

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2005

Your Directors have pleasure in presenting the Twentieth Annual Report and the audited statement of accounts for the year ended 31st March,2005.

FINANCIAL RESULTS	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
Total Income	12,185,146	22,130,420
Profit/(Loss) before Interest , Depreciation and Tax	(15,578,786)	6,790,247
Less: Interest	0	0
Gross Profit/(Loss)	(15,578,786)	6,790,247
Less : Depreciation	682,083	615,268
Profit/(Loss) before Taxation	(16,260,869)	6,174,979
Less : Provision for Taxation	0	(135,000)
Profit after Taxation	(16,260,869)	6,039,979
Add/Less : Deferred Tax Assets Provision	6,155,000	(1,028,273)
Less : Items relating to earlier years	0	(231,016)
Less : Transfer to Statutory Reserve	0	(1,207,995)
Balance Transferred to/(from) General Reserve	(10,105,869)	3,572,695

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Your Company incurred a loss of Rs.162.61 Lacs for the financial year ended 31st March, 2005

Depreciation during the year was Rs 6.82 Lacs as compared to Rs. 6.15 Lacs in the previous year.

Provision for taxation during the year is Nil.

OPPORTUNITIES

The GDP growth in the year 2004-05 was 6.9 per cent as compared with 8.5 per cent and 4 per cent in the previous two years. The industrial growth firmed up and grew at 8.3 per cent as against 6.5 per cent and 6.2 percent for previous two years. The agriculture sector is worst sufferer in 2004-05. The annual rate of inflation during 2004-05 was higher at 6.4 per cent as compared with 5.4 per cent in the previous year.

Going forward, growth prospects for the Indian economy remain bright. The strong fundamentals of the economy are reflected, among others, in robust inflows of foreign investment, rise in the BSE Sensex

In addition, the growth of the services sector presents new opportunities for the financial services industry in India.

Challenges

The main income of the Company presently being generated from the investments, the volatility in the capital market which has increased considerably poses challenge to the Company. However, as stated above the economy is in good shape. The only negative point is the increase in crude oil prices and decline of growth in the agricultural sector.

RISK MANAGEMENT

Business and revenue growth have to be weighed in the context of the risks. Of the various types of risks the Company is exposed to credit risk, market risk and operational risk. The identification, measurement, monitoring and management of risks are a key focus area for the Company.

Internal Control Systems and their adequacy.

The Company has an adequate system of internal controls and systems. The scope of the inspection and audit has been recently reviewed to make it more effective.

Human Resources

Industrial relations in the organisation continued to be cordial during the year.

No employee of the Company was in receipt of remuneration for whole/part of the year exceeding the limit prescribed under Section 217 (2A) of the Companies Act, 1956.

CORPORATE GOVERNANCE

A comprehensive report on Corporate Governance as stipulated under clause 49 of the Listing Agreement is attached to this Report.

The Company has obtained a certificate from the auditors regarding compliance of conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement and the same is annexed.

SUBSIDIARY

During the year the Subsidiary Mukesh Babu Securities Limited incurred a loss before tax of Rs.24.93 Lacs as compared profit of Rs.11.15 Lacs during the previous year.

DIRECTORS

Mr. Mahesh Thakar who retires by rotation and being eligible, offer himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies (Amendment) Act, 2000 with respect to Directors' Responsibilities Statement, it is hereby confirmed:

- (i) that the preparation of the annual accounts for the financial year ended 31st March, 2005, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that were 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 or loss of the Company for the year under review;
- (iii) that the directors had 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 the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the directors had prepared the accounts for the financial year ended 31st March, 2005 on a going concern basis.

Formation of the Remuneration Committee

Pursuant to Clause 49 of the Listing Agreement a Remuneration Committee has been constituted for framing and implementing the credible and transparent policy of remuneration.

The composition of Audit Committee is as follows:

- | | |
|---------------------------------|-----------------|
| 1. Mr. K. Chandrasekhar. | Chairman |
| 2. Mr. Benny Itty. | Member |
| 3. Mr. Mahesh Thakar. | Member |

The non-executive directors do not withdraw any remuneration from the Company.

