

**BOARD OF DIRECTORS**

Arun Shah	..... <i>Chairman</i>
Nikhil Shah	..... <i>Whole-Time Director &amp; Chief Financial Officer</i>
Pradip Dubhashi	..... <i>Director</i>
R. Ramachandran	..... <i>Director</i>

**REGISTERED OFFICE**

Phoenix House, A Wing, 4th Floor,  
462, Senapati Bapat Marg,  
Lower Parel, Mumbai 400 013.  
Tel : (022) 24981515  
Fax : (022) 24970777  
Email : prime@primesec.com

**MANAGEMENT TEAM**

N. Jayakumar	<i>President</i>
Binaifer Jijina	<i>Director - Corporate Finance</i>
Vinay Motwani	<i>Director - Equity Sales &amp; Distribution (Prime Broking Company (India) Limited)</i>
T. S. Anantakrishnan	<i>Director - Private Client Group (Prime Broking Company (India) Limited)</i>
Ajay Shah	<i>Vice President - Legal &amp; Company Secretary</i>

**REGISTRAR & SHARE TRANSFER AGENTS**

Sharepro Services (India) Pvt. Ltd.  
Satam Estate, 3rd Floor,  
Above Bank of Baroda,  
Cardinal Gracious Road,  
Chakala, Andheri (East),  
Mumbai 400 099.  
Tel : (022) 2821 5168 / 2821 5169  
Fax : (022) 2837 5646  
Email : sharepro@vsnl.com

**AUDITORS**

Chandabhoy & Jassoobhoy  
*Chartered Accountants*

**INTERNAL AUDITORS**

K V S & Company  
*Chartered Accountants*

**BANKERS**

The IndusInd Bank Limited  
HDFC Bank Limited  
Corporation Bank

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# PRIME SECURITIES LIMITED

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-Fifth Annual General Meeting of the Members of Prime Securities Limited will be held on Thursday, August 30, 2007 at 10.00 a.m. at Victoria Memorial School for the Blind, Tardeo Road, Opp Film Centre, Near Bharat Petroleum Petrol Pump, Mumbai 400034, to transact the following business:

### Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at March 31, 2007 and the Profit and Loss Account for the Year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare a Final Dividend on Equity Shares of the Company for the year ended March 31, 2007.
3. To appoint a Director in place of Mr Pradip Dubhashi, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint M/s Chandabhoy & Jassoobhoy, Chartered Accountants, the retiring Auditors, as Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

### Special Business

5. To consider, and if thought fit, to pass, with or without modification(s), as an **ORDINARY RESOLUTION**, the following:

**"RESOLVED THAT** pursuant to Section 310 read with Sections 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Members do hereby approve the payment of a sum of Rs 6,50,000/- (Rupees Six Lacs Fifty Thousand only) as incentive bonus to Mr Nikhil Shah, Whole-Time Director.

**"RESOLVED FURTHER THAT** for the purpose of giving effect to this Resolution, the Board of Directors of the Company be and it is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, expedient and proper in the best interests of the Company."

### Registered Office :

Phoenix House, A Wing, 4th Floor,  
462, Senapati Bapat Marg,  
Lower Parel, Mumbai 400013.  
July 13, 2007

By Order of the Board of Directors

Ajay Shah  
Vice President - Legal  
& Company Secretary

### NOTES:

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Business under item 5 is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND THE A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A Proxy, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
3. Members / Proxies should bring the enclosed attendance slip duly filled in, for attending the Meeting, along with the Annual Report.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, August 24, 2007 to Thursday, August 30, 2007 (both days inclusive).
5. The dividend, if declared at the Annual General Meeting, will be paid on or after August 30, 2007, to those persons or their mandates:
  - (a) whose names appears as Beneficial Owners as at the end of the business hours on August 23, 2007, in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form; and
  - (b) whose names appears as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Registrar and Share Transfer Agent on or before August 30, 2007.
6. The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the depositories for crediting dividend through Electronic Clearing service (ECS) to the shareholder having opted for ECS facility. In the absence of ECS facilities, the Company will print the bank account details, if available, on the dividend warrant sent to the shareholders. Those shareholders who have not furnished their bank account details may furnish the same at the earliest.
7. For all matters relating to the change in address, ECS mandates, bank details, nomination, power of attorney, etc., the Members are requested to approach the Company's Registrar and Shares Transfer Agent, M/s Sharepro Services (India) Private Limited, in case of shares held in physical form and to their respective Depository Participants in case of shares held in electronic form.

8. Members holding shares in physical form may obtain the Nomination Form from the Registrar and Share Transfer Agent of the Company and members holding shares in the electronic form may obtain the Nomination Form from their respective Depository Participants.
9. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the year ended 1994 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their dividend warrants for the said period, are requested to forward their claim in Form No II prescribed under the Companies Unpaid Dividend (Transfer to General Reserve Account of the Central Government) Rules, 1978 to the Registrar of Companies, Mumbai, Maharashtra. Pursuant to the introduction of Section 205C, the amount of dividend, commencing from the year ended 1995, remaining unclaimed for a period of seven years from the date of transfer to Unpaid Dividend Account, is required to be transferred to the Investor Education & Protection Fund ("the fund") set up by the Central Government. Accordingly, unclaimed dividend for the year 1995 has been transferred to the fund. No claim shall lie against the Company or the fund in respect of any amount transferred to the fund.
10. The details required under clause 49 of the Listing Agreement in respect of the Directors seeking appointment / re-appointment in this Annual General Meeting:

Name of Director	Mr Pradip Dubhashi
Date of Birth	August 25, 1948
Date of Appointment	January 29, 2004
Expertise in Specific Functional Area	He has vast experience in business management, project and investment analysis and is an advisor in the areas of strategy, business planning, investment analysis, competitive intelligence and finance. He is on the board of a few Indian companies as an Independent Director and is owner of Innoven Business Consultancy. The Board considers his appointment to be immensely beneficial to the company.
Qualifications	B.E., P.G.D.B.M. (XLRI)
Directorship held in other Companies	Onward Technologies Ltd. Microline (India) Pvt. Ltd. PTP Technologies Pvt. Ltd. Veena Industries Ltd.
Membership of Committees of the Board of other Companies in which he is a Director	None

#### EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956

##### Item No 5

The Board of Directors of the Company has approved a payment of Rs 6.50 Lacs (gross) to Mr Nikhil Shah, Whole-Time Director, as an incentive for the improved performance achieved by the Company.

All other terms and conditions of appointment and other perquisites and allowances, as mentioned in the Agreement dated June 26, 2003 entered into between the Company and Mr Nikhil Shah remain unchanged. Copy of the Agreement dated June 26, 2003 is available for inspection at the Registered Office of the Company on all working days, except Saturdays, between 11 am and 1 pm upto the date of Annual General Meeting.

The aforesaid Explanatory Statement, together with the relevant Resolution, may also be treated as Abstract and Memorandum of Concern or Interest as required to be circulated pursuant to Section 302 of the Companies Act, 1956.

The Board of Directors recommend the said for approval of the shareholders. Except Mr Nikhil Shah, none of the Directors have any concern or interest in the aforesaid Resolution.

**Registered Office :**  
Phoenix House, A Wing, 4th Floor,  
462, Senapati Bapat Marg,  
Lower Parel, Mumbai 400013.  
July 13, 2007

**By Order of the Board of Directors**

**Ajay Shah**  
**Vice President - Legal**  
**& Company Secretary**

# PRIME SECURITIES LIMITED

## DIRECTORS' REPORT

Your Directors have pleasure in presenting their Twenty-Fifth Annual Report, together with the Audited Statement of Account for the year ended March 31, 2007.

