

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 physical 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.



- (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)

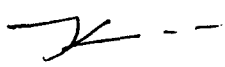
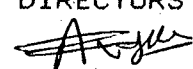
MERCURRY METALS LIMITED
BALANCE SHEET AS AT MARCH 31, 2006

	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'	6408300	674558
INVESTMENT	'E'	30012500	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		✓60426028	61004794
MISCELLANEOUS EXPENDITURE	'K'	156941621	156654126
(To the extent not written off/adjusted)			
		-----	-----
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


DIRECTORS

MERCURRY METALS LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	Schedule	As at March 31, 2006	As at March 31, 2005
<u>I N C O M E S :</u>			
Sales		2068851	534000
INCOME			
OTHER INCOME		6038	489341
		6038	489341
T O T A L		2074889	1023341
<u>E X P E N D I T U R E S :</u>			
EXPENSES			
COST OF GOODS SOLD	'L'	1712266	257200
ADMINISTRATIVE EXP.	'M'	615278	633293
FINANCIAL EXPENSES	'N'	1111	37
		2328655	890530
DEPRECIATION ACCOUNT	'D'	33728	35513
T O T A L		2362383	926043
NET PROFIT BEFORE TAX		-287494	97298
Balance B/F from Previous Year		-156654126	-156751425
BALANCE CARRIED TO BALANCE SHEET		-156941621	-156654126
Notes to Accounts	'O'		

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

[Handwritten signatures]
DIRECTORS

MERCURRY METALS LIMITED

SCHEDULE TO AND FORMING PART OF ACCOUNTS

SCHEDULE 'A' : SHARE CAPITAL

	Year 2005-2006	Year 2004-2005
Authorised		
Authorised Share Capital 10000000 Equity shares of Rs.10 each	100000000	100000000
Issued, Subscribed & Paid Up		
74656580 Equity shares of Rs.10 each called up out of 1726907 issue as Bonus	79785080	79785080
	74656580	74656580
	74656580	74656580

SCHEDULE 'B' : Reserves & Surplus

	Year 2005-2006	Year 2004-2005
Capital Reserve		
Capital Reserve	12000	12000
	12000	12000
Share Premium		
Share Premium	109841000	109841000
	109841000	109841000
	109853000	109853000

SCHEDULE 'C' : Secured Loans

	Year 2005-2006	Year 2004-2005
Loans & Advances from Banks		
The Bank of Rajasthan Ltd.	6936947	6936947
Secured Against H.P. Of Stocks & Immovabl		
The Charotar Nagrik Sahakari Bank Ltd. [23621870	23946870
(H.P. of Stock & Debtors personal)		
The Charotar Nagrik Sahakari Bank	5941332	5941332
Bill Discounting a/c		
	36500149	36825149



36500149

36825149

SCHEDULE 'D' : FIXED ASSETS

Assets / Block of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01/04/2005	Addition during the year	Adjustment during the year	Value As on 31/03/2006	As on 01/04/2005	For the year	Adjust- ment	As on 31/03/2006	As on 31/03/2006	As on 31/03/2005
1 Property [Agarwal C]	1127206	0	0	1127206	452648	33728	0	486376	640830	674558
TOTAL :	1127206	0	0	1127206	452648	33728	0	486376	640830	674558

SCHEDULE 'E' : INVESTMENT

	Year 2005-2006	Year 2004-2005
Shares, Debentures or Bonds		
Share Inv MFCL [303100 Shares]	2998750	2998750
Share of The Charotar Nagrik Sah. Bank	2500	2500
	3001250	3001250
	3001250	3001250

SCHEDULE 'F' : Inventories
: (Valued & Certified by management)

	Year 2005-2006	Year 2004-2005
Closing stock of Shares	14321105	15567076
	14321105	15567076

SCHEDULE 'G' : Sundry Debtors

	Year 2005-2006	Year 2004-2005
Debts Outstanding for a period exceeding six months	44144923	39525043
Consider goods	1200000	1939557
	45344923	41464601



SCHEDULE 'H' : Cash & Bank Balances

	Year 2005-2006	Year 2004-2005
Cash Balance on Hand		
Cash book Balance	157045	22286
Petty Cash	6493	5494
	163537	27779
Other Bank Balance	1202361	1440201
	1365899	1467980
	=====	=====

SCHEDULE 'I' : Loans & Advances

	Year 2005-2006	Year 2004-2005
Loans & Advances (Unsecured Recoverable in Cash or Kind)	137138	3905993
	137138	3905993
	=====	=====

SCHEDULE 'J' : Current Liabilities

	Year 2005-2006	Year 2004-2005
Sundry Creditors	0	727443
Sundry Creditors For Exp.	743037	673412
	743037	1400855
	=====	=====

SCHEDULE 'K' : MISCELLANEOUS EXPENDITURE
: (To the extent not written off/adjusted)

	Year 2005-2006	Year 2004-2005
PROFIT & LOSS ACCOUNT	156941621	156654126
	156941621	156654126
	=====	=====

SCHEDULE 'L' : COST OF GOODS SOLD

	Year 2005-2006	Year 2004-2005
Opening Stock	15567076	15701776
Purchases	466295	122500



zClosing Stock

-14321105

-15567076

1712266

257200

SCHEDULE 'M' : ADMINISTRATIVE EXP.