AUDITORS

The retiring Auditors M/s. K. P. Shah & Company, Chartered Accountants are eligible for re-appointment and have indicated their willingness to act as such.

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

As the Company is a service company, no particulars have been given regarding Conservation of Energy and Technology Absorption.

Foreign exchange earnings during the year Rs. NIL (Previous Year NIL)

Foreign exchange outgo during the year Rs. NIL (Previous Year NIL)

FIXED DEPOSITS

During the year the Company has not accepted any deposit from public.

CASH FLOW STATEMENT:

As per the Clause 32 of the Listing Agreement entered into the with The Stock Exchanges, Cash Flow Statement for the year ended 31st March, 2005 duly examined by the Auditors of the Company is furnished along with the audited financial statements of the Company.

ACKNOWLEDGMENTS

Your Directors wish to thank to the Bankers as well as the Shareholders of the Company. The Directors also wish to place on record their deep appreciation for the services rendered by the employees of the Company.

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai.

Date : 1st September, 2005.

**MUKESH BABU
CHAIRMAN**

CORPORATE GOVERNANCE REPORT

(Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

1. Company's Philosophy on Code of Governance:

Your Company has implemented and continuously strikes to improve the Corporate Governance practices which attempt to meet the shareholders' expectations. Your Company is also committed to adherence to standards of corporate governance. The new revised Clause 49 of the Listing Agreement which will be made effective on or before 31st December, 2005 as instructed by the Stock Exchange, Mumbai.

2. Board of Directors

- (a) The Company has an executive Chairman. None of the Directors on the Board is a Member on more than 10 committees or Chairman of more than 5 Committees (as specified in Clause 49), across all the companies in which he is a Director.
- (b) The Board of Directors of the company appointed Mr. Mukesh C. Babu as Managing Director of the company for the period of five years with effect from 26th May 2003.

The names and categories of the Directors on the Board, their attendance at Board meetings during the last Annual General Meeting, as also the number of Directorships and Committee Memberships/Chairmanships held by them in Indian public companies as on 31st March, 2005 are given below:

Name of Director	Category	No. of other Directorships	No. of other Board Committees of which he is a member	No. of other Board Committee(s) of which he is a Chairperson
Mr. Mukesh C. Babu,	Promoter-Executive	4	0	0
Mr. K.Chandrasekhar.	Independent Director	6	3	3
Mr. Benny Itty.	Independent Director	1	3	0
Mr. Mahesh Thakar.	Director – Accounts	1	3	0

3. Board Meetings

During the financial year 2005-06, Mr. Mahesh M. Thakar , who retires by rotation and being eligible, offers himself for re-appointment.

The attendance of the Directors in these meetings was as follows:

5th April, 2004, 30th April, 2004, 18th June, 2004, 25th June, 2004, 28th July, 2004, 9th August, 2004, 23rd August, 2004, 28th August, 2004, 29th October, 2004, 1st January, 2005, 31st January, 2005, 15th March, 2005 .

Name of the Director	Brief Resume	Board Meetings		Annual General Meeting
		Held	Attended	If Attended
Mr. Mukesh C. Babu	B.com, A.C.A.	12	12	Yes
Mr. K. Chandrasekhar	B.Com, A.C.A, A.I.C.W.AA. C.S. L.L.B.	12	12	Yes
Mr. Benny Itty	B.Com	12	12	Yes
Mr. Mahesh Thakar	B.Com, C.A.Enter	12	12	Yes

4. Committees of Directors

(A) Audit Committee

(a) The Audit Committee of Directors was constituted on 28th August, 2001. The constitution of the Committee was made in pursuance with Section 292A of the Companies Act (Amendment), 2000 and Clause 49 of the Listing Agreement.

(b) The present composition of the of the Audit Committee is as follows:

- i. Mr. K. Chandrasekhar
- ii. Mr. Benny Itty.
- iii. Mr. Mahesh Thakar.