### FINANCIAL RESULTS

(Rs. in lacs)

	Year ended March 31, 2007	Year ended March 31, 2006
Total Income	4,117.52	1,878.76
Total Expenditure	580.94	326.18
Gross Profit	3,536.58	1,552.58
Interest	2.31	1.20
Depreciation	13.90	11.95
Diminution in Portfolio	212.61	4.77
Bad Debts Write-offs / (Write-backs) (Net)	244.99	(0.86)
Provision for Diminution in value of Investments Written Back	Nil	(121.90)
<b>Profit before Tax</b>	<b>3,062.77</b>	<b>1,657.42</b>
Current Tax	348.00	86.00
Fringe Benefit Tax	1.80	1.49
<b>Profit after Tax</b>	<b>2,712.97</b>	<b>1,569.94</b>
Prior Period Adjustments – Tax	(29.75)	46.95
<b>Net Profit after Adjustment</b>	<b>2,683.22</b>	<b>1,616.88</b>
Surplus Brought Forward from Previous Year	1,141.64	892.40
Utilisation for Premium on Buy-back of Equity Shares	Nil	(201.83)
Transfer to Capital Redemption Reserve	Nil	(17.25)
Amount Available for Appropriation	3,824.86	2,290.20
<b>Appropriations</b>		
- Interim Dividend	183.42	Nil
- Proposed Dividend	366.83	305.69
- Tax on Interim Dividend	25.72	Nil
- Tax on Proposed Dividend	61.74	42.87
- Transfer to General Reserve	1,300.00	800.00
<b>Balance carried to Balance Sheet</b>	<b>1,887.15</b>	<b>1,141.64</b>

## PERFORMANCE REVIEW

During the year under review, your Company continued to focus on fee based businesses, particularly in the areas of Private Equity, Equity Placements and Corporate Advisory Services in Mergers / Acquisitions and restructuring of balance sheets. The Company has been successful in completing several deals. Total Revenues for the year under review increased substantially to Rs 4,117.52 lacs (Including Rs 1,829.36 lacs as Income from Securities) as compared to Rs 1,878.76 lacs in the previous financial year. The Net Profit after Adjustments amounted to Rs 2,683.22 lacs as against Rs 1,616.88 lacs in the previous year.

## DIVIDEND

Your Board of Directors, at their meeting held on April 27, 2007 has recommended a Final Dividend @ 30% (Rs 1.50 per equity share of Rs 5/- each) for the year ended March 31, 2007, subject to approval by the shareholders. Together with the Interim Dividend @ 15% (Rs 0.75 per equity share of Rs 5/- each) already declared and paid to the shareholders whose name appeared on the Register of Members on November 10, 2006, the total Dividend for the financial year 2006-2007 aggregates 45% (Rs 2.25 per equity share of Rs 5/- each), amounting to an outflow of Rs 550.25 lacs towards Dividend and Rs 87.46 lacs towards Dividend Distribution Tax, resulting in a total outflow of Rs 637.71 lacs.

## TRANSFER TO RESERVES

The Company proposes to transfer Rs 1,300.00 lacs to the General Reserve out of the amount available for appropriations. An amount of Rs 1,887.15 lacs is proposed to be retained in the Profit and Loss Account.

## SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL RESULTS

Prime Broking Company (India) Limited (PBCIL) has during the year under review earned revenues of Rs 1,102.15 lacs as compared to Rs 661.95 lacs in the previous financial year and made a net profit after tax and other adjustments of Rs 91.08 lacs vis-à-vis a net profit after tax and other adjustments of Rs 158.12 lacs in the previous financial year. During the year under review, PBCIL launched wealth Management Services to select HNIs and Corporates. This has contributed significantly towards the revenue generation.

During the year under review, a new 100% Subsidiary Company viz. Prime Commodities Broking (India) Limited (PCBIL) was incorporated to carry on broking and other related activities in the commodities markets. PCBIL is in the process of acquiring a membership of Multi Commodities Exchange Limited.

Prime Research & Advisory Limited (PRAL) did not undertake any activities during 2006-2007.

A statement pursuant to Section 212 of the Companies Act, 1956 in respect of the above Subsidiaries and their Audited Accounts for the financial year 2006-2007 together with the Reports of the Directors and Auditors thereon, are annexed to the Accounts of the Company.

As required under the Listing Agreement with the Stock Exchanges, a Consolidated Financial Statement of the Company and all its subsidiaries is attached. The Consolidated Financial Statement has been prepared in accordance with Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India and shows the financial information of the Company and its subsidiaries as a single entity, after elimination of minority interest.

From the Consolidated Financial Statements of the Company, it may be observed that the net profit after tax and other adjustments for the Group as a whole for the year ended March 31, 2007 amounted to Rs 2,770.02 lacs against a net profit after tax and other adjustments of Rs 1,656.17 lacs for the previous year.

## CORPORATE GOVERNANCE AND CODE OF CONDUCT

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a Management Discussion and Analysis Report and a Report on Corporate Governance are given as annexures to this Report. A certificate from the Statutory Auditors of the Company confirming compliance by the Company of the conditions of Corporate Governance as provided in Clause 49 of the Listing Agreement is also annexed to this Report.

Pursuant to the provision of Clause 49(1)(ii) of the Listing Agreement, your Company has also laid down a Code of Conduct for its Board Members and Senior Management Personnel. All the Directors and the Senior Management Personnel have affirmed compliance with the said Code of Conduct. A declaration by the Whole-time Director regarding compliance by Board Members and Senior Management Personnel with the Code of Conduct is also annexed to this Report.

## DIRECTORS

Mr Pradip Dubhashi is retiring at the ensuing Annual General Meeting and is eligible for re-appointment. Appropriate resolution for his reappointment is being placed before you for your approval at the ensuing Annual General Meeting. A brief resume of Mr Pradip Dubhashi and other relevant details have been detailed in the Notice of Annual General Meeting in this Annual Report. Your Directors recommend his re-appointment as a Director of your Company.

# **PRIME SECURITIES LIMITED**

## **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and that there were no material departures;
2. They have selected such accounting policies and applied them consistently and made judgements 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 on March 31, 2007 and of the profit of the Company for the year ended on that date;
3. They 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 of the assets of the Company and for preventing and detecting fraud and other irregularities;
4. They have prepared the annual accounts on a going concern basis.

## **AUDITORS AND AUDITORS' REPORT**

M/s. Chandabhoj & Jassoobhoj, Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received letters from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956. Members are requested to re-appoint them as Auditors and to authorise the Board of Directors to fix their remuneration.

Observations made in the Auditors' Report are self-explanatory and therefore do not call for any further explanation.

## **PARTICULARS OF EMPLOYEES**

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the reports and accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy may write to the Company Secretary at the registered office of the Company.

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

Since the Company is not engaged in any manufacturing activity, the disclosures as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 pertaining to conservation of energy, etc. are not applicable.

During the year, there were no earnings in foreign exchange. The details of foreign exchange expenditures are given in Note No 6 of "Schedule Q - Notes to Accounts".

## **LISTING & LISTING FEES**

The equity shares of the Company are listed on The Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. Listing fees for the year 2007-08 have been duly paid.

## **ACKNOWLEDGEMENTS**

The Board would like to place on record their appreciation of the contributions made by every employee of the Company. The Board would like to thank the bankers, shareholders for their continued support to the Company.

**For and on behalf of the Board of Directors**

Mumbai  
Dated: July 13, 2007

**Nikhil Shah**  
**Whole-time Director**

## MANAGEMENT DISCUSSION & ANALYSIS

### A. Industry Structure & Developments

The markets exhibited high volatility over the course of the year, showing a high of a little over 14,600 and a low of 9,000. It is a different matter that the markets which began the year at 11,300 closed just over 13,000, which may have prompted most to conclude that it was an uneventful year. Analysts and stock pickers were of the opinion that markets should have corrected more and were probably running ahead of fundamentals.

The brokerage business saw robust growth and was dominated by institutions not just in the Cash Segment but also in the Futures and Options side of the market. Capital raising and pre IPO placements were the order of the day and contributed handsomely to the Company's Revenues and Profits.

