

Narayan Demble

DEMBLE RAMANI & CO.

CHARTERED ACCOUNTANTS

Abhyankar Road, Sitabuldi,

Nagpur - 440 012.

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Narayan Demble

B.Com., F.C.A.

Ashok Ramani

B.Com., F.C.A.

Vijay Ramani

B.Com., F.C.A.

*** AUDITORS REPORT**

To,
The Shareholders,
LINKHOUSE INDUSTRIES LTD.,
NAGPUR.

We have audited the attached ~~Balance~~ sheet of **LINKHOUSE INDUSTRIES LTD., NAGPUR** as on **31st MARCH, 2000** and also the Profit & Loss Account of the Company for the year ended **31st MARCH, 2000** annexed thereto and report that :

1. As required by the **Manufacturing and Other Companies (Auditor's Report) Order, 1988** issued by the Company Law Board in terms of Section 227 (4A) 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 :

2. Further to our comments in the annexure referred to in paragraph 1 above :

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

b) In our opinion, proper books of account as required by law have been kept by the company, so far as it appears from our examination of such books.

c) The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account.

d) In our opinion, the Profit & Loss Account & Balance Sheet complies with the accounting standards referred to in sub-section 3(c) of Section 211 of Companies Act, 1956 as amended.

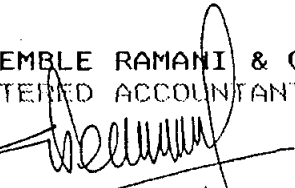
e) In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :

i] In case of the Balance Sheet, of the State of affairs of the Company as on **31st MARCH, 2000** and

ii] In case of the Profit & Loss Account, the profit for the year ended on **31st MARCH, 2000**.

PLACE : NAGPUR

DATED : 24.08.2000

FOR **DEMBLE RAMANI & CO.**
CHARTERED ACCOUNTANTS

(NARAYAN DEMBLE)
PARTNER

For Link House Industries Ltd

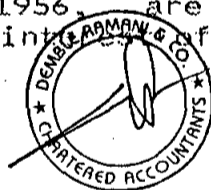

Director

*** ANNEXURE TO AUDITOR'S REPORT ***

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE REPORT OF EVEN DATE OF THE AUDITORS ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2000.

In our opinion, on the information and explanations furnished to us and such checks as we considered appropriate in the normal course of audit, and to the best of our knowledge and belief, we further report that :-

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All these assets have been physically verified by the management during the year and no material discrepancies have been noticed on such verification.
2. None of the fixed assets of the Company have been revalued during the year.
3. The work in progress & materials have been physically verified by the management at reasonable intervals. In our opinion the frequency of verification is reasonable.
4. The procedure of physical verification of stocks followed by the management are, in our opinion, reasonable and adequate in relation to the size of the company and the nature of its business.
5. No material discrepancies have been noticed by management on physical verification of stocks as compared to book records.
6. In our opinion and on the basis of our examination, the valuation of work in progress and the stock of building material is fair & proper and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceeding year.
7. The Terms and conditions of interest free loans taken by the Company from companies, firms or other parties listed in the register maintained under Section 301 and 370(1-C) of the Companies Act, 1956, are in our opinion, prima facie, not prejudicial to the interest of the Company.



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For Link Horse Industries Ltd.

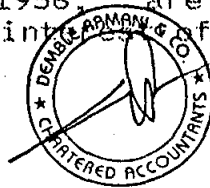
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Director

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Contd. on 2....

For Link House Industries Ltd

[Signature]
Director

: 2 :

8. The rates of interest and other terms and conditions of the loans given by the company to companies, firms and other parties listed in the register maintained under Section 301 and 370 (1-C) of the Companies Act, 1956 are in our opinion, prima facie, not prejudicial to the interest of the Company.

9. The parties to whom the loans or advances in the nature of loans have been given by the company are repaying the principal amounts as stipulated and are also regular in payment of interest, wherever applicable.

10. There is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of fixed assets, building materials, plants & machinery, equipments & other assets.

11. In our opinion the transaction of purchase of materials and sale made in pursuance of contracts of arrangements entered in the parties listed in the register maintained u/s 301 of the Companies Act, 1956 and aggregating during the year Rs. 50,000/- or more in respect of each party, have been made at prices, which in our opinion are reasonable having regard to prevailing market price for such materials, land or the properties or the prices at which transactions for similar materials have been made with other parties.

