
3.	Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)			
	Total Liabilities	000055986	Total Assets	000055986
	Sources of Funds			
	Paid-up Capital	000033976	Share Application Money	000000000
	Reserve & Surplus	000000000	Secured Loans	000022010
	Unsecured Loans	000000000		
	Application of Funds			
	Net Fixed Assets	000040847	Investments	000000082
	Net Current Assets (-ve)	000003404	Misc. Expenditure	000003470
	Accumulated losses	000013695		
4.	Performance of Company (Amount in Rs. Thousands)			
	Turnover including other income	000005400	Total Exp.	000005640
	Loss before tax	000000240	Loss After Tax	000000240
	Earning per share in Rs.	000000000	Dividend Rate %	00
	Generic Names the Principal Services of Company			
	Item Code No.	NA		
	Service Description	HOTELIERS		

POLO HOTELS LIMITED

Registered office : Hotel North Park, Village : Chowki, Panchkula (Haryana)

Please fill in this slip and hand it over at the entrance of the Meeting Hall

Name & address of the share holder

No. of share held

I hereby record my presence at the 21st Annual General Meeting of the company held on Wednesday 21st September, 2005 at 9.00 A.M. at the Registered Office of the company, Hotel North Park, Village Chowki, Panchkula, Haryana.

Signature of the Share Holder / Proxy

.....Tear here

POLO HOTELS LIMITED

Registered office : Hotel North Park, Village : Chowki, Panchkula (Haryana)

Folio no.:

No. of Shares

I/We of being a member of Polo Hotels Ltd. hereby appoint of or failing him of as my/our proxy to vote for me/us behalf at the 21st Annual General Meeting to be held on Wednesday, 21st September 2005 at 9.00 A.M. or at any adjournment thereof.

Signature this day of 2005

Affix
Rs. 1
Revenue
Stamp

Note : The proxy must be returned so as to reach the Registered office of the company not less than 48 hours before the time for holding aforesaid meeting. The proxy need to be member of the company.

**BOOK
POST
U.P.C.**

If undelivered please return to :

Polo Hotel Limited

Regd. Office : Hotel North Park

Village Chowki, PO Devi Nagar

Panchkula – 134 109 Haryana