The Corporate Finance & Advisory business aggressively grew its revenues during the year, through a combination of high value advisory services, to primarily, the small and mid-cap companies, a niche that the market has started recognizing Prime for. This segment is growing not just in size but also in terms of business opportunities that companies in this space are seeking for inorganic growth – hence the continued optimism in this space.

The Company launched its SEBI approved Wealth Management products and grew its corpus on the back of an extremely strong performance and contributions from its High Networth clientele. This is expected to become an integral part of Prime's growth in the coming years.

### B. Opportunities & Threats

Consolidation, which we have talked about in the past, continues to be the dominant theme, both in our Industry and for Corporate India at large. Our peer group, in the bulge bracket category, continues to be focused on big names and large IPOs. The mid-market segment, which we believe should logically be called the Emerging Local Corporates (ELC), is the sector that promises to be our bread winner, in the years to come.

We need to continue our relentless focus on the ELC segment, with increasing thrust on restructuring and value added advisory services. As the segment grows, we believe we would be in a position to have contributed positively towards the creation of world class, competitive corporates

### C. Segment-wise or Product-wise Performance

The Company operates only in advisory business. Its subsidiary is in the business of brokerage for institutional and high-networth clients. As the performance indicates, the brokerage activity is the regular monthly cash flow business, which is very much a function of overall market conditions, while income from sale of investments is what supplements the regular business flows. This year the Company managed to generate significant profits from its investments.

### D. Outlook

We will strive to consummate several deals in the areas of Private Equity and Corporate Finance in the coming year. As the focus of international investors moves towards the mid-cap segment, our utility as an intermediary, is bound to increase.

We see a huge opportunity in expanding our Wealth Management franchise and hope to launch new products both in the Indian as well as in Overseas markets.

### E. Risks & Concerns

A small percentage of our surplus funds has been deployed in the equity markets, to achieve superior returns, in comparison to liquid money market funds. We will monitor the portfolio diligently, in order to optimize the gains. Further, we look to significantly adding to our agency business through better staffing and constant monitoring of the opportunity space.

### F. Internal Control Systems & Their Adequacy

Your Company's Internal Control System and procedures are adequate and commensurate with the Company's size and nature of business and are constantly reviewed. The internal control systems lay down the policies, authorization and approval procedures. The adequacy of the internal control systems has been reported by the auditors under the Companies (Auditor's Report) Order, 2003.

### G. Discussion on Financial Performance

The Company had a great year with a sharp surge in revenues to Rs 4,117.52 lacs (Previous year Rs 1,878.76 lacs) and a more than corresponding jump in Profit after Tax at Rs 2,712.97 lacs (Previous year Rs 1,569.93 lacs). The performance is a strong testimony to the commitment of the Management Team and the patience of the Shareholders.

### H. Material Development in Human Resources / Industrial Relations Front, Including Number of People Employed

There has been no material development on the Human Resource / Industrial Relations front during the year. Employee relations at all levels continue to remain cordial. The Company had 10 employees as on March 31, 2007.

### CAUTIONARY STATEMENT

Statements in this Management Discussion & Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic developments in the country and improvement in the state of capital markets, changes in the Government regulations, tax laws and other status and other incidental factors.

## REPORT ON CORPORATE GOVERNANCE

### MANDATORY REQUIREMENTS

#### 1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance is aimed at ensuring that the objectives of the Company are well defined along with timely measurement and monitoring of the performance against those objectives. It envisages attainment of a high level of transparency & accountability in the functioning of the Company and helps the management in the efficient conduct of the Company's affairs and in protecting the interest of various participants like shareholders, employees, lenders, clients, etc and at the same time places due emphasis on compliance of various statutory laws.

#### 2. Board of Directors

##### (a) Composition

The present strength of the Board is Four Directors. The Board comprises of One Executive Director and Three Non-Executive and Independent Directors. The Chairman of the Board is a Non-Executive and Independent Director. The number of Non-Executive and Independent Directors exceeds one-third of the total number of Directors.

During the year under review, there was no change in the Board of the Company.

##### (b) Attendance of each Director at the Board Meetings and the last Annual General Meeting

During the year under review, 5 Board Meetings were held. The attendance of each of the Directors at the said Board Meetings is given below:

Name of Director	Category of Directorship	No of Meetings attended	% of total Meetings attended during the year
Mr Arun Shah	Independent, Non-Executive	5	100
Mr Nikhil Shah	Executive	5	100
Mr Pradip Dubhashi	Independent, Non-Executive	3	60
Mr R. Ramachandran	Independent, Non-Executive	5	100

All Directors of the Company attended the last Annual General Meeting held on August 29, 2006.

##### (c) Number of other Boards or Board Committees in which the Director is a Director / Member / Chairman:

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees across all the companies in which he is a Director. All the Directors have furnished the necessary disclosure regarding their Directorship and Committee Membership.

Name of Director	Number of other Companies in which Directorship is held (*)	No of Committees in which Memberships is held (**)	Number of Chairmanship(s) in other Board Committees
Mr Arun Shah	10	7	Nil
Mr Nikhil Shah	1	Nil	Nil
Mr Pradip Dubhashi	2	1	1
Mr R. Ramachandran	1	Nil	Nil

\* Excludes alternate directorships, directorships in private/foreign companies and interest in firms/other bodies.

\*\* Includes memberships of only audit and shareholders' grievances committee.

##### (d) Number of Board Meetings held and the dates of the Board Meeting:

During the year under review, 5 Board Meetings were held. The dates on which the said meeting were held are April 28, 2006, July 13, 2006, October 12, 2006, October 20, 2006 and January 16, 2007.

#### 3. Audit Committee

The Audit Committee was originally constituted in 1995. During the year 2001, the terms of reference and scope were revised to meet with the requirements prescribed under the Code of Corporate Governance and the Listing Agreement with the Stock Exchanges.

##### (a) Terms of Reference

The Audit Committee has been given the powers to deal with matters specified under Clause 49 of the Listing Agreement as well as under section 292A of the Companies Act, 1956.

In brief, the terms of reference include:

- To investigate any activity within its terms of reference;
- To seek information from any employee;
- To obtain outside legal or other professional advice;
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

The role of the Audit Committee includes the matters specified in the clause 49 of the Listing Agreement with the Stock Exchanges as well as reviewing the applicability of various Accounting Standards issued by the Institute of Chartered Accountants of India.

##### (b) Composition, name of members and Chairperson

The Audit Committee presently comprises three members and all members including the Chairman are Non-Executive and Independent Directors:

1. Mr Arun Shah - Chairman, Independent & Non-Executive Director
2. Mr Pradip Dubhashi - Member, Independent & Non-Executive Director
3. Mr R. Ramachandran - Member, Independent & Non-Executive Director.

All members possess knowledge of corporate finance, accounts and corporate laws.

**(c) Meeting and Attendance during the year**

During the year under review, the members met four times on April 28, 2006, July 13, 2006, October 12, 2006 & January 16, 2007. The attendance of each member at the meeting is given below:

Name of the Member	Designation	No of Meetings Attended	% of total Meetings attended during the year
Mr Arun Shah	Chairman	4	100
Mr Pradip Dubhashi	Member	2	50
Mr R. Ramachandran	Member	4	100

The Committee invites the Head of the Finance Department, the President of the Company, the Internal & Statutory Auditors to participate in the meeting. The Company Secretary acts as the Secretary to the meeting. The Chairman of the Committee was present at the last Annual General Meeting held on August 29, 2006.

**(d) Internal Auditors**

The Company has appointed M/s KVS & Company, Chartered Accountants, as Internal Auditors of the Company to review the Internal Control Systems. The Report of the Internal Auditor along with their suggestions is submitted on a periodic basis before the Audit Committee for its consideration.

**4. Remuneration Committee**

**(a) Terms of Reference**

The Board has constituted a Remuneration Committee with effect from March 21, 2002 to determine the Company's policy on remuneration packages of Executive & Non-Executive Directors and for considering any revision in their remuneration packages.