	Year 2005-2006	Year 2004-2005
Advertisement Exp	9626	7721
Annual Listing Fees	15000	0
Appeal Fees A.y 2002-03	1000	0
Audit Fees	16500	16500
Certification charges	1000	0
demate charges	300	0
Director Remuneration	186000	96000
Electricity Exp	11976	12015
Filing fees	2500	0
Legal & Registration charges	75280	16062
Micellaneous Exp.	100	0
Municipal Tax Adwani Market	2262	0
Municipal Tax	209336	0
Postage Exp	78	66
Preliminary Expenses w/o	0	381388
Previous Exp	45500	0
Professional Tax	1000	0
Professional & Consultancy	18500	103541
Repair & Maintance	2125	0
Salary exp	16750	0
Xerox Exp	445	0
	615278	633293

SCHEDULE 'N' : FINANCIAL EXPENSES

	Year 2005-2006	Year 2004-2005
Bank Charges	599	37
Interst Paid	512	0
	1111	37

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

MERCURY METALS LIMITED

SCHEDULE 'O':

SIGNIFICANT ACCOUNTING POLICIES.

(A) Basis of Accounting.

6. Financial Statement is prepared under the historical cost conversion. The company follows mercantile system of accounting and recognised income and expenditure on accrual basis except in case of significant uncertainties relating to income.

(B) Revenue Recognition

Sales are recognised on completion of sale of goods and are recorded net of Sales tax. Dividend on share and stocks are recorded on receipt basis.

(C) Fixed Assets:

Fixed Assets are stated at cost. Cost of acquisition is inclusive of freight, duties, taxes and other directly attributable cost incurred to bring the assets to their working condition for intended use.

(D) Depreciation and Amortisation:

(i) Depreciation:

Depreciation is provided on Written Down Value Method on fixed Assets at the rate specified in schedule XIV to the Companies Act, 1956.

(ii) Amortisation:

Preliminary Expenses: on straight-line basis over a period of 10 years.
Public Issue Expenses: on straight-line basis over a period of 10 years

(E) Investments:

Investments are stated at cost.

(F) Inventories:

Inventory of Shares & Securities are valued at cost

(G) Retirement Benefits:

Liabilities in respect of Gratuity are not provided on the basis of actuarial valuation

(H) Conversion of transaction in foreign currency

No foreign currency transaction done during the accounting year.

(i) Contingent Liabilities

Contingent Liabilities are determined on the basis of available information and are disclosed by way of notes to the accounts



(ii) Borrowing Cost:-

No Term loan secured or unsecured taken for expansion and addition of fixed assets

(iii) Dividend :-

Dividend income is recognized when the right to receive the same is established. Dividend is accounted on receipt basis.

(iv) Interest:-

Interest on deposits placed with banks and interest on secured/unsecured loan has not been provided due to uncertainty of payment due to default in payment of Secured Loans to banks.

(vi) Tax Provision

Due to loss carried forward and loss incurred during the year no Taxation Provision required.

2. Contingent liabilities not provided for in respect of:

- (i) Guarantee given by company on behalf of the Rupangi Impex Ltd. (Group Company) Rs.738 lacs. (Previous year)
- (ii) Partly paid stock of shares of Century Cotex Ltd of Rs.3.46lacs
- (iii) Disputed municipal tax demand of Rs Nil (PY.Rs.0.82 lacs)

3 DIRECTOR REMUNERATION;

	2006-06	2004-05
	(Rs.)	(Rs.)
Amit Vyas	96000	96000
Govindram L. Kabra	90000	Nil

4. Auditors Remuneration:

	Current Year	Previous Period
	2005-06	2004-05
	(Rs.)	(RS.)
a. Audit Fees	16500	16500
b. Tax Audit Fees	Nil	Nil
Total:-	16500	16500

5. In the Opinion of the Board, the current assets, loans and advances are approximately of the value stated therein, if realised in the ordinary course of Business. The provision for all known liabilities are adequate and not in excess of the amount reasonably necessary. There are no contingent liability other than stated in the notes.