The Company Secretary of the Company is Secretary of the Audit Committee.

The terms of reference of audit Committee is to review the internal controls, to investigate into any matter, to meet the auditors and discuss their findings and other issues relating to company operations.

At the invitation of the Committee, the Statutory Auditors and the Internal Auditors of the Company attended the Audit Committee Meetings.

Sr. No.	Name of the Member	Designation	No. of Committee Meetings held	No. of Committee Meetings attended
1.	Mr. K. Chandrasekhar	Chairman	5	5
2.	Mr. Benny Itty.	Director	5	5
3.	Mr. Mahesh Thakar.	Director	5	5

(B)The Shareholders' / Investors' Grievances Committee

The Investor Relations & Share Transfer Committee comprised of Mr. K. Chandrasekhar, Chairman, Mr. Benny Itty, Director and Mr. Mahesh Thakar, Director. They attended all the Meetings. The Committee oversees the performance of M/s. Intime Spectrum Share Registry Limited, the Registrars and Share Transfer Agents of the Company.

Ms. Rashmi S. Deshpande, Secretary of the Company is designated as the Compliance Officer.

During the year, 24 complaints regarding non-receipt of share certificates ,non-receipt of Demat credit, non-receipt of rejected demat requisition forms and non-receipt of Annual Report were received from the shareholders, all of which have been resolved. The Company has no transfers pending at the close of the financial year.

(C) A remuneration Committee was constituted on 31.1.2005 which comprised of :

- i. **Mr. K. Chandrasekhar**
- ii. **Mr. Benny Itty**
- iii. **Mr. Mahesh Thakar.**

The Company Secretary of the Company acts as the Secretary to the said Committee.

The functions of the Remuneration Committee are as follows:

- 1. To frame and implement a credible and transparent policy of remuneration.**
- 2. To consider, approve and recommend to the Board the changes in Designation, terms of appointment as well as amount of remuneration.**
- 3. To ensure that the remuneration policy is good enough to retain and Motivate Directors as well as strike a balance between the interest of the Company and remuneration policy.**

5. Disclosures

- a.) The Directors of the Company disclosed the names of Companies/parties in which they are interested and accordingly entries are made in the Register of Contracts under Section 301 of the Companies Act, 1956.

Attention of members is drawn to the disclosures of transactions with the related parties set out in Note No.16 of Notes on Accounts- Schedule "J", forming part of the Annual Report.

The Company's related party transactions are generally with the Subsidiaries and Associates. The Company's transactions with the Subsidiaries relate to investments made and loans and advances.

- b) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.**

The Company has complied with all requirements of the Listing Agreements entered into with the Stock Exchanges as well as the Regulations and guidelines of SEBI. Consequently, there were no strictures or penalties imposed by either SEBI or the Stock Exchanges or any statutory authority for non-compliance of any matter related to the capital markets during the last three years.

- c) The Company has made disclosure under regulation 6 & 8 of SEBI Substantial acquisition & takeover Regulations, 1997. The Company has made disclosures under regulation of 13 of SEBI (Insider Trading) Amendment. Regulations 2002.

6. General Body Meetings:

Details of last three Annual General Meetings held:

Meeting No.	Date	Time	Location
Nineteenth	30.09.04	4.00 p.m.	12-A/1 New Sion Co-op. Hsg. Soc. Ltd; Sion (W), Mumbai-400 021.
Eighteenth	30.09.03	4.00 p.m.	12-A/1 New Sion Co-op. Hsg. Soc. Ltd; Sion (W), Mumbai-400 021.
Seventeenth	30.09.02	4.00 p.m.	Andheri Recreation Club, Dadabhai Road, Andheri (W), Mumbai-400 058.

No special resolutions were required to be put through postal ballot last year. Similarly, there is no proposal to pass any special resolution requiring a postal ballot for the upcoming A.G.M.