**(b) Composition, name of members and Chairperson**

The Remuneration Committee presently comprises three members and all members including the Chairman are Non-Executive and Independent Directors:

1. Mr Arun Shah - Chairman, Independent & Non-Executive Director
2. Mr Pradip Dubhashi - Member, Independent & Non-Executive Director
3. Mr R. Ramachandran - Member, Independent & Non-Executive Director.

**(c) Meeting and Attendance during the year**

During the year under review, one meeting was held on January 16, 2007. The attendance of each member at the meeting is given below:

Name of the Member	Designation	No of Meetings Attended	% of total Meetings attended during the year
Mr Arun Shah	Chairman	1	100
Mr Pradip Dubhashi	Member	1	100
Mr R. Ramachandran	Member	1	100

**(d) Remuneration Policy**

1. The Whole-Time Director of the Company is paid remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) within the limits envisaged under Schedule XIII of the Companies Act, 1956.
2. Non-Executive & Independent Directors are paid sitting fees for attending Board and Audit Committee Meetings. The Company also pays Commission to the Non-Executive & Independent Directors within the ceiling of 1% per annum of the profits of the Company.

**(e) Details of Remuneration paid to all the Directors**

Name of Director	Fixed Salary	Commission	Sitting Fees	Total	Service Contract / Notice Period
Mr Arun Shah	Nil	17,50,000	33,000	17,83,000	Retirement by rotation
Mr Nikhil Shah	6,06,504	6,50,000	Nil	12,56,504	Contractual *
Mr Pradip Dubhashi	Nil	3,75,000	19,000	3,94,000	Retirement by rotation
Mr R. Ramachandran	Nil	3,75,000	33,000	4,08,000	Retirement by rotation

\* The Contract with the Whole-time Directors is for a period of 5 years or the normal retirement date, whichever is earlier. The appointment of Whole-time Director is terminable by giving three month's notice of either party.

Presently, none of the Director of the Company is holding any shares in the Company. Also, the Company does not have a scheme for grant of stock option to its employees / directors.

**5. Shareholders' / Investors' Grievances Committee**

The Board of Directors had constituted a Share Transfer Committee to approve transfer of shares and related matters. In line with the recommendations of the Code of Corporate Governance, the Board has re-designated the Committee as "Shareholders' / Investors'

# PRIME SECURITIES LIMITED

Grievances Committee" and vested the Committee with further powers. The Committee, apart from approving share transfers, transmissions, etc and other related matters, also looks into the redressal of shareholder complaints like non-transfer of shares, non-receipt of annual reports etc.

## Composition

The Shareholders' / Investors' Grievances Committee presently comprises three members and all members including the Chairman are Non-Executive and Independent Directors:

1. Mr Arun Shah - Chairman, Independent & Non-Executive Director
2. Mr Pradip Dubhashi - Member, Independent & Non-Executive Director
3. Mr R. Ramachandran - Member, Independent & Non-Executive Director.

Mr Ajay Shah, Company Secretary, is the Compliance Officer in terms of the Listing Agreement executed by the Company with the stock exchanges and in terms of SEBI (Prohibition of Insider Trading) Regulations, 2002.

The power to approve transfer of shares and redress shareholder complaints have been designated to the Whole-Time Director and the Company Secretary jointly. Such transfer of shares and shareholder complaints which cannot be settled by the Whole-Time Director and the Company Secretary are placed before the Shareholders / Investors Grievances Committee for their decision. The approval of share transfers is normally done on a weekly basis so that the Company is able to return share certificates, duly transferred, within fifteen days.

Details of share transfer / transmission and summary of shareholder queries / complaints are placed at the Meeting of members from time to time:

## Summary of Shareholders queries received and replied during the year:

Particulars	Queries / Complaints received	Queries / Complaints Replied to
Transfer Related	676	676
Dividend Related	308	308
Change of Address	375	375
Change of Signature	31	31
Stock Exchange Complaints	Nil	Nil
SEBI Complaints	7	7
Demat / Remat Queries	56	56
Miscellaneous	20	20
<b>Total</b>	<b>1,473</b>	<b>1,473</b>

## 6. General Body Meetings

### (a) Location and time, where the last three Annual General meetings were held:

Financial Year	Date	Location of the Meeting	Time
2005-2006	August 29, 2006	Victoria Memorial School for the Blind, Mumbai	10.00 a.m.
2004-2005	September 28, 2005	Victoria Memorial School for the Blind, Mumbai	11.00 a.m.
2003-2004	October 25, 2004	Victoria Memorial School for the Blind, Mumbai	10.00 a.m.

### (b) Whether any special resolutions passed in the previous three Annual General Meetings:

All the resolutions, including special resolutions, set out in the respective notices were passed by the shareholders.

### (c) Whether any special resolution passed last year through postal ballot and the person who conducted the postal ballot exercise:

During the year under review, no special resolutions were passed through the postal ballot.

### (d) Whether any special resolution is proposed to be conducted through postal ballot and procedure for postal ballot

No special resolution is proposed to be passed through the Postal Ballot and any Special Resolutions proposed to be passed through Postal Ballot in the current year will be done in accordance with the provisions of the prescribed law.

## 7. Disclosures

1. There are no materially significant related party transactions entered into by the Company with its directors or management, their subsidiaries or relatives that may have a potential conflict with the interests of the Company at large.
2. Transactions with the related parties are disclosed in Note No 12 of Schedule Q to the Accounts in the Annual Report.
3. During the last three years, there were no penalties, strictures imposed on the Company, by either the Stock Exchanges or SEBI or any other statutory authorities for non-compliance of any matter related to the Capital Markets.
4. Presently, the Company does not have any Whistle Blower Policy. No personnel of the Company have been denied access to the Audit Committee.
5. The Company has complied with all the mandatory requirements of this clause. The extent of adoption of non-mandatory requirements has been stated separately in this Report.

## 8. Means of Communication

1. The quarterly / half-yearly financial results of the Company, as approved by the Board of Directors of the Company, are communicated to all the Stock Exchanges, where the shares of the Company are listed and published in the Mumbai edition of Business Standard & Sakaal within the stipulated time. The same are not sent individually to each shareholder.
2. The Company's financial results and other official news release are displayed on the Company's website [www.primesec.com](http://www.primesec.com)
3. At present, no formal presentations are made to analysts.

## 9. General Shareholder information

- \* AGM: Date, Time and Venue : Thursday, August 30, 2007 at 10.00 a.m. at Victoria Memorial School for the Blind, Tardeo Road, Opp Film Centre, Near Bharat Petroleum Petrol Pump, Mumbai 400034
- \* Financial Calendar : Financial Year - April 2007 to March 2008
  - ii) First Quarter results - on or before July 31, 2007
  - iii) Half-yearly results - on or before October 31, 2007
  - iv) Third Quarter results - on or before January 31, 2008
  - v) Results for the year ending March 31, 2008 - during April 2008 to June 2008
- \* Date of Book Closure : Friday, August 24, 2007 to Thursday, August 30, 2007 (both days inclusive)
- \* Dividend Payment Date : On or after August 30, 2007
- \* Listing on Stock Exchanges : The Bombay Stock Exchange Limited ("BSE") and The National Stock Exchange of India (NSE). The Company has paid the listing fees for the year 2007-2008
- \* Stock Code – Physical : BSE: 500337  
NSE: PRIMESECU
- \* Deamt ISIN Number for NSDL and CDSL : INE032B01021
- \* Market price data: High, Low during each month : As per Annexure "1"  
in last financial year
- \* Performance in comparison to broad-based : As per Annexure "2"  
indices such as BSE Sensex, CRISIL Index, etc
- \* Registrar and Transfer Agent : M/s Sharepro Services (India) Private Limited  
Satam Estate, 3<sup>rd</sup> Floor, Above Bank of Baroda,  
Cardinal Gracious Road, Chakala,  
Andheri (East), Mumbai 400099.  
Tel: (022) 28215168/28348218/28215169/28329828  
Fax: (022) 28375646
- \* Share Transfer System : The Company Secretary and the Whole-time Director of the Company are authorised to approve the transfer of share and the same are generally registered / confirmed within 15 days of receipt, provided the documents are clear in all aspects. The said transfers are then noted at the subsequent Shareholders' / Investors' Grievances Committee Meeting
- \* Distribution of Shareholding : As per Annexure "3"
- \* Shareholding Pattern : As per Annexure "4"
- \* Dematerialisation of shares and liquidity : 89.42 % of the total shareholding has been dematerialised as on March 31, 2007
- \* Outstanding GDRs/ADRs/ Warrants or any : There are no outstanding GDRs/ADRs/Warrants of other convertible instruments  
Convertible instruments, conversion date  
and likely impact of equity
- \* Plant Location : Not Applicable
- \* Address for Correspondence : Shareholders correspondence should be addressed to the Registrar and Share  
Transfer Agents of the Company, M/s Sharepro Services (India) Private Limited,  
Satam Estate, 3<sup>rd</sup> Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala,  
Andheri (East), Mumbai 400099. Tel: (022) 28215168/28348218/28215169/  
28329828 Fax: (022) 28375646.  
Shareholders holding shares in the electronic form should address all their  
correspondence to their respective Depository Participants.

