

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

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

FINANCIAL RESULTS	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
Total Income	10,699,716 =====	19,629,670 =====
Profit/(Loss) before Interest , Depreciation and Tax	(1,939,422)	2,038,643
Less: Interest	--	--
Gross Profit/(Loss)	(1,939,422)	2,038,643
Less : Depreciation	802,886	923,836
Profit before Taxation	(2,742,308)	1,114,807
Less : Provision Current Tax	0	(100,000)
Add/Less : Deferred Tax (Assets)/ Liabilities	(1,343,927)	59,979
Profit/(Loss) after Taxation	(1,149,211)	1,074,786
Less : Items relating to earlier years	(606,785)	--
Balance Transferred to(from) General Reserve	(1,755,996)	1,074,786

YEAR IN RETROSPECT

During the year, your company earned the total income of Rs. 107 lacs as compared to previous year's total income of Rs. 196.30 lacs. The gross loss during the year was Rs. 19.39 lacs as against the gross profit of Rs. 20.39 lacs during the previous year. The net loss for the year was Rs. 11.49 lacs as against the net profit of Rs. 10.75 lacs in the previous year.

Due to voluntary closure of Broking activities from July 2003, company has not earned any income from Broking Activities during the year. The company has made application to the stock exchanges for recommencement of business and the approvals of the Stock Exchanges are awaited.

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 had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgements 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.

AUDIT COMMITTEE

The Audit committee of Directors was constituted on 19th April 2004. The constitution of the committee was made in pursuance with section 292A of the Companies (Amendment) Act, 2000.

The present composition of the Audit Committee is as follows.

- (i) Mr. Mukesh C. Babu
- (ii) Mr. K. Chandrasekhar

The terms of reference of audit committee is to review the internal controls, to investigate in to any matter, to meet auditors & discuss their findings & other issues relating to company operations. At the invitation of committee the auditors attended the audit committee meetings.

Sr. No.	Name of the Member	Designation	No. of Committee meetings Held	No. of Committee meeting attended
1	Mr. Mukesh C. Babu	Chairman	4	4
2	Mr. K. Chandrasekhar	Company Secretary	4	4

FIXED DEPOSITS

At the end of the year, there were no unclaimed matured Fixed Deposits.

AUDITORS

The current Auditors M/s. Chaitanya C. Dalal & Company retire on the conclusion of the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

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

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

CHANGE IN CONSTITUTION

Your company was a Deemed Public Limited Company under section 43A of the Companies Act, 1956. However, pursuant to amendment of the Companies Act, 2000, there are only two categories of the company viz. Public Limited and Private Limited. In view of this, amendment, your Company need to change its constitution but it requires prior permission from SEBI, NSE, BSE & all other stock exchanges & other regulatory authorities. Your company has already made an application to all this authorities to enable it to comply with the aforesaid amendment. Approvals are still awaited.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGES EARNING AND OUT GO.

As the company is service company, no particulars have been given regarding conservation of Energy and Technology Absorption. Foreign Exchange earning and outgo during the year – Rs. Nil (Previous Year Rs. Nil).

PARTICULARS OF EMPLOYEES

There is no employee drawing remuneration in excess of the limits laid down under section 217 (2A) of the companies Act, 1956.

ACKNOWLEDGEMENTS

Your Directors would like to express their sincere appreciation of the co-operation and assistance received from shareholders, bankers .

Your Directors wish to place on record their deep sense of appreciation for the commitment displayed by all the employees.

FOR AND ON BEHALF OF THE BOARD

Place : Mumbai
Date : 23rd August 2005.

Mukesh Babu
Chairman

REPORT OF THE AUDITORS TO THE MEMBERS OF MUKESH BABU SECURITIES LIMITED

We have audited the attached Balance Sheet of Mukesh Babu Securities 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.
- (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) 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 Chaitanya C. Dalal & Co.
Chartered Accountants**

**(H.B. Purohit)
Partner
Membership No.110810**

Place : Mumbai

Date : 23rd August 2005.

ANNEXURE REFERRED TO IN PARAGRAPH 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) The Company has neither taken nor granted any unsecured loans to any party covered in the register maintained under section 301 of the Act. Since unsecured loans neither taken nor granted to any party covered in the register maintained under section 301 of the Act reporting under Clause (b) , (c), and (d) are not required.
- iii) 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.
- iv) (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.
- v) The Company has not accepted any deposits from public, hence question of complying 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 are not applicable.
- vi) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business

- vii) 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. 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 then six months from the date they became payable.
- viii) 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.
- ix) According to the records of the company examined by us and information and explanation given to us there is 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. 30.70 million and as reported in note no. 2, it is not possible for us to determine whether there is a default in repayment of dues to Madhavpura Mercantile Co-operative Bank Ltd.
- x) Company has not granted any loans, hence question of Maintenance of adequate documents and records of pledge of shares, debentures and other securities, does not arise.
- xi) 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.
- xii) The Company has not availed any term loans facility during the year, hence, question of using of it for the purposes for which they were obtained does not arise.
- xiii) 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.
- xiv) 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.
- xv) 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.

- xvi) 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.
- xvii) The other clauses, namely (ii),(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 Chaitanya C. Dalal & Co.
Chartered Accountants**

**(H.B. Purohit)
Partner
Membership No.110810**

Place : Mumbai

Date : 23rdth August 2005.