

SCHEDULE "J" – NOTES TO ACCOUNTS FOR THE YEAR ENDED 31STMARCH, 2005.

1. ACCOUNTANCY POLICY :

A. INCOME

The company follows the practice of accounting income on accrual basis excepting in case of Dividend which is accounted on receipt basis.

B. EXPENSES

It is the Company's policy to provide for all expenses on accrual basis.

C. FIXED ASSETS:

Fixed assets are recorded at cost of acquisition including expenses incidental to acquisition. They are stated at historical cost.

D. DEPRECIATION :

- (i) Depreciation on assets is provided on written down value method on prorata basis at the rates prescribed in schedule XIV to the Companies Act, 1956.
- (ii) No depreciation has been claimed on Guest House and flat at Panvel as the same is not put to use during the year.

E. INVESTMENTS:

Investments are stated at cost of acquisition. Interest on delayed payment, Bank charges, Transfer charges are debited to revenue accounts. The management does not find it necessary to provide for any diminution in the value of investments as the decline, if any, may be due to short term stock market forces.

F. STOCK OF SHARES:

Stock of shares and securities are valued as follows:

- a) Quoted shares at lower of cost or market value.
- b) Unquoted Shares – at cost.

G. RETIREMENT BENEFIT

Gratuity and Leave Encashment are accounted on cash basis.

2. CONTINGENT LIABILITIES

Liability on account of arbitration proceedings filed by Madhavura Mercantile Co-operative Bank against the company is not ascertainable due to pending arbitration proceedings. However as informed by the management, ad-interim relief by way of stay of the Arbitration Proceedings has been granted by the Hon'ble High Court of Gujarat.

- 3. The schedules referred to in the Balance Sheet and Profit and Loss Account form an integral part of the accounts.
- 4. The figures of the previous year are regrouped, rearranged and reclassified wherever necessary to correspond with those of the current year.
- 5. In accordance with the provisions of section 35-D of the Income Tax Act, 1961, balance of the Preliminary Expenses (Including Deferred Revenue Expenses) and Public Issue Expenses have been written off during the year.

7. After part recovery towards loans and advances, Rs. 27.04 lacs are still outstanding. No provision for doubtful debts has been made as the management is still hopeful of recovering the same.
8. Loans and advances in the nature of interest free loans have been given to the following companies which are under the same management of this company within the meaning of Sub-section (1B) of Section 370 of the Companies Act, 1956. In the opinion of the Management the same is not prejudicial to the interest of the company.

NAME OF THE COMPANY	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
Mukesh Babu Securities Limited (Subsidiary)	15,664,082	18,519,448
Sagar Systech Limited	1,175,000	1,175,000
Mukesh Babu Management Consultants P. Ltd.	5,00,000	5,00,000
Mukesh Babu Stock Broking P. Ltd.	5,00,000	5,00,000
Babu & Parekh Securities P.Ltd.	82,00,000	0

Maximum outstanding during the Year

NAME OF THE COMPANY	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
Mukesh Babu Securities Limited (Subsidiary)	19,389,082	18,519,448
Sagar Systech Limited	1,175,000	1,175,000
Mukesh Babu Management Consultants P. Ltd.	5,00,000	5,00,000
Mukesh Babu Stock Broking P. Ltd.	5,00,000	5,00,000
Istaa Fashions Private Limited	2,00,00	0
Babu & Parekh Securities P.Ltd.	82,00,000	0

9. Information pursuant to paragraph 3 of part II of Schedule VI to the companies Act, 1956 in respect of opening stock, purchases, sales and closing stock of shares traded in:

	Opening Stock	Purchases	Sales	Closing Stock
Shares (Qty.Nos.)	1,755,422	284,225	117,969	1,921,678
Value (Amount Rs.)	87,636,502	16,012,322	11,109,637	96,667,305

(Purchases and sales include Bonus Shares and other adjustments, if any)

10. Prudential Norms of the Reserve Bank of India :
The Company has not changed its accounting Policy for non performing Assets and income recognition which is on accrual basis as per the provisions of the Companies Act, 1956 , as compared to the Prudential Norms of the Reserve Bank of India which require the company to derecognise certain income and make provisions for non-performing assets.

