

**INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED****DIRECTORS' REPORT**

Your Directors have pleasure in presenting their NINTH Annual Report of the company together with the audited accounts of the company for the year ended 31st MARCH 2006.

WORKING OF THE COMPANY

Your company continued to carry out exploration activities during the year. Pursuant to the agreement with Deccan Gold Mines Limited, all expenses incurred by the company for exploration activities are reimbursed by Deccan Gold Mines Limited.

During the year the company incurred total expenditure of Rs.5.456 Million (P.Y.Rs.9.055 Million) of which Rs.5.281 Million (P.Y.Rs.9.027 Million) is reimbursable to the company. The company during the year incurred a loss of Rs.0.118 Million after adjustments of Deferred Tax Asset of Rs.0.057 Million recognized during the year.

MANAGEMENT

During the year the Board comprised of Mr.D.V. Pichamuthu, Dr.M.Ramakrishnan and Mr.K.Karunakaran. Dr.M.Ramakrishnan who was appointed as an additional Director will cease to hold the said office. Your Directors propose his appointment as a Director.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm that:

- a. In preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanations relating to any material departures, if any;
- b. Your Directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March,2006 and of the net loss for the year ended on that date;
- c. Your Directors have taken proper and sufficient care for maintenance of adequate accounting records as required under the Companies Act, 1956 for safeguarding the assets of the company and for prevention and detection of fraud and other irregularities;
- d. Your Directors have 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;
- e. Your Directors have prepared the Statement of Accounts for the year ended 31st March,2006 on a going concern basis.

PARTICULARS OF EMPLOYEES

During the year under review the Company did not have any employee falling under the provisions of Section 217 (2A) of the Companies Act,1956 read with Companies (Particulars of Employees) Rules, 1975.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

- (a) Conservation of Energy and Technology Absorption:

Considering the nature of the Company's existing business activities, your Directors have nothing to state in connection with conservation of energy and technology absorption.

- (b) Foreign Exchange Earnings and Outgo:

During the year under review, the company did not have any foreign exchange earnings and outgo.



INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

AUDITORS

M/s. Rao & Venkatesulu, Chartered Accountants, Bangalore, who were appointed as the Auditors of the company at the last Annual General Meeting will be retiring at the conclusion of the ensuing Annual General Meeting. They, being eligible, have communicated their consent for reappointment.

ACKNOWLEDGEMENT

Your Directors acknowledge the co-operation extended by all.

For and on behalf of the Board

Place: Bangalore
Date : August 11,2006

D.V. Pichamuthu
Director

K. Karunakaran
Director

**INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED****AUDITORS' REPORT**

**To the members of
INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED**

We have audited the Balance Sheet of INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED as at 31st MARCH, 2006 and the annexed Profit and Loss Account for the year ended on that date. 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 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 material misstatement. 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.

- 1 As the Company does not come under the purview of the Companies (Auditor's Report) Order, 2003 issued by the Central Government under section 227 (4A) of the Companies Act, 1956, we have not reported our findings on the matters stated therein.
- 2 Further to our comments in the Annexure referred to in paragraph (1) above:
 - a. 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.
 - b. In our opinion, proper books of account as required by the law have been kept by the Company so far as it appears from our examination of those books;
 - c. The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with those Books of account;
 - d. In our opinion, the Profit and Loss Account and the Balance sheet dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956,;
 - e. On the basis of written representations received from the Directors 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 of the Company or are disqualified from being appointed as a director in terms of Section 274 (1) (g) of the Companies Act, 1956, ;
 - f. In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2006; and
 - (ii) In the case of the Profit and Loss Account, of the loss of the company for the year ended on that date.

**For RAO & VENKATESULU
Chartered Accountants**

Place : Bangalore
Date : August 11, 2006

**K.Y. Ningoji Rao
Partner
Membership No.18278**



INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2006

	Schedule	As at 31.03.2006 (Rs. in '000)	As at 31.03.2005 (Rs. in '000)
A. SOURCES OF FUNDS:			
SHAREHOLDERS FUNDS:			
Share Capital	A	100.00	100.00
LOAN FUNDS:			
Secured Loans		-	-
Unsecured Loans		-	-
Total Sources of Funds		100.00	100.00
B. APPLICATION OF FUNDS:			
FIXED ASSETS:			
Capital Works In Progress		-	-
DEFERRED TAX ASSETS		79.77	22.85
NET CURRENT ASSETS:			
CURRENT ASSETS:			
Inventories	B	-	-
Trade Debtors		2,131.52	2,062.20
Cash & Bank Balances		296.77	136.13
Loans & Advances		267.90	157.52
Total Current Assets		2,696.20	2,355.85
Less: CURRENT LIABILITIES:			
Current Liabilities	C	2,847.91	2,336.78
NET CURRENT ASSETS:		(151.71)	19.07
Misc. Expenses (ASSET)			
Preliminary Expenses (To the extent not written off)		3.72	7.44
Profit & Loss Account		168.23	50.64
Total Application of Funds		100.00	100.00

