

**AUDITORS REPORT ON CONSOLIDATED FINANCIAL STATEMENTS OF MUKESH BABU
FINANCIAL SERVICES LIMITED AND ITS SUBSIDIARY**

To
The Board of Directors,
Mukesh Babu Financial Services Limited.

1. We have examined the attached consolidated Balance Sheet of Mukesh Babu Financial services Ltd., (“The Company”) and its subsidiary as at 31st March 2005 and the Consolidated Profit and Loss Account and the consolidated cash flow statement for the year then ended annexed thereto. These financial statements are the responsibility of the Company Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, 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 statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiary whose financial statements reflects total assets of Rs. 3226.38 lacs as at 31st March, 2005 and total revenues of Rs. 107 lacs for the year then ended. This financial statement has been audited by other auditor whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditor.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statement issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements except herein under written.
5. No Provision for doubtful debts have been made with respect to loans and advances of Rs. 27.04 lacs as mentioned in note no. 6. 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.
6. The balances of loans and advances, sundry creditors and overdraft from bank are not confirmed as mentioned in note no. 11.
7. No provision has been made for gratuity and leave encashment as the same is accounted on cash basis as explained in note no. 1(H).
8. 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. 16

9. No interest has been provided on the overdraft balance of Madhavpura Mercantile Co-operative Bank as mentioned in Note no. 17
10. 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.
11. No interest has been charged on loans and advances given to subsidiary and the companies under the same management as mentioned in note no. 7
12. Subject to the matter stated in para (5) to (11) above, on the basis of the information and explanations given to us and on the consideration of the separated audit reports on individual audited financial statements of the Company, and its subsidiary, we are of the opinion that the said consolidated financial statements subject to the notes thereon give a true and fair view in conformity with the accounting principles generally accepted in India :
 - a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiary as at 31st March, 2005 and
 - b. in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiary for the year then ended.
 - 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.