

Badrilal Punqlia & Co.

Chartered Accountants

Tele No. : 5626703 - 5626795

C-71, 2nd Floor, B. G. Towers,
Outside Delhi Gate,
Ahmedabad - 380 004.

Ref. No.

Date :

AUDITORS'S REPORT

To the Members of
Mercury Metal Ltd.

- [1] We have examined the attached Balance Sheet of Mercury Metals Limited as at March 31, 2006, the annexed profit and Loss Account and the Cash Flow Statement for the year ended on that date, which are in agreement with the books of account. 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.
- [2] We have 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 any 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- [3] In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached As per Schedule '0' there to and the statement on Significant Accounting policies, give in the prescribed manner the information required by the Companies Act, 1956 of India (the "Act") also give a true and fair view in conformity with the accounting principles generally accepted in India:
- [a] in the case of the Balance Sheet of the State of affairs of the company as at March 31, 2006
 - [b] in the case of Profit and Loss Account, of the Profit for the year ended on that date; and
 - [c] in the case of the Cash Flow for the year ended on that date.
- [4] We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, proper books of account have been kept by the Company as required by law so far as appears from our examination of these books and the aforementioned Balance Sheet, Profit and Loss Account and Cash Flow Statement are in agreement of the there with.



- [5] In our opinion these accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.
- [6] On the basis of written representations received from the Directors, as on 31st, March, 2006 and taken on record by the Board of Directors we report that none of the directors is disqualified as on 31st, March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- [7] As required by the Companies Auditors' Report order, 2005 issued by the Central Government of India in terms of Section 227(4A) of the Act and on basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

(i) Regarding Fixed Assets :

- a. The Company has maintained proper records to show full particulars, including quantitative details and situation of Fixed Assets.
- b. The Fixed Assets have been physically verified on periodic basis by the management during the year no material discrepancies have been noticed on such verification.
- c. Moreover, no substantial part of the Fixed Assets was disposed off during the year.

(ii) Regarding Inventory Controls:

- a. The stocks of shares having company in its possession have been physically verified by the management at reasonable period.
- b. In our opinion, the procedures of physical verification of stocks follow by the management were reasonable and adequate in relation to the size of the Company and nature of its business.
- c. The company is maintaining proper records for inventory and discrepancies between the physical stocks and the book stocks, which have been properly dealt with in the books of account, were not material.

- (iii) Company has not taken but granted unsecured loan of earlier year to the company under the same management, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956.



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- (xiii) The Company is not a Chit fund, nidhi or Mutual benefit society. Hence the requirements of item (xiii) of paragraph 4 of the order are not applicable to the company.
- (xiv) According to the information and explanation given to us we are in opinion that proper record have been maintained of the transaction and the contract in respect of share & securities. The company is exempted under section 49 of the companies Act 1956, from the provisions to hold investment in shares and securities in its own name. The Company has purchase transactions regarding contracts in shares, securities debentures or other investments.
- (xv) According to information and explanations given to us, the company has given gurantee for loans taken by **Rupangi Impex Ltd.(company under liquidation)** amounting to Rs 738 lacs. from banks or financial institutions.
- (xvi) The Company has not taken any long - terms loans.
- (xvii) During the year, no short-term loans were applied for long term purposes.
- (xviii) On the basis of information and explanations given to us the company has not made any preferential allotment of shares to Companies, firms or other parties listed in the register maintained U/S 301 pf the Companies Act 1956.
- (xix) The Company has not issued any debentures. Hence the requirement of the clause (xix) of paragraph 4 of the Order is not applicable to the company.
- (xx) The Companies has not raised any money from public issue during the year.
- (xxi) To the best of our Knowledge, no fraud was noticed or reported on or by the Company.

Place: Ahmedabad.
Date : 18/08/2006



For Badrilal Punglia & Co.
Chartered Accountants

B. L. Punglia
(B.L. Punglia)
(Proprietor)

MERCURRY METALS LIMITED
BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at March 31, 2006	As at March 31, 2005
SOURCE OF FUNDS :			
CAPITAL A/C.			
SHARE CAPITAL	'A'	74656580	74656580
Reserves & Surplus	'B'	109853000	109853000
		-----	-----
		184509580	184509580
LOAN FUNDS			
Secured Loans	'C'	36500149	36825149
		-----	-----
		36500149	36825149
TOTAL			
		221009729	221334729
		=====	=====
APPLICATION OF FUNDS :			
FIXED ASSETS	'D'	6408301	674558
INVESTMENT	'E'	30012501	3001250
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	'F'	14321105	15567076
(Valued & Certified by management)			
Sundry Debtors	'G'	45344923	41464601
Cash & Bank Balances	'H'	1365899	1467980
Loans & Advances	'I'	137138	3905993
		-----	-----
		61169065	62405649
Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	'J'	743037	1400855
Sundry Creditors For Exp.			
		-----	-----
		743037	1400855
NET CURRENT ASSETS			
MISCELLANEOUS EXPENDITURE	'K'	✓ 60426028	61004794
(To the extent not written off/adjusted)		156941621	156654126
		-----	-----
TOTAL		221009729	221334729
		=====	=====
Notes to Accounts	'U'		

As per our report of even date attached

For BADRILAL PUNGLIA & CO.
Chartered Accountants

(B.L Punglia)
Proprietor
(M.NO. 34230)
Place : AHMEDABAD
Date : 18/08/2006



FOR AND ON BEHALF OF THE
BOARD OF DIRECTORS

[Signature]
DIRECTORS