

SCHEDULE "I" -- NOTES TO ACCOUNTS FOR THE YEAR ENDED ON 31ST MARCH,2005

1. ACCOUNTING POLICIES :

a. Accounting Concepts

The Company follows the Mercantile System of Accounting and recognises Income & Expenditure on an Accrual Basis with necessary provisions for all known liabilities except for Dividend income which is being accounted for with on cash basis. The accounts are prepared on historical cost basis and as a going concern. Accounting Policies not referred to otherwise are consistent with generally accepted accounting principles in India, the accounting standard issued by the Institute of Chartered Accountants of India and the relevant provisions of The Companies Act, 1956.

b. Valuation of fixed Assets

Fixed assets are carried at historical costs less accumulated depreciation.

c. Depreciation Policy

Depreciation on assets is provided on written down value basis at the rates prescribed in Schedule xiv to the Companies Act, 1956.

No provision for depreciation has been made on Premises as the possession has not been handed over to the company, pending receipt of Occupancy Certificate.

d. Investments :

Investments are stated at cost of acquisition. No provision has been made in the accounts of the company for the depletion or appreciation in the value of the investments.

e. Revenue Recognition :

The Company accounts for the income on accrual basis. The brokerage for different exchanges ends on different dates and hence accounted up to the last valan for the year as it is the trade practice and it is net of tax.

2. Contingent Liabilities

Bank Overdraft balance is subject to reconciliation and confirmation.

3. The Schedules referred to in the Balance Sheet form an integral part of the accounts.
4. The figures of the previous year are regrouped, rearranged and reclassified wherever necessary to correspond to those of the current year.
5. No provision for gratuity and leave encashment to the employee have been made in the accounts. Gratuity payable will be accounted as and when payments are made and as such the liability for the year has not been ascertained.
6. Maximum amount outstanding during the year to the holding company - Rs. 19,389,085 (Previous Year Rs. 18,519,448/-).

7. In the opinion of the directors current assets, Loans and Advances are approximately of the value stated if realised in the ordinary course of the business and provisions for all known liabilities are adequate and not in excess of the amounts reasonably necessary.
8. Balances of Sundry Debtors and Balances of Sundry Creditors are subject to confirmations and reconciliation, if any.
9. During the year, on accounting of Deferred Tax in accordance with the Accounting Standard – 22, the Deferred Tax Assets of the company comes to Rs. 1,074,453/- as against Deferred Tax Liabilities of Rs. 269,474/- in previous year. Deferred Tax Assets/Liability comprises of Tax effect of timing differences on account of :

PARTICULARS	Rs.	RS.
On the timing Difference between Book depreciation and Income Tax Depreciation as on 01.04.2001	41,039	413152
On the timing Difference between Book depreciation and Income Tax Depreciation as on 31.3.2003 (rectification effect)	(277,405)	(43,427)
On the timing Difference between Book depreciation and Income Tax Depreciation as on 31.3.2004		(58,310)
Unabsorbed Depreciation for Assessment year 2004-05 (with rectification effect)	7153	(41,940)
On the timing Difference between Book depreciation and Income Tax Depreciation as on 31.3.2005	71851	
Unabsorbed Depreciation for Assessment year 2005-06	198401	
Unabsorbed Loss for Assessment year 2005-06	1,033,414	
Deferred Tax Liability as on 31.3.2004	1,074,453	269,475

10. Additional information pursuant to part II of Schedule VI to the Companies Act, 1956 is as under:

Foreign Exchange earnings during the year	-Nil (Previous year nil)
Foreign Exchange outgo during the year	-Nil (Previous year nil)
11. The company is awaiting sanction and approval from the Stock Exchanges for recommencement of its Broking Business. The Company has already made necessary applications in this regard. Consequently there is no broking income during the year.
12. The Company's application for the renewal of the Certificate of Registration as a Depository Participant of M/s. National Securities Depository Limited has been rejected by the SEBI and the company is filed its appeal in the Securities Appellate Tribunal against the order of SEBI.

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

- (i) Holding Company
Mukesh Babu Financial Services Limited For full year.
- (ii) Key Managerial Personnel:
Ms. Meena Mukesh Babu For full year..
(Managing Director)
- (iii) Transactions during the year.

Particulars	Amount Rs in Lacs
A. Mukesh Babu Financial Services Limited. (Holding Company)	
Amount received as loans and advances	58.45
Amount refunded against loans and advances	88.00
Service Charges & Other Reimbursement of Expenses Paid	6.00
Closing Credit balance Payable at the year end	156.64
B. Ms. Meena Mukesh (Managing Director)	
Remuneration paid during the year	12.00

14. 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 PER OUR REPORT ATTACHED
FOR CHAITANYA C. DALAL & CO.
Chartered Accountants**

FOR AND ON BEHALF OF THE BOARD

(H.B. Purohit)
Partner

(K. Chandrasekhar)
Company Secretary

(Mukesh Babu)
Director

(Meena Mukesh)
Director

Place: Mumbai

Place: Mumbai

Date: 23rd August 2005

Date: 23rd August 2005