6. Foreign Exchange and Outgo:

- i. Value of Import on CIF basis in respect of material Rs. Nil (Previous year Rs. Nil)
- ii Value of all imported materials and percentage of such material with total cost of materials Rs. Nil (P.Y. Rs. Nil)
- iii, Earning in foreign exchange: Nil (PY Nil)

7. Quantity Information of opening stock, closing stock, purchase and sales (as certified by the director)

----- As Per Details Attach -----



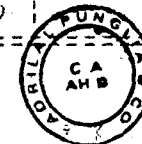
MERCURY METALS LTD.

QUANTITY STATEMENT FOR PURCHASE SALES AND STOCK

Particulars	Opening Stock		Purchases		Sales		Closing Stock	
	Quantity In Nos.	Value Rs.	Quantity In Nos.	Value In Rs.	Quantity In Nos.	Value Rs.	Quantity In Nos.	Value In Rs.
Centuary Cotex Ltd.	57100	300000					57100	300000
Gujarat Concast Ltd.	14200	175920					14200	175920
Gujarat Narmada Fly.	62800	1546950					62800	1546950
Mercury Finstock Ltd	150000	1432500					150000	1432500
Milan Metals Pvt. Lt	180000	1800000					180000	1800000
Moti Protins Ind. Lt	600	7590					600	7590
Panjon Finance Ltd.	5000	50000					5000	50000
Riddhi Siddhi Starch	42700	968986	500	43775	9375	584851	42700	968986
Rupangi Impex Ltd.	266500	732875					266500	732875
Satyam Cement Limite	396200	7246280					396200	7246280
ShriGanesh Knit Ltd.	1000	30500					1000	30500
Somani Cement Limite	100	475					100	475
Suzlon Fibres Ltd.	5000	75000	12000	148000	5200	57520	5000	75000
Mercury Realities Pv	120000	1200000			120000	1200000	0	0
	1301200	15567076	500	43775	129375	1784851	1124100	14067076
			12500	241775	134735	1842351	1179325	14367076

Metals

Particulars	Opening Stock		Purchases		Sales		Closing Stock	
	Quantity in K.G.	Value Rs.	Quantity In Kg.	Value In Rs.	Quantity In Kg	Value Rs.	Quantity In kg.	Value
Copper Scrap	0	0	1160	224520	1160	226500	0	0
Total			1160	224520	1160	226500	0	0



8. Balances of Secured and Unsecured Loans, Sundry Creditors, Sundry Debtors and Loans & Advances are subject to confirmation and reconciliation. Bank balances are subject to confirmation as statements are not available. No provision made for Doubtful Debtors amounting to Rs. 249.52 (P.Y. Rs. 202.00 lacs)
9. Investment and inventory of shares are subject to physical verification. In respect of shares held as investment or inventories by the company, the same are stated at cost of acquisition. In respect of quoted shares where market value is not available no provision is made for diminution in the value of shares, since in the opinion of management, such decline is a temporary phase and no provision would be necessary.
10. Company has filed its reply to the Debt Recovery Tribunal, Ahmedabad in response of the Application filed by the Bank of Rajasthan during the year against the company directors and guarantors. DRT Application was for Rs. 126.31 lacs being the amount outstanding as on 15.7.2000 as per the Bank's Records, plus interest thereon till the recovery.
11. The Charotar Co.Op. Bank Ltd has filed a case against the company to Registrar of Nominees, Board of Nominees, Ahmedabad for recovery of Debts of Rs 347.26 lacs Summary case No.1690/03 of court No.1 Ahmedabad the same has been ordered against the company. Order of Board of Nominees, Ahmedabad and filed case No. in Honourable Gujarat High Court. Interim relief has been granted by Honourable Gujarat High Court.
11. Winding order against the company has been set aside by Honourable High Court of Gujarat due to settlement made by the creditor and full payment made by the company outside the Court.
12. The liabilities of small scale industrial for suppliers and services in excess of Rs. 1.00 lakh is Nil.
13. In view of carry forwards losses and loss during the year no tax liability comes to the company accordingly provisions for taxation not made. Further in view of loss incurred during the year and loss carried forward of previous years no Defered Tax provision made by the company.
14. Previous year's figures have been regrouped and rearranged wherever necessary.
15. No provision has been made for Interest on secured Loans due to account statement and particulars of interest are not available and accounts are being NPA.
16. Segment Informations for the year ended 31st March, 2006.

Segment information is not applicable to company as company is not having turn over of Rs. 50 crore or more.