## NON-MANDATORY REQUIREMENTS

### 1. Chairman of the Board

- (a) The Company has a Non-Executive Chairman. The Chairman is not entitled to maintain an office at the Company's expenses. However, the Company reimburses expenses, if any, incurred by him in the performance of his duties.
- (b) As on date, there is no Independent Director having a term of office exceeding nine years on the Board of The Company.

### 2. Remuneration Committee

Please refer Sr. No. 4 under the heading "Mandatory Requirements" in this Report.

### 3. Shareholders Rights

The Company is not sending the half-yearly results to individual shareholder, but the same are published in Business Standard & Sakaal and also displayed on the Company's website. In respect of second half-year, the same are sent to all the shareholders as a part of the Annual Report.

# PRIME SECURITIES LIMITED

## 4. Audit Qualification

The Company does not have any audit qualification.

## 5. Training of Board Members

The Company does not have any training programme for its Board Members.

## 6. Mechanism for evaluating non-executive Board Members

The Company does not have any mechanism for evaluating the performance of the non-executive Board Members.

## 7. Whistle Blower Policy

The Company does not have a Whistle Blower Policy for employees.

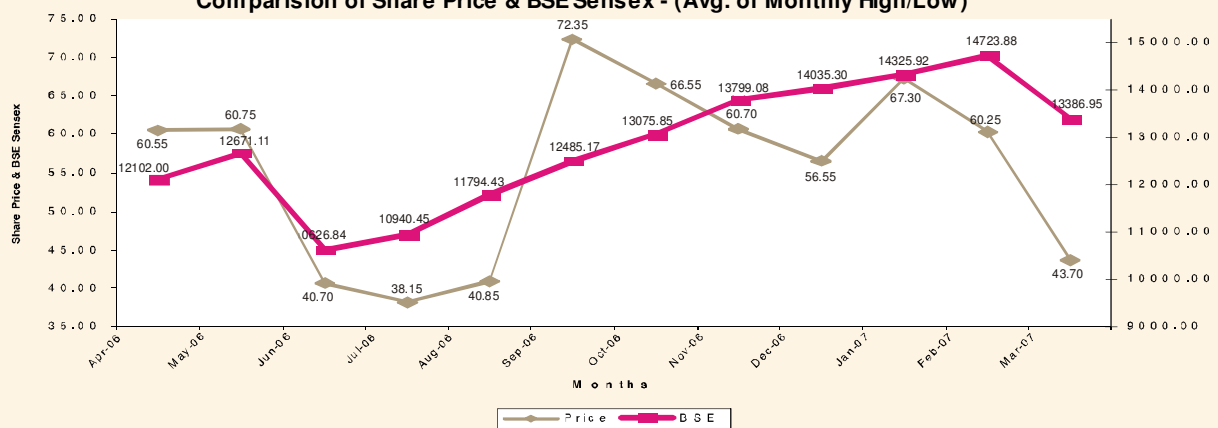
### Annexure 1

#### Market Price Data: High / Low from April 2006 to March 2007

Month	BSE			NSE		
	High (Rs)	Low (Rs)	Volume (Nos.)	High (Rs)	Low (Rs)	Volume (Nos.)
April 2006	60.55	56.15	41,31,925	60.40	56.25	32,03,052
May 2006	60.75	38.45	37,82,468	61.15	38.40	30,73,732
June 2006	40.70	27.35	17,26,136	41.05	27.45	14,69,988
July 2006	38.15	31.90	16,51,658	37.90	31.75	13,94,448
August 2006	40.85	34.05	18,02,288	40.95	34.10	10,95,727
September 2006	72.35	36.60	1,15,43,453	72.00	36.65	90,67,393
October 2006	66.55	53.95	61,43,224	66.90	53.70	59,72,390
November 2006	60.70	50.95	46,70,664	60.55	50.85	31,95,898
December 2006	56.55	46.80	24,62,047	56.90	46.75	14,99,141
January 20067	67.30	51.40	89,90,676	67.40	51.25	55,30,373
February 2007	60.25	43.55	68,49,321	60.65	43.75	44,38,789
March 2007	43.70	35.70	21,31,627	43.35	35.40	14,03,371

### Annexure 2

#### Prime Securities Limited Comparison of Share Price & BSE Sensex - (Avg. of Monthly High/Low)



### Annexure 3

#### Distribution of Shareholding (As on March 31, 2007)

No of Equity Shares held	Number of Shareholders	Percentage of Shareholders	Number of Shares Held	Percentage of Shareholdings
Upto 1000	30,903	98.85	79,52,779	32.52
1001 – 2000	156	0.50	11,48,580	4.70
2001 – 4000	91	0.29	12,60,144	5.15
4001 – 6000	34	0.11	8,86,308	3.62
6001 – 8000	13	0.04	4,44,022	1.82
8001 – 10000	9	0.03	4,22,886	1.73
10001 – 20000	34	0.11	24,29,883	9.93
Above 20000	22	0.07	99,10,823	40.53
<b>Total</b>	<b>31,262</b>	<b>100.00</b>	<b>2,44,55,425</b>	<b>100.00</b>

**Annexure 4**  
**Shareholding Pattern of the Company (As on March 31, 2007)**

<b>Category</b>	<b>Number of Shares held</b>	<b>Percentage of Share Capital</b>
<b>A Shareholding of Promoter and Promoter Group</b>		
1) Indian	Nil	Nil
2) Foreign	Nil	Nil
Sub-Total	Nil	Nil
<b>B Public Shareholding</b>		
1) Institutions		
a) Mutual Funds & UTI	23,600	0.10
b) Financial Institutions / Banks	16,000	0.07
c) Foreign Institutional Investors	24,41,553	9.98
Sub-Total	24,81,153	10.15
2) Non-Institutions		
a) Bodies Corporate	50,87,397	20.80
b) i) Individual Shareholders holding nominal share capital upto Rs 1 lac	90,90,547	37.17
ii) Individual Shareholders holding nominal share capital in excess of Rs 1 lac	77,67,728	31.76
c) Any Other (Foreign Companies)	28,600	0.12
Sub-Total	2,19,74,272	89.85
<b>Grand Total</b>	<b>2,44,55,425</b>	<b>100.00</b>

**DECLARATION REGARDING COMPLIANCE OF CODE OF CONDUCT  
BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL**

This is to confirm that the Company has adopted a Code of Conduct for its Board Members and all Senior Management Personnel. The Code of Conduct is posted on the Company's website.

I confirm that the Company has in respect of the financial year ended March 31, 2007, received a declaration of Compliance with the Code of Conduct from all the Members of the Board and Senior Management Personnel.