As per our report attached
For **RAO & VENKATESULU**
Chartered Accountants

For and on behalf of the Board

K.Y. Ningoji Rao
Partner
Membership No.18278

D. V. Pichamuthu
Director

K. Karunakaran
Director

Bangalore
August 11, 2006



INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

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

	Schedule	For the Year ended 31.03.2006 (Rs. in '000)	For the Year ended 31.03.2005 (Rs. in '000)
INCOME:			
Exploration charges Recovered		5,281.42	9,027.26
Total Income		5,281.42	9,027.26
EXPENDITURE:			
Exploration Expenses	D	5,422.95	8,973.86
Administrative & Other Expenses	E	32.97	81.07
Total Expenditure		5,455.92	9,054.93
NET PROFIT(+)/LOSS(-) BEFORE TAXES		(174.51)	(27.67)
Less/Add(-): Prior Period Adjustments		-	12.42
Add: Deferred Tax Assets Created		56.92	10.42
NET PROFIT(+)/LOSS(-) AFTER TAXES		(117.59)	(4.83)
Add: Balance Loss Brought Forward		(50.64)	(45.81)
BALANCE LOSS CARRIED FORWARD		(168.23)	(50.64)

As per our report attached
For **RAO & VENKATESULU**
Chartered Accountants

For and on behalf of the Board

K.Y. Ningoji Rao
Partner
Membership No.18278

D. V. Pichamuthu
Director

K. Karunakaran
Director

Bangalore
August 11, 2006



INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

SCHEDULES FORMING PART OF ACCOUNTS

	As at 31.03.2006 (Rs. in '000)	As at 31.03.2005 (Rs. in '000)
SCHEDULE A		
SHARE CAPITAL		
AUTHORISED CAPITAL: 50000 (PY 50000) Equity shares of Rs.10/- Each	500.00	500.00
ISSUED, SUBSCRIBED AND PAID UP: 10000 (P.Y.10000) Equity shares of Rs.10/- Each Fully paid up	100.00	100.00
TOTAL	100.00	100.00
SCHEDULE B		
CURRENT ASSETS		
Trade Debtors	2,131.52	2,062.20
Cash at Bank:		
In Current Accounts	293.37	134.22
Cash on Hand	3.40	1.91
Loans & Advances:		
Deposits	109.93	109.93
Advances Recoverable in Cash or kind	157.97	47.59
TOTAL	2696.20	2355.85
SCHEDULE C		
CURRENT LIABILITIES		
Creditors for Trade	2,801.75	2,312.26
Creditors for Expenses	46.16	24.52
TOTAL	2,847.91	2,336.78
	For the Year Ended 31.03.2006 (Rs. in '000)	For the Year Ended 31.03.2005 (Rs. in '000)
SCHEDULE D		
EXPLORATION EXPENSES		
Exploration Expenses	3,515.94	6,056.90
Analysis charges	--	40.44
Boarding & Lodging charges	7.95	4.93
Camp Expenses	873.93	1,047.79
Drilling Charges	--	1,508.00
Duplicating charges	1.06	0.33
Field Supplies & Consumables	0.28	6.10
Frieght charges	--	0.17
RP/PL/ML Processing Expenses	54.10	--
Labour charges	4.01	2.10
Land Compensation	317.68	--
Map charges	--	1.60
Professional & Consultancy fee	648.00	291.50
Surveying charges	--	15.00
TOTAL	5,422.95	8,973.86



INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

	For the Year Ended 31.03.2006 (Rs. in '000)	For the Year Ended 31.03.2005 (Rs. in '000)
Schedule E		
ADMINISTRATIVE & OTHER EXPENSES:		
Application fee	1.05	9.98
Bank Charges	1.51	0.86
Conveyance/Field allowance	—	4.96
Filling Fee	1.20	2.35
Food & Water expenses	3.84	8.32
Miscellaneous Expenses	0.29	0.28
Postage & Telegrams	0.11	0.05
Printing & Stationery	1.20	2.84
Membership & Subscription charges	—	0.75
Stamp & Notary charges	—	0.13
Telephone charges	1.53	0.77
House Keeping Expenses	—	1.56
Travelling Expenses	1.45	1.41
Vehicle Maintenance	—	18.02
Rent	—	8.25
Preliminary Expenses Amortised	3.72	3.72
Auditors Remuneration:		
For Audit	11.12	11.02
For Tax Audit	3.34	3.30
For Other Services	2.61	2.50
TOTAL	32.97	81.07