17. Related Party disclosures, as required by Accounting Standard-18 are given below

a. Group Companies are:-

- a)(i) Valley Indiana Leisure Ltd, (ii) Metroll Industries
 (iii) Milan Metal P. Ltd.(under Liquidation)
 (iv) Gopal Rice Mill (v) Mercury Metex Ltd.

b. Directors/Ex-Director:

- (I) Sh. Govindram L. Kabra (ii) Sh. Ramprakash L. Kabra
 (iv) Amit Vyas,

Transactions during the year :

	Credit 2005-06 Rs.	2004-05 Rs.
Merecury Metex Ltd	37.75(Lacs)	
Outstanding amount transferred to debtors account		
Govindram L.Kabra (Managing Director Remnuration)	90000	Nil
Amit Vyas (Director Ramuneration)	96000	96000

(ii) Balance written off amount recovered :

	2005-06	2004.05
Shree Extrusion Ltd. (Balnce w/o recovered)	Nil	Rs.3.77 Lacs

18. Balance Sheet Abstract and Company's General Business Profiles:

I. Registration Details

Registration No.: 8770 State Code:04

Balance Sheet Date: 31.03.2006

II. Capital Raised during the period (Amount Rs. in Thousand)

Public Issue Nil Right Issue Nil
 Bonus Issue Nil Private Placement Nil

III. Position of Mobilisation and Deployment of funds

(Amount Rs. In 000')

Total Liabilities 221010 Total Assets 221010

Source of Funds

Paid up Capital 74657 Reserves & Surplus 109853



Secured Loans	36500	Unsecured Loans	Nil
Application of Funds			
Net Fixed Assets	641	Investments	3001
Net Current Assets	60426	Misc. Expenditure	Nil
Accumulated Losses	156941		

iv. Performance of Company (Amount Rs. in Thousand)

Turnover	2069	Total Expenditure	2338
Loss	287		
Earning per Share	Nil	Dividend	Nil

v. Generic Names of Three Principal Products of Company
(As per monetary terms)

Item Code No. : Not Applicable

Product Description: Not Applicable
For Badrilal Punglia & Co.
Chartered Accountants

B. Punglia
(B.L. Punglia)
Proprietor



For and On behalf of the Board

[Signature]
Chairman

[Signature]
Director

Place:-Ahmedabad
Dated : 18/08/2006

MERCURY METALS LTD

CASH FLOW STATEMENT

(Rs. in Lac)

PARTICULARS	YEAR ENDED 31.03.2006	YEAR ENDED 31.03.2005
CASH FLOW STATEMENT FROM OPERATIONS		
Profit (Loss) as per P.& L. A/c	-2.87	0.97
Loss on sale of investment	0	0
Loss on sale of Fixed Assets	0	0
Depreciation	0.34	0.36
Preliminary Expenditure w/off	0	3.81
Dividend Income	-0.06	0
Interest Income	0	0
Financial charges	0.01	0
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES]	-2.58	5.14
ADJUSTMENT FOR		
Trade and other receivable	-38.8	10.45
Unsecured Loan	0	0
Loans & advances	37.67	10.03
Inventories	12.46	1.34
Trade Payable	-6.58	0.54
CASH GENERATED FROM OPERATING	4.75	27.5
Financial Charges	0.01	0
Interest paid	0	0
Adjustment relating to previous yea	0.45	0
NET CASH GENERATED FROM OPERATING ACTIVITIES	0.46	27.5
CASH FLOW FROM FINANCIAL ACTIVITIES		
Purchase of Fixed Assets	0	0
Sale of Investment	0	0
Sale of Fixed Assets	0	0
Dividend Income	0.06	0
Interest received	0	0
NET CASH USED IN INVESTING ACTIVITI	0.06	0
CASH FLOW FROM CASH FLOW FROM FINAN		
Borrowing from Banks	5.25	-25.2
Unsecured Loans	0	0
NET CASH FLOW FROM FINANCING ACTIVI	-3.25	



NET INCREASE / DECREASE IN CASH AND	-1.02	2.3
CASH AND EQUIVALENTS IN THE BEGINNING	14.68	13.24
CASH AND CASH EQUIVALENTS IN THE END	13.66	15.54
NET CASH GENERATED	1.02	2.3

Note:- Corresponding figures for the previous year regrouped / rearrange wherever considered necessary

For and behalf of the Board

[Signature]

Director

Place:- Ahmedabad.
Date :- 18/08/2006

AUDITORS CERTIFICATE

We have verified the above cash flow statement of Mercury Metals Ltd. for the year ended 31st March 2006. This statement has been prepared by the company in accordance with the requirements of listing agreement with the Stock Exchange and is based on and derived from the audited accounts of the Company for the year ended on 31st March 2006.

For Badrilal Punglia & Co.
Chartered Accountants



[Signature]

B.L. Punglia
Proprietor

Place:- Ahmedabad
Dated:- 18/08/2006