For the purpose of this declaration, Senior Management Team means the Members of the Management one level below the Board of Directors as on March 31, 2007.

Mumbai, July 13, 2007

**Nikhil Shah**  
**Whole-time Director**

**CERTIFICATE**

To the Members of  
**Prime Securities Limited**

- We have examined the compliance of conditions of Corporate governance by Prime Securities Limited for the year ended March 31, 2007 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges in India.
- The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
- In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.
- We further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For and on behalf of  
**Chandabhoj & Jassoobhoj**  
*Chartered Accountants*

**A. K. Kotwal**  
*Partner*

Membership No. F 37030

Mumbai : July 13, 2007

# **PRIME SECURITIES LIMITED**

## **AUDITOR'S REPORT**

The Members,  
Prime Securities Limited.

We have audited the attached Balance Sheet of PRIME SECURITIES LIMITED as at March 31, 2007 and the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. 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 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 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act 1956, we enclose in the annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above :
  - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v) 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 are disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Cash Flow Statement read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with 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, 2007;
  - 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 Statement, of the cash flows for the year ended on that date.

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For and on Behalf of  
**Chandabhoj & Jassoobhoj**  
*Chartered Accountants*

**A. K. Kotwal**  
*Partner*  
Membership No.: F 37030

Mumbai : April 27, 2007

## ANNEXURE TO THE AUDITOR'S REPORT

### ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF PRIME SECURITIES LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007.

- i) a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. We are informed that fixed assets have been physically verified by the management as at the year end and no material discrepancies have been noticed in respect of assets so verified during the year. In our opinion the frequency of verification is reasonable having regard to the size of the Company and the nature of its assets.
- c. During the year the Company has not disposed off any substantial part of its fixed assets.
- ii) a. Securities held as stock in trade aggregating to Rs. 8.27 lacs which are fully provided for are under objection and hence could not be physically verified by the management. The securities that could be physically verified have been verified. In our opinion, the frequency of verification is reasonable.
- b. The procedures followed by the management for the physical verification of stock in trade are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company is maintaining proper records of stock-in-trade and discrepancies noticed on physical verification have been properly dealt with in the books of account.
- iii) According to the information and explanations given to us, the Company has neither granted nor taken any loan secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii)(b), (c) (d), (f) and (g) of the Order are not applicable.
- iv) In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regards to purchase of fixed assets and sale of services. During the course of our audit, no major weakness has been noticed in the internal control.
- v) According to the information and explanations given to us, there are no contracts or arrangements that need to be entered into a register maintained in pursuance of section 301 of the Companies Act, 1956. Accordingly, paragraph 4(v)(a) and (b) of the Order is not applicable.
- vi) The Company has not accepted any public deposits during the year from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956 and rules made there under.
- vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- viii) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956.
- ix) a. According to the information and explanations given to us and the records of the Company examined by us, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, income tax, service tax and other statutory dues applicable to it.
- b. According to the information and explanations given to us, no undisputed dues payable in respect of income tax, sales tax, wealth tax, customs duty, service tax and cess were outstanding as at 31st March, 2007 for a period of more than six months from the date they became payable.
- c. According to the information and explanations given to us, there are no statutory dues outstanding on account of any dispute as of 31st March 2007.
- x) The Financial statements of the Company as on March 31, 2007 do not show accumulated losses. The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi) The Company has not defaulted in repayment of dues to a financial institution or bank or debenture holder during the year.
- xii) The Company has not granted any loans or advances against security by way of pledge of shares, debentures and other securities.
- xiii) The Company is not a chit fund, nidhi, mutual benefit fund or a society. Clause 4 (xiii) of the Order is, therefore, not applicable to the Company.
- xiv) During the year, the Company has not entered into any transactions which is in the nature of dealing / trading in shares, debentures and other investments. Investments aggregating to Rs.238.16 lacs are held in the name of the subsidiary Company in order to facilitate availing of bank loans by the subsidiary company against the pledge of shares. Subject to the above, the shares and debentures have been held by the Company in its own name except to the extent of the exemption granted under Section 49 of the Companies Act, 1956.
- xv) The Company has given corporate guarantee of Rs. 525 lacs to a bank on behalf of its subsidiary Company Prime Broking Co. (India) Limited against the loan availed by the said subsidiary Company. In our opinion, the terms and conditions thereof are not prejudicial to the interests of the Company. According to the information and explanations given to us, the Company has not given any other guarantee for loans taken by others from banks or financial institutions.
- xvi) According to the information and explanations given to us and the records of the Company examined by us, no term loans were obtained during the year.
- xvii) On the basis of the records of the Company examined by us and according to the information and explanations given to us, in our opinion, the Company has not raised short term funds for long term investments.
- xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the year.
- xx) The Company has not raised any money by public issues during the year.
- xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For and on Behalf of  
**Chandabhoj & Jassoobhoj**  
Chartered Accountants

**A. K. Kotwal**  
Partner

Membership No.: F 37030

Mumbai : April 27, 2007

# PRIME SECURITIES LIMITED

## BALANCE SHEET AS AT MARCH 31, 2007

	Schedule	As at 31-Mar-07		As at 31-Mar-06	
		Rs. in lacs	Rs. in lacs	Rs. in lacs	Rs. in lacs
<b>SOURCES OF FUNDS</b>					
<b>Shareholders' Funds</b>					
Share Capital	A	1,226.94		1,226.94	
Reserves and Surplus	B	4,453.26		2,407.74	
			5,680.20		3,634.68
<b>Loan Funds</b>					
Secured Loans	C	17.26		22.56	
Unsecured Loans	D	7.90		7.56	
			25.16		30.12
<b>TOTAL</b>			<b>5,705.36</b>		<b>3,664.80</b>
<b>APPLICATION OF FUNDS</b>					
<b>Fixed Assets</b>					
Gross Block	E	510.99		504.07	
Less : Depreciation		120.48		106.58	
Net Block			390.51		397.49
<b>Investments</b>					
	F		5,140.22		3,065.85
<b>Current Assets, Loans and Advances</b>					
Debtors	G	165.27		321.62	
Cash and Bank Balances	H	100.65		58.67	
Other Current Assets	I	2.75		2.09	
Loans and Advances	J	933.02		484.73	
		1,201.69		867.11	
<b>Less : Current Liabilities and Provisions</b>					
Current Liabilities	K	254.49		240.82	
Provisions	L	772.57		424.83	
		1,027.06		665.65	
<b>Net Current Assets</b>			<b>174.63</b>		<b>201.46</b>
<b>TOTAL</b>			<b>5,705.36</b>		<b>3,664.80</b>
<b>Significant Accounting Policies</b>	P				
<b>Notes on Accounts</b>	Q				