7. Means of Communication

Subject	Details
Quarterly results - which	The Financial Express and Nav Shakti normally published in Nav Shakti
Whether it also displays official News release and presentations Made to Institutional Investors/ Analysis	No such occasion arose during the year

Pursuant to Clause 51 of the Listing Agreement, all data related to quarterly financial results, shareholding pattern, etc. are hosted on Electronic Data Information Filing and Retrieval (EDIFAR) website www.sebiedifar.nic.in maintained by SEBI in association with National Informatics Centre, within time frame prescribed in this regard.

Management Discussion and Analysis forms part of the Annual Report, which is posted to the Shareholders of the Company.

8. General Shareholder Information

Annual General Meeting

Date & time 30th September, 2005 at 4 p.m.
Venue 12/A-1, New Sion Co-op. Hsg. Ltd.,
Sion (W), Mumbai-400 022.

Financial Year for F.Y.2005-06

- | | |
|--------------------------------------|-------------------------|
| a. 1 st Quarterly Results | On or before 31.7.2005 |
| b. 2 nd Quarterly Results | On or before 31.10.2005 |
| c. 3 rd Quarterly Results | On or before 31.01.2006 |
| d. 4 th Quarterly Results | On or before 31.04.2006 |

Book Closure Period : Thursday, 22nd September, 2005 to
Friday, 30th September, 2005.

Listing on Stock Exchanges The Stock Exchange, Mumbai
P.J. Towers, Dalal Street,
Fort, Mumbai-400 001.
Security Code:30341

The Stock Exchange, Ahmedabad
Kamdhenu Complex, Near Panjarpole,
Opp. Sahajanand College,
Ahmedabad-380 015
Security Code:38196

The Saurashtra and Kutch Stock Exchange Ltd.
Popatbhai Sorathia Bhavan,
Sadar Bazar , Rajkot-360 001.

Annual Listing fees for the year 2005-06 (as applicable) has been paid by the Company to The Mumbai Stock Exchange, The Stock Exchange, Ahmedabad and Saurashtra & Kutch Stock Exchange Ltd.

9. Market Price Data

The Company's shares are listed on The Stock Exchange, Mumbai, The Stock Exchange, Ahmedabad, Saurashtra & Kutch Stock Exchange. There was no trading of the Company's Shares in The Stock Exchange, Ahmedabad and Saurashtra & Kutch Stock Exchange during the financial year 2004-2005. The monthly high & low quotation as well as the volume of shares traded during the year 2004-2005 at the Stock Exchange, Mumbai, are as below:

Month	High	Low	Close
April, 2004	3.09	1.21	2.88
May, 2004	2.31	1.25	1.50
June, 2004	1.92	1.11	1.26
July, 2004	1.82	1.01	1.82
August, 2004	2.61	1.46	2.20
September, 2004	1.77	1.00	1.50
October, 2004	1.55	1.00	1.50
November, 2004	2.38	1.26	1.98
December, 2004	4.00	1.50	3.50
January, 2005	3.97	2.01	2.25
February, 2005	3.25	2.01	2.31
March, 2005	4.70	2.25	2.70

10. The Registrar and Share Transfer Agent of the Company

M/s. Intime Spectrum Share Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L.B.S. Marg, Bhandup (W), Mumbai-400 058.

Telephone No. 55555454

11. Share Transfer System

The Share Transfer Committee of the Company ratifies the transfers of equity shares in its Meetings on the 15th and 30th of each month.

12. The Distribution of Shareholding as on 31st March, 2005

No. of Shares	Shareholders		Shares	
	Number	%	Amount in (Rs.)	% to Equity
Up to- 2500	1689	62.14	3186940	4.57
2501-5000	616	22.66	2367650	3.40
5001-10000	210	7.73	1722500	2.47
10001- 20000	93	3.42	1402030	2.01
20001-30000	25	0.93	643000	0.92
30001-40000	20	0.73	727000	1.04.
40001-50000	26	0.97	1273500	1.83
50001-100000	15	0.55	1140100	1.64
100001 & Above	24	0.88	57246280	82.12
----- Totals	----- 2718	----- 100.00	----- 69709000	----- 100.00

13. Dematerialisation of Equity Shares and Liquidity

To facilitate trading in dematerialised form, the Company has tied up arrangements with both the present depositories, i.e. National Securities Ltd.(NSDL) and Central Depository Services (India) Ltd. (CDSL). Shareholders can open account with any of the depository-participants registered with any of these depositories.