11. During the year, the Company has accounted for Deferred Tax in Accordance with the Accounting Standard – 22, has resulted in a Deferred Tax Assets amounting to Rs. 7,353,988/- as at the year end. The Deferred Tax Assets is arrived as follows. In the opinion of the Management the same is not prejudicial to the interest of the company.

Particulars	Amount of Tax Effect Rs. Current Year	Amount of Tax Effect Rs. Previous year
1. Unabsorbed Depreciation for assessment year 2001-02	242,010	257,936
2. Brought forward Loss for Assessment year 2001-02	1,262,866	1,345,970
3. Brought forward capital loss Assessment year 1997-98	0	1,200,550
4. Unabsorbed Depreciation for assessment year 2002-03	123,539	131,668
5. Timing Difference between Book Depreciation and Income Tax Depreciation as on 01.04.2001.	(1,639,000)	(1,746,856)
Total Deferred Tax Assets for Earlier Years	(10,585)	1,189,268
6. Current Year Timing difference in Depreciation	10498	9,720
7. Current Year Capital Loss	28003	0
8. Current Year Business Loss	7,106,981	0
9. Current Year Unabsorbed Depreciation	219,091	0
Net Deferred Tax Assets Accounted in books	7,353,988	1,198,988

12. The balances of loans & advances, sundry creditors & overdraft from bank are subject to confirmation & reconciliation. The necessary adjustment if any will be made in the accounts on receipt thereof.
13. No documentation have been made in respect of Flat at Panvel, which was obtained pursuant to court order against realization of loans. However the company has obtained possession of the flat.
14. Earning Per Share

PARTICULARS	YEAR ENDED 31.03.2005	YEAR ENDED 31.03.2004
Profit/(Loss) After Tax Rs.	(16,260,869)	6,039,980
Number of Equity Shares Fully Paid Up	6,963,600	6,963,600
Number of Equity Shares Party Paid Up	7,300	7,300
Weighted Average number of Equity Shares	6,967,250	6,967,250
Earning Per Share – Basic and Diluted Rs.	-2.33	0.87
Face Value per Equity Share Rs.	10	10

15. In the opinion of the management the company is mainly engaged in the business of providing commercial finance. All other activities of the company revolve around the main business, and as such, there are no separate reportable segments as per Accounting Standard – AS – 17- “Segment Reporting” Issued by ICAI, and same has been relied upon by the Auditors.

16. Related Party Disclosures to comply with Accounting Standard – 18 – Related Party Disclosure by ICAI.

List of the related parties where control exists.

- (i) Subsidiary Company : Mukesh Babu Securities Limited.
- (ii) Associates: Sagar Systech Limited, Mukesh Babu Management Consultants Private Limited and Mukesh Babu Stock Broking Private Limited. Ista Fashions Pvt.Ltd., Babu & Parekh Securities Ltd.
- (iii) Relative Party :Yogendra Champaklal
- (iv) Key Management Personnel : Mahesh M. Thakar

Transactions During the year	Relationship	Rupees in Lacs
Amount of Service Charge Received	Subsidiary Company	6.00
Amounts given As loans and Advances	Subsidiary Company	58.45
	Associates Company	84.00
Amounts received back as loans and Advances	Subsidiary Company	88.00
	Associates Company	2.00
	Key Personnel	0.03
	Related Party	33.84
Net amount Receivable as on 31 st March 2005	Subsidiary Company	156.64
	Associates Company	103.75
	Key Personnel	1.78