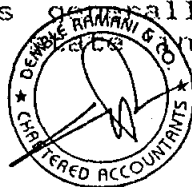
12. As explained to us, there are no unserviceable or damaged goods.

13. The company has no substantial realisable by-products or scraps.

14. The company has an adequate internal audit system commensurate with its size and nature of its business.

15. The Central Government has not prescribed the maintenance of cost records for the company under section 209(1) (d) of the Companies Act, 1956 for its product.

16. The Company is generally regular in depositing provident fund and employees insurance dues with the appropriate authorities.



Contd. on 3....

For Link House Industries Ltd

Director

: 3 :

17. As at 31st March, 1999, there were no undisputed amounts outstanding in respect of Income Tax, Wealth Tax, Custom Duty and Excise Duty for more than 6 months from the date those became payable.

18. During the course of our examination of the books of Account carried out in accordance with the generally accepted auditing practices, we have neither come across any personal expense other than those paid under contractual obligations and/or in accordance with generally accepted business practices, which has been charged to Profit and Loss Account, nor we have been informed of any such case by the Management.

19. The Company is not a Sick Industrial Company within the meaning of Clause (O) of section 3(1) of the Sick Industrial Companies (Special Provision) Act, 1985.

20. The Company has a reasonable system of recording receipts, issues and consumption of materials & stores & allocating materials consumed to the relative jobs commensurate with its size and nature of its business.

21. The Company has a reasonable system of allocating man-hours utilized to the relative jobs, commensurate with its size and nature of business.

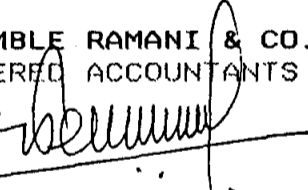
22. There is a reasonable system of authorization at proper levels and an adequate system of internal control commensurate with the size of Company & nature of its business on issue of materials & allocation of materials & labour to jobs.

23. It is noted that in the last financial year (1998-99), Dividend although recommended by the Board was not approved by the Members of the company at its Annual General Meeting. Hence this necessary entries are made in the books of accounts.

24. Rest of the provisions of the order are not applicable.

PLACE : NAGPUR

DATED : 24.08.2000

FOR DEMBLE RAMANI & CO.
CHARTERED ACCOUNTANTS

(NARAYAN DEMBLE)
PARTNER

For Link House Industries Ltd


Director

DEMBLE RAMANI & CO.

CHARTERED ACCOUNTANTS

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LINKHOUSE INDUSTRIES LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2000

SCH-
DULE

AMOUNT (RS.)

AS AT
31.03.1999**I. SOURCES OF FUNDS****1. SHAREHOLDERS FUNDS**

- a) SHARE CAPITAL
b) RESERVE & SURPLUS

1

19800000

19800000

2

24734565

19493132

2. LOAN FUNDS

- a) SECURED LOANS
b) UNSECURED LOANS

*

NIL

NIL

3

50294880

58525068

44534565

39293132

50294880

58525068

TOTAL Rs. :**94829445****97818200****II. APPLICATION OF FUNDS****1. FIXED ASSETS**

- GROSS BLOCK
LESS : DEPRECIATION

4

*

17735112

17254480

*

5864629

5201217

NET BLOCK

11870483

12053263

2. INVESTMENTS

5

64478

63478

3. CURRENT ASSETS, LOANS & ADVANCES

- a) INVENTORIES
b) SUNDRY DEBTORS
c) CASH & BANK BALANCES
d) LOANS & ADVANCES

6

24054793

12085998

7

998369

192629

8

873550

1742220

9

68784386

81292150

- LESS : CURRENT LIABILITIES
PROVISIONS

10

94711098

95312997

11

11325414

9292370

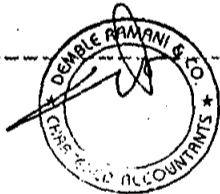
500000

350000

NET CURRENT ASSETS, LOANS & ADVANCES

82885684

85670627



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For Link House Industries Ltd.