As per our Report attached

For and on behalf of  
**CHANDABHOY & JASSOQBHOY**  
Chartered Accountants

**A. K. Kotwal**  
Partner

Mumbai, Dated : April 27, 2007

**N. JAYAKUMAR**  
President

**AJAY SHAH**  
Company Secretary

For and on behalf of the Board

**NIKHIL SHAH** Director  
**ARUN SHAH** Director  
**PRADIP DUBHASHI** Director  
**R. RAMACHANDRAN** Director

Mumbai, Dated : April 27, 2007

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

	Schedule	Year ended 31-Mar-07 Rs. in lacs	Year ended 31-Mar-06 Rs. in lacs
<b>INCOME</b>			
Merchant Banking and Advisory Fees (Gross) [Tax deducted at source Rs. 128.27 lacs (Previous year Rs. 67.59 lacs)]		2,271.02	1,351.70
Income from Securities (Net)		1,829.36	473.20
Interest and Other Income	M	17.14	53.86
<b>TOTAL</b>		4,117.52	1,878.76
<b>EXPENDITURE</b>			
Administrative and Other Expenses	N	580.94	326.18
<b>Profit before Interest, Tax, and Non-cash charges</b>		3,536.58	1,552.58
Interest and Finance Charges	O	2.31	1.20
<b>Profit before Non-cash charges and Tax</b>		3,534.27	1,551.38
Less:			
Bad Debts written-off / (written back) (Net)		244.99	(0.86)
Depreciation		13.90	11.95
Provision for Diminution in value of Investments Written Back	-	-	(121.90)
Diminution in value of Investments		212.61	4.77
		471.50	(106.04)
<b>Profit before Tax</b>		3,062.77	1,657.42
Provision for Tax - Current Tax		348.00	86.00
- Deferred Tax		-	-
- Fringe Benefit Tax		1.80	1.49
<b>Profit after Tax</b>		2,712.97	1,569.93
Prior Period Adjustments - Tax		(29.75)	46.95
		2,683.22	1,616.88
Surplus Brought forward from Previous Year		1,141.64	892.40
Utilisation for Premium on Buy Back of Shares		-	(201.83)
Transfer to Capital Redemption Reserve		-	(17.25)
		-	673.32
<b>Available for appropriation</b>		3,824.86	2,290.20
<b>Appropriation</b>			
Interim Dividend		183.42	-
Tax on Interim Dividend		25.72	-
Proposed Dividend		366.83	305.69
Tax on Proposed Dividend		61.74	42.87
Transfer to General Reserve		1,300.00	800.00
<b>Balance Carried to the Balance Sheet</b>		1,887.15	1,141.64
<b>Earning Per Share (Face Value per share Rs. 5/-)</b>			
- Basic		11.09	6.42
- Diluted		11.09	6.42
<b>Significant Accounting Policies</b>	P		
<b>Notes on Accounts</b>	Q		

As per our Report attached

For and on behalf of the Board

For and on behalf of  
**CHANDABHOY & JASSOOBHOY**  
Chartered Accountants

**N. JAYAKUMAR**  
President

**NIKHIL SHAH** Director  
**ARUN SHAH** Director  
**PRADIP DUBHASHI** Director  
**R. RAMACHANDRAN** Director

**A. K. Kotwal**  
Partner

**AJAY SHAH**  
Company Secretary

Mumbai, Dated : April 27, 2007

Mumbai, Dated : April 27, 2007

# PRIME SECURITIES LIMITED

## SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE 'A' - SHARE CAPITAL	As at 31-Mar-07 Rs. in lacs	As at 31-Mar-06 Rs. in lacs
<b>AUTHORISED</b>		
3,00,00,000 (Previous year 3,00,00,000) Equity Shares of Rs. 5/- each	1,500.00	1,500.00
2,00,000 (Previous year 2,00,000) 13 % Cumulative Redeemable Preference Shares of Rs. 100/- each	200.00	200.00
18,00,000 (Previous year 18,00,000) Unclassified shares of Rs. 100/- each	1,800.00	1,800.00
<b>TOTAL</b>	<b>3,500.00</b>	<b>3,500.00</b>
<b>ISSUED</b>		
2,52,04,625 (Previous year 2,52,04,625) Equity Shares of Rs.5/- each	1,260.23	1,260.23
<b>TOTAL</b>	<b>1,260.23</b>	<b>1,260.23</b>
<b>SUBSCRIBED</b>		
2,52,04,025 (Previous year 2,52,04,025) Equity Shares of Rs.5/- each	1,260.20	1,260.20
<b>TOTAL</b>	<b>1,260.20</b>	<b>1,260.20</b>
<b>PAID-UP</b>		
2,44,55,425 (Previous year 2,44,55,425) Equity Shares of Rs. 5/- each	1,222.77	1,222.77
Add : Share Forfeiture Account [7,48,600 Equity Shares (Previous year 7,48,600) forfeited]	4.17	4.17
Of the above		
i) 1,35,476 (Previous year 1,35,476 ) Equity shares of Rs. 10/- each issued as fully paid up pursuant to a contract without payment being received in cash.		
ii) 28,62,550 (Previous year 28,62,550) Equity shares of Rs. 10/- each have been allotted as Bonus shares by capitalisation of Rs. 84,50,000 out of Share Premium and Rs. 2,01,75,500 out of balance in Profit & Loss account.		
<b>TOTAL</b>	<b>1,226.94</b>	<b>1,226.94</b>

SCHEDULE 'B' - RESERVES & SURPLUS	As at 31-Mar-06 Rs. in lacs	As at 31-Mar-05 Rs. in lacs
<b>Capital Redemption Reserve</b>		
As per last Balance Sheet	217.27	200.02
Add : Transfer from Profit & Loss Account	-	17.25
	217.27	217.27
<b>Share Premium</b>		
As per last Balance Sheet	248.84	178.84
Add : Additions during the year	-	70.00
	248.84	248.84
<b>General Reserve</b>		
As per last Balance Sheet	800.00	-
Add : Additions during the year	1,300.00	800.00
	2,100.00	800.00
<b>Profit &amp; Loss Account</b>	<b>1,887.15</b>	<b>1,141.64</b>
<b>TOTAL</b>	<b>4,453.26</b>	<b>2,407.74</b>

<b>SCHEDULE 'C' - SECURED LOANS</b>	<b>As at 31-Mar-07 Rs. in lacs</b>	<b>As at 31-Mar-06 Rs. in lacs</b>
Short Term Loans & Advances From Banks [Secured by hypothecation of assets of the Company acquired out of said loan] [Repayable within one year Rs. 5.56 lacs (Previous Year Rs. 5.30 lacs)]	<b>17.26</b>	22.56
<b>TOTAL</b>	<b>17.26</b>	22.56

<b>SCHEDULE 'D' - UNSECURED LOANS</b>	<b>As at 31-Mar-07 Rs. in lacs</b>	<b>As at 31-Mar-06 Rs. in lacs</b>
Short Term - Corporates/Others	<b>3.60</b>	3.60
Interest Accrued & Due	<b>4.30</b>	3.96
<b>TOTAL</b>	<b>7.90</b>	7.56

<b>SCHEDULE 'E' - FIXED ASSETS</b>										(Rs. in Lacs)
DESCRIPTION	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As On	Additions during the year	Sales/Adj. during year	As on 31-Mar-07	As on	For the year		As on 31-Mar-07	As on 31-Mar-07	As on 31-Mar-06
	1-Apr-06				1-Apr-06	Provided	Written Back			
Data Processing Equipment	3.12	0.44	-	<b>3.56</b>	2.33	0.32	-	<b>2.65</b>	<b>0.91</b>	0.79
Furniture & Fixtures	53.56	1.26	-	<b>54.82</b>	22.44	3.18	-	<b>25.62</b>	<b>29.20</b>	31.12
Residential Flats *	392.80	-	-	<b>392.80</b>	68.40	6.40	-	<b>74.80</b>	<b>318.00</b>	324.40
Office Equipments	18.00	0.79	-	<b>18.79</b>	6.93	0.89	-	<b>7.82</b>	<b>10.97</b>	11.07
Vehicles	36.59	4.43	-	<b>41.02</b>	6.48	3.11	-	<b>9.59</b>	<b>31.43</b>	30.11
<b>Total</b>	504.07	6.92	-	<b>510.99</b>	106.58	13.90	-	<b>120.48</b>	<b>390.51</b>	397.49
Previous Year	478.42	32.50	6.85	504.07	98.46	11.95	3.83	106.58	397.49	

\* Refer Note No. 7 of Schedule 'Q'

<b>SCHEDULE 'F' - INVESTMENTS (Non - trade)</b>	<b>As at 31-Mar-07 Rs. in lacs</b>	<b>As at 31-Mar-06 Rs. in lacs</b>
(As per Annexure 'A')	<b>5,140.22</b>	3,065.85
<b>TOTAL</b>	<b>5,140.22</b>	3,065.85

<b>SCHEDULE 'G' - SUNDRY DEBTORS</b>	<b>As at 31-Mar-07 Rs. in lacs</b>	<b>As at 31-Mar-06 Rs. in lacs</b>
(Unsecured, considered good unless otherwise stated)		
Debts outstanding for a period exceeding six months	<b>0.62</b>	-
Other Debts (Includes Rs. 105.33 Lacs (Previous year Rs. Nil) due from Subsidiary Company)	<b>164.65</b>	321.62
<b>TOTAL</b>	<b>165.27</b>	321.62

# PRIME SECURITIES LIMITED

<b>SCHEDULE 'H' - CASH AND BANK BALANCES</b>	<b>As at 31-Mar-07 Rs. in lacs</b>	<b>As at 31-Mar-06 Rs. in lacs</b>
Cash on hand	1.85	2.84
Bank Balances :-		
with Scheduled Banks:		
On Current Accounts	44.65	1.70
On Deposit Accounts ((Rs. 38.14 lacs (Previous Year Rs. 38.14 lacs) Pledged with bank against guarantees issued by them and Rs. 15.66 lacs (Previous Year Rs. 15.66 lacs) as security against overdraft availed by subsidiary company)	54.15	54.13
	-----	-----
<b>TOTAL</b>	<b>100.65</b>	<b>58.67</b>
	=====	=====

<b>SCHEDULE 'I' - OTHER CURRENT ASSETS</b>	<b>As at 31-Mar-07 Rs. in lacs</b>	<b>As at 31-Mar-06 Rs. in lacs</b>
Accrued Income	2.75	2.09
	-----	-----
<b>TOTAL</b>	<b>2.75</b>	<b>2.09</b>
	=====	=====

<b>SCHEDULE 'J' - LOANS AND ADVANCES</b>	<b>As at 31-Mar-07 Rs. in lacs</b>	<b>As at 31-Mar-06 Rs. in lacs</b>
(Unsecured, considered good, unless otherwise stated)		
Loans	11.95	13.84
Advances recoverable in cash or in kind or for value to be received	236.35	284.15
Due from Subsidiary Company	541.31	21.88
Advance Tax and Tax Deducted at source (Net of Provisions)	10.06	31.48
Security Deposits	133.35	133.38
	-----	-----
<b>TOTAL</b>	<b>933.02</b>	<b>484.73</b>
	=====	=====

<b>SCHEDULE 'K' - CURRENT LIABILITIES</b>	<b>As at 31-Mar-07 Rs. in lacs</b>	<b>As at 31-Mar-06 Rs. in lacs</b>
Sundry Creditors		
Due to small scale industrial units	-	-
Due to others	32.52	32.52
Due to Subsidiary Companies	48.67	48.67
Other Liabilities	173.30	159.63
	-----	-----
<b>TOTAL</b>	<b>254.49</b>	<b>240.82</b>
	=====	=====

<b>SCHEDULE 'L' - PROVISIONS</b>	<b>As at 31-Mar-07 Rs. in lacs</b>	<b>As at 31-Mar-06 Rs. in lacs</b>
Provision for Taxation (Net of Advance Tax and Tax deducted at source)	160.96	18.96
Provision for Fringe Benefit Tax (Net of Advance Tax )	0.23	0.28
Provision for Leave Encashment	84.11	57.02
Proposed Dividend	366.83	305.69
Tax on Proposed Dividend	61.74	42.88
Unclaimed Dividend	41.20	0.00
Provision for Gratuity	57.50	0.00
	-----	-----
<b>TOTAL</b>	<b>772.57</b>	<b>424.83</b>
	=====	=====

<b>SCHEDULE 'M' - INTEREST AND OTHER INCOME</b>	<b>As at 31-Mar-07 Rs. in lacs</b>	<b>As at 31-Mar-06 Rs. in lacs</b>
Interest received (Gross)	13.95	16.89
[Tax Deducted at source Rs. 0.79 lac (Previous year Rs. 0.68 lac) ]		
Miscellaneous Income	3.19	1.97
Bad Debts Recovered	-	35.00
<b>TOTAL</b>	<b>17.14</b>	<b>53.86</b>

<b>SCHEDULE 'N' - ADMINISTRATIVE AND OTHER EXPENSES</b>	<b>As at 31-Mar-07 Rs. in lacs</b>	<b>As at 31-Mar-06 Rs. in lacs</b>
Salaries & Bonus	381.01	161.04
Contribution to Provident and Other Funds	2.32	1.46
Staff Welfare Expenses	3.04	2.37
Travelling & Conveyance	10.36	11.72
Rent	9.90	9.90
Legal & Professional fees	102.95	48.46
Rates & Taxes	0.23	0.86
Telephone, Postage and Courier Charges	11.95	17.90
Printing & Stationery	4.70	5.51
Advertisement	8.30	6.72
Insurance	0.92	0.68
Repairs & Maintenance		
- Building	0.30	22.27
- Others	1.29	1.30
Membership & Subscription	4.98	5.43
Directors' Sitting Fees	0.85	1.20
Commission to non-whole time directors	25.00	15.00
Auditor's Remuneration	3.08	4.11
Loss on sale of assets	-	2.75
Miscellaneous Expenses	9.76	7.50
<b>TOTAL</b>	<b>580.94</b>	<b>326.18</b>

<b>SCHEDULE 'O' - INTEREST AND FINANCE CHARGES</b>	<b>As at 31-Mar-07 Rs. in lacs</b>	<b>As at 31-Mar-06 Rs. in lacs</b>
Interest :		
On Fixed Loans	2.03	1.07
On Others	0.27	0.12
Finance charges	0.01	0.01
<b>TOTAL</b>	<b>2.31</b>	<b>1.20</b>

# **PRIME SECURITIES LIMITED**

## **SCHEDULE 'P'**

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **1. Method of Accounting**

The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis.

#### **2. Accounting Conventions**

The financial statements have been prepared under the historical cost convention.

#### **3. Fixed Assets**

Fixed Assets are stated at cost less depreciation.

#### **4. Depreciation**

(a) Depreciation on assets for own use including the assets acquired under "Hire Purchase Scheme" is provided on straight line method on pro-rata basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.

(b) The cost of fixtures and fittings installed in leased premises, are amortised over the period of the lease of the respective premises or depreciated as per 4(a) above, if such depreciation is higher.

#### **5. Investments/Stock-in-trade**

a) Shares, Debentures, Units, Warrants and Securities those are intended, at the time of acquisition, to be held for a period exceeding twelve months are classified as "Long term Investments".

b) Shares, Debentures, Units, Warrants and Securities are accounted under Investments/Stock-in-trade on trade dates.

c) Rights entitlements are accounted for as Investments / Stock-in-trade at issue price plus acquisition cost, if any.

d) Bonus entitlements are recognised on ex-bonus dates without any acquisition cost.

e) The cost of Investments/Stock-in-trade include brokerage and stamp duty.

#### **6. Valuation of Investments and Stock-in-trade**

(a) Quoted scrips under Current Investments, are valued at cost or market value, whichever is lower, whereby the cost of each scrip is compared with its market value and the resultant shortfall, if any, is charged to revenue.

(b) Long Term Investments are stated at cost unless there is a diminution in the value of Investments other than temporary.

(c) Quoted scrips under Stocks are valued at book value or market value, whichever is lower, whereby the book value of each scrip is compared with its market value and the resultant shortfall, if any, is charged to revenue.

For this purpose:

i) Quoted scrips are taken at the highest year end closing market rates prevailing on the principal stock exchanges where they are traded.

ii) The rights entitlements for Shares / Debentures are taken at the year end closing market rates applicable to relevant Shares / Debentures less uncalled liability, if any.

(d) Unquoted Scrips under "Stock-in-trade" are taken at cost or fair value of the share, whichever is lower, as per the latest audited Balance Sheet of the Companies concerned, whereas Unquoted Shares held under "Investments" are valued at cost unless the diminution in the value of each of such investments, in the opinion of the Management, is other than temporary.

#### **7