17. The management has set-off the amount receivable from M/s. Madhur Shares and Stocks Limited against the amount payable to M/s. Madhavpura Mercantile Co-operative Bank Limited. As per management perception the amount has been paid by the bank on behalf of Madhur Shares and Stocks Limited for meeting their liabilities. There will be additional liability of Rs. 384.86 million apart from interest, if any, there on, if the management's stand is not accepted. In such an eventuality, such amount, in turn, will be recoverable from Madhur Shares and Stocks Limited.
18. No interest has been provided on the overdraft balance of Madhavura Mercantile Co-operative Bank Limited.
19. As required in the Notification No. GSR 129(E) dated 22nd February,1999 issued by the Department of Companies Affairs, Ministry of Law, Justice and Company Affairs, no amounts are outstanding to any SSI Units.
20. Fixed Assets of company are treated as "Corporate Assets" and are not "Cash Generating Units" as defined by AS-28 issued by Institute of Chartered Accountants of India (ICAI), In the Opinion of the Management, there is no impairment of the fixed assets as recoverable amount is more than the carrying amount of "Corporate Assets".

21. Disclosure of details as required by Para 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank of India) Directions, 1998.

(Rs. in lakhs)

Particulars			
Liabilities side :			
(1)	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount out-standing	Amount overdue
	(a) Only interest part on Inter-corporate loans.	---	---
(2)	Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):	NIL	NIL
Assets side :			
		Amount outstanding	
(3)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :		
	(a) Secured	NIL	
	(b) Unsecured	401.10	
(4)	Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities	NIL	
(5)	Break-up of Investments :	NIL	
	<u>Current Investments :</u>		
	<u>Long Term investments :</u>		
	1. <u>Quoted :</u>		
	(i) Share : (a) Equity	4.50	
	(b) Preference	NIL	
	(ii) Units of mutual funds	0.50	
	2. <u>Unquoted :</u>		
	(i) Shares : (a) Equity	318.10	
	(b) Preference	NIL	
(6)	Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances :	NIL	
(7)	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): Please see note 3 below		
	Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
	1. Related Parties **		
	(a) Subsidiaries	258.10	258.10
	(c) Other related parties		
	2. Other than related parties	65	65
	<i>Total</i>		

(8) Other information

Particulars		Amount
(i)	<i>Gross Non-Performing Assets</i>	
	(a) <i>Related parties</i>	
	(b) Other than related parties	--
(ii)	<i>Net Non-Performing Assets</i>	
	(a) <i>Related parties</i>	
	(b) <i>Other than related parties</i>	
(iii)	Assets acquired in satisfaction of debt	3.60

22. The Company has converted its stock in trade of equity shares in to Investment with effect from 1st April 2005 at the opening value.

23. Disclosure pursuant to Clause 32 and 41 of the Listing Agreement.

NAME OF THE COMPANY	(Rupees in Lacs)	
	Amount Outstanding As on 31.3.2005	Maximum Amount Outstanding
A. To Subsidiary		
Mukesh Babu Securities Ltd	156.64	193.89
B. To Associate Companies		
Sagar Systech Ltd.	11.75	11.75
Mukesh Babu Management Consultant P. Ltd.	5.00	5.00
Mukesh Babu Stock Broking P. Ltd.	5.00	5.00
D. Where there is		
i. No repayment Schedule	178.39	215.64
ii. repayment beyond seven years	--	--
iii. interest below the rate as specified in Section. 372 A of the Companies Act.	178.39	215.64
Investments by the Loanee in the Shares of parent Company and Subsidiary Company	--	--

24. Other information pursuant to paragraph 3, 4A, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 is not applicable.

Signature to the Schedules "A" to "J"**As per our report of even date.**
FOR K. P. SHAH & COMPANY
Chartered Accountants

FOR AND ON BEHALF OF THE BOARD
(K.P. SHAH)
Proprietor

Company Secretary
(Rashmi Deshpande)
Director
(Mukesh Babu)
Director
(K. Chandrasekhar)
Place : Mumbai.
Place : Mumbai.
Date : 1st September 2005.
Date : 1st September 2005.