During the year under review 12,00,500 shares were dematerialised in the following depositories:

National Securities Depository Ltd.(NSDL) : 5,90,848 Equity shares

Central Depository Services (India) Ltd. (CDSL) : 6,09,652 Equity shares

ISIN No. : INE596B01017

13. Address for Correspondence

- For matters related to shares

M/s. Intime Spectrum Share Registry Pvt. Ltd.
C-13, Pannalal Silk Mills Compound,
Bhandup (W), Mumbai-400 058
Telephone No.: 55555454

Compliance Certificate of the Auditors.

The Statutory Auditors have certified that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges subject to their observations and the same is annexed to the Director's Report and Management Discussion and Analysis.

The above report was placed before and approved by the Board at its meeting held on 1st September, 2005.

**For and on behalf of
Mukesh Babu Financial Services Ltd.**

Date: 1st September, 2005

Place : Mumbai.

**Mukesh Babu
Chairman**

**CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF
CONDITIONS OF CORPORATE GOVERNANCE**

To the shareholders of **MUKESH BABU FINANCIAL SERVICES LIMITED**

We have examined the compliance of conditions of Corporate Governance by Mukesh Babu Financial Services Limited, for the year ended 31st March, 2005 as stipulated in clause 49 of the Listing Agreement of the stock exchanges in India.

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

In our opinion and to the best of our information and according to the explanation given to us ,we certify that the Company has complied in all material respect with the condition of Corporate Governance as stipulated in the above mentioned Listing Agreement. However we feel that the independent directors, appointed by the company do not fall in line with the definition of independent director.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company and reviewed by the Investor Relation & Share Transfer Committee.

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

For K.P. SHAH & COMPANY
Chartered Accountants

(K.P. SHAH)
Proprietor

Place : Mumbai

Date : 1st September 2005

**REPORT OF THE AUDITORS TO THE MEMBERS OF
MUKESH BABU FINANCIAL SERVICES LIMITED.**

We have audited the attached Balance Sheet of Mukesh Babu Financial Services Limited as at 31st March 2005 and also the Profit and Loss Account and the Cash Flow Statement 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 these financial statements based on our audit.

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 bases, 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 provides a reasonable basis for our opinion.

As required by the Companies (Auditor's 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, to the extent applicable to the company.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes 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 those books
- (iii) The Balance Sheet and Profit and Loss Account and cash flow statement with by this report are in agreement with the books of account
- (iv) In our opinion the Balance Sheet and Profit and 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 except herein under written.
- (v) On the basis of written representation received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2005 from being appointed as director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
- (vi) *No Provision for doubtful debts have been made with respect to loans and advances of Rs. 27.04 lacs as mentioned in note no. 7. We are unable to express our opinion regarding the recoverability of amount and consequential effect thereof on the profit for the year and on the assets in the balance sheet.*

- (vii) *The balances of loans and advances, sundry creditors and overdraft from bank are not confirmed as mentioned in note no. 12.*
- (viii) *No provision has been made for gratuity and leave encashment as the same is accounted on cash basis as explained in note no. 1(G).*
- (ix) *The liability with respect to bank overdraft has been understated by adjusting Rs. 384.86 million against the amount receivable from M/s. Madhur Shares & Stock Limited as explained in note no. 17.*
- (x) *No interest has been provided on the overdraft balance of Madhavpura Mercantile Co-operative Bank as mentioned in Note no. 18.*
- (xi) *Liability on account of arbitration proceeding filed by Madhavura Mercantile Co-operative Bank against Company is not ascertainable due to pending arbitration proceedings as mentioned in Note No. 2*
- (xii) *No interest has been charged on loans and advances given to subsidiary and the companies under the same management as mentioned in note no. 8.*
- (xiii) Subject to the matter stated in para (vi), (vii), (viii), (ix), (x) and (xi) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to the notes thereon give the information required by the Companies Act, 1956, in the manner so required and in conformity with the accounting principles generally accepted in India and give a true and fair view :
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005.
and
 - (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date.
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For K.P. SHAH & COMPANY
Chartered Accountants

(K.P. SHAH)
Proprietor

Place : Mumbai

Date : 1st September 2005.

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE

- (i) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
 - (b) These fixed assets have been physically verified by the management at reasonable intervals; and no material discrepancies were noticed on such verification.
 - (c) As per the information and explanations given to us, during the year, the Company has not disposed off any substantial part of fixed assets that would affect the going concern.
- (ii) (a) As explained to us, inventories (of Equity Shares) have been physically verified by the management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedure of physical verification or inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of inventory records, we are of the opinion that the Company is maintaining proper records of inventory. As explained to us, no material discrepancies have been noticed on physical verification of inventories as compared to book records, except certain items of equity shares lying in physical mode valued at Rs. 4.25 million were not verified.
- (iii) (a) The Company has granted interest free unsecured loans to Eight parties covered in the register maintained under section 301 of the Act. The maximum amount involved during the year, and the year end balance of such loans aggregates to Rs. 33.53 million & Rs. 26.22 million respectively..
 - (b) In the opinion of the management the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company. However we express our inability to confirm with the opinion of the management.
 - (c) In respect of the loans given, the parties are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
 - (d) In respect of the aforesaid loans, there is no overdue amount more than Rupees One lac.
 - (e) The Company has not taken loans from companies covered in the register maintained under Section 301 of the Act. Hence the question of repayment of principal and interest does not arise.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of fixed assets and revenue recognition. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal procedures.
- v) (a) In our opinion and according to the information and explanations given to us. The transactions that need to be entered into the register in pursuance of Section 301 of Act, have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Sections 301 of the Act and exceeding the value of Rupees Five Lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public, as applicable to the Company. According to the information and explanations given to us, no order under the aforesaid Sections has been passed by the Company Law Board on the Company.
- vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

- (viii) a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales-tax, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
b) According to the information and explanations given to us no undisputed amounts payable in respect of such statutory dues were outstanding as at 31st March 2005, for a period of more than six months from the date they become payable.
- (ix) The Company has no accumulated losses as at March 31, 2005 and it has incurred cash loss in the financial year ended on that date. The Company has not incurred any cash loss in the immediately preceding financial year.
- (x) According to explanations and information given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xi) According to the records of the company examined by us and information and explanation given to us there is a dispute between the company and Madhavpura Mercantile Co-operative Bank Ltd. on certain issues relating to the repayment of dues of Rs. 24.33 million and as reported in note no. 17 & 18, it is not possible for us to determine whether there is a default in repayment of dues to Madhavpura Mercantile Co-operative Bank Ltd.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities, hence question of maintenance of adequate documents and records does not arise..
- (xii) According to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks or financial institutions.
- (xiii) The Company has not availed any term loan facility during the year
- (xiv) The company has maintained proper records of transactions and contracts in respect of trading in shares, debentures, and other securities and timely entries have been made therein. The investment are held by the company in its own names except allowable under section 49 of the Companies Act, 1956.
- (xv) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised as working capital loans (short term loans) that have been used for long-term investment and vice versa.
- (xvi) The Company has not made any preferential allotments of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- (xvii) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.
- (xviii) The other clauses, namely (viii), (xiii), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order 2003 are not applicable in the current year. since in our opinion there is no matter which arises to be reported in the aforesaid order.

For K.P. SHAH & COMPANY
Chartered Accountants

(K.P. SHAH)
Proprietor

Place : Mumbai.
Date : 1st September 2005.