SCHEDULE F**NOTES FORMING PART OF ANNUAL ACCOUNTS****1 Trade Debtors include:**

	Particulars	As At 31.03.2006 (Rs. in '000)	As At 31.03.2005 (Rs. in '000)
a.	Debts considered good but not secured for which the Company do not hold any security other than the personal security of debtors	2,131.52	2,062.21
b.	Debts considered doubtful for which no provision is made	Nil	Nil
c.	Debts due from concerns in which the relatives of Directors of the company are interested	Nil	Nil
d.	Debts due from firms and companies in which the Directors of the company are interested as partners and Directors	Nil	28.19
e.	Debts due for period:		
	(i) More than Six Months	Nil	Nil
	(ii) Others	2,131.52	2,062.21



INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

2. The particulars of the Deferred Tax Asset created is as under: (Rs.'000)

Particulars	As On 31.03.2006	As On 31.03.2005	Difference
Depreciation:			
Written Down value:			
As per IT Rules	Nil	Nil	Nil
As per Books	Nil	Nil	Nil
Difference	Nil	Nil	Nil
Deferred Tax Liability	Nil	Nil	Nil

Particulars	As On 31.03.2006	As On 31.03.2005	Total
Unabsorbed Items Under IT:			
Unabsorbed Business Loss	236.97	62.47	174.51
Unabsorbed Depreciation	Nil	Nil	Nil
Total	236.97	62.47	174.51
Deferred Tax Asset	79.76	22.85	56.92

Net Deferred Tax Asset:			
Created During the Year:			
a. For the year	56.92	10.43	10.43
b. For Earlier Years	Nil	12.42	12.42

3. Prior period adjustment for the year amounting to Rs. Nil (P.Y. Rs. 12,420/-) represents Deferred Tax Asset relating to previous year created during the year.

SIGNIFICANT ACCOUNTING POLICIES:

A. REVENUE RECOGNITION:

1. Sales revenues are accounted on accrual basis.
2. All incomes, to the extent they are ascertained, are accounted on accrual basis.

B. EXPENDITURE RECOGNITION:

1. All expenditure relating to the purchase of goods are accounted on accrual basis.
2. All expenditure to the extent they are ascertained, are accounted on accrual basis.

C. VALUATION OF INVENTORY:

Inventories of goods traded are valued at cost or net realisable value which ever is lower.

D. FIXED ASSETS:

Depreciation on fixed assets are provided on Written Down Value Method at the rates prescribed under the Income Tax Rules, 1962.

E. ACCOUNTING OF TAXES ON INCOME:

- a. Current taxes on Income is provided as per the liability computed under the Income Tax Act, 1961.
- b. The Deferred Tax Assets and Liabilities are created as per AS-22 prescribed by the Institute of Chartered Accountants of India.

F. ACCOUNTING OF INTANGIBLE ASSETS:

- a. All intangible assets acquired at cost are recognized as assets.
- b. All intangible assets are amortized as per the norms stipulated in AS-22 issued by the ICAI.



INDOPHIL RESOURCES EXPLORATION SERVICES (INDIA) PRIVATE LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I. Registration Details:

State Code: 08

Registration No.: 22819

BALANCE SHEET AS AT 31ST MARCH, 2006:

(Rs in '000)

II. Capital raised during the year :

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

III. Position of mobilisation and deployment of funds:

Total Liabilities	100
Total Assets	100

Sources of Funds:

Paid Up Capital	100
Reserves & Surplus	Nil
Secured Loans	Nil
Unsecured Loans	Nil

Application of Funds:

Net Fixed Assets	Nil
Investments	Nil
Deferred Tax Asset	80
Net Current Assets	(152)
Miscellaneous Expenditure	04
Accumulated Losses	168

IV. Performance of the Company:

Turnover	5281
Total Expenditure	5456
Profit Before Tax	(175)
Profit After Tax	(118)

Earning Per Share [Annualised]	
Without reckoning Deferred Tax Asset (in Rs.)	(17.45)
After reckoning Deferred Tax Asset (in Rs.)	(11.76)
Dividend	Nil

V. Generic names of three principal products of Company (as per monetary terms):

Product Description	Item Code (ITC Code)
a. Mining Exploration	980100.45

As per our report attached

For and on behalf of the Board

For **RAO & VENKATESULU**

Chartered Accountants

K.Y. Ningoji Rao

Partner

Membership No.18278

D. V. Pichamuthu

Director

Bangalore
August 11, 2006

K. Karunakaran

Director