DIRECTOR

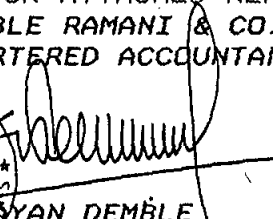
LINKHOUSE INDUSTRIES LIMITED

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BALANCE SHEET AS AT 31ST MARCH, 2000	SCH-DULE	AMOUNT (RS.)	AS AT 31.03.1999
4. MISCELLANEOUS EXPENDITURES			
(To the extent not written off of adjusted)			
Share Issue Expenses	12	8800	30832
TOTAL Rs. :		94829445	97818200
NOTES ON ACCOUNTS AND ACCOUNTING POLICIES	20		

AS PER OUR ATTACHED REPORT OF EVEN DATE
For DEMBLE RAMANI & CO.
CHARTERED ACCOUNTANTS

FOR LINKHOUSE INDUSTRIES LIMITED


NARAYAN DEMBLE
PARTNER


N. K. HARCHANDANI
(CHAIRMAN-CUM-MANAGING DIRECTOR)

PLACE : NAGPUR
DATED : 24.08.2000


ARCHANA WANI
(DIRECTOR)

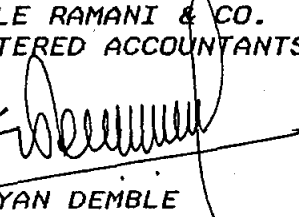
For Link House Industries Ltd.


Director

LINKHOUSE INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2000	SCH- DULE	AMOUNT	(RS.)	AS AT 31.03.1999
I. INCOME				
SALES	13	34193285		32961818
OTHER INCOME	14	9416802		3708582
			43610087	36670400
II. EXPENDITURE				
COST OF SALE	15	25834506		22744105
EMPLOYEES REMUNERATION & BENEFITS	16	638269		1054544
ADMINISTRATIVE EXPENSES	17	4387592		3025366
FINANCIAL CHARGES	18	6322844		3661573
DEPRECIATION	4	663411		618909
AMORTISATION OF EXPENSES :				
SHARE ISSUE EXPENSES	*	22032		22032
			37868654	
PROFIT BEFORE TAX			5741433	5543871
LESS : PROVISION FOR TAXATION	*		500000	350000
PROFIT AFTER TAX			5241433	5193871
ADD : BALANCE BROUGHT FORWARD FROM PREVIOUS YEAR	*		18493132	12959433
			23734565	18153304
LESS : APPROPRIATIONS				
TR. TO GENERAL RESERVE	*		NIL	NIL
PROPOSED DIVIDEND	*		NIL	NIL
CORPORATE DIVIDEND TAX	*		NIL	NIL
SHORT PROVISION OF INCOME TAX OF EARLIER YEARS	*		NIL	749172
BALANCE OF PROFIT CARRIED TO BALANCE SHEET			23734565	17404132
NOTES ON ACCOUNTS AND ACCOUNTING POLICIES	20			

AS PER OUR ATTACHED REPORT OF EVEN DATE
For **DEMBLE RAMANI & CO.**
CHARTERED ACCOUNTANTS


NARAYAN DEMBLE
PARTNER

PLACE : NAGPUR
DATED : 24.08.2000

FOR LINKHOUSE INDUSTRIES LIMITED


N. K. HARCHANDANI
(CHAIRMAN-CUM-MANAGING DIRECTOR)


ARCHANA WANI
(DIRECTOR)

For Link House Industries Ltd.


Director

LINKHOUSE INDUSTRIES LIMITED

SCHEDULE ATTACHED TO AND FORMING PART OF BALANCE SHEET AS ON 31st MARCH, 2000

PARTICULARS	AMOUNT	PR. YEAR
SCHEDULE - 1		
SHARE CAPITAL		
a. AUTHORISED SHARE CAPITAL		
1990000 EQUITY SHARES OF RS. 10/- EACH	19900000	19900000
b. ISSUED, SUBSCRIBED & PAID UP SHARE CAPITAL		
1980000 EQUITY SHARES OF RS. 10/- EACH FULLY PAID	19800000	19800000
TOTAL RS.	19800000	19800000
SCHEDULE - 2		
RESERVES & SURPLUS		
i) GENERAL RESERVE	1000000	1000000
ii) PROFIT & LOSS ACCOUNT		
Balance as per last Balance Sheet	18493132	14048433
Less : Previous years Income Tax W/off	NIL	749172
	18493132	13299261
Add : Profit during the year	5241433	5193871
	23734565	18493132
TOTAL RS.	24734565	19493132
SCHEDULE - 3		
UNSECURED LOANS		
a) From Directors & Associates (Refer Sub Schedule)	3185000	7337965
b) From Others (Refer Sub Schedule)	47109880	51187103
TOTAL RS.	50294880	58525068



For Link House Industries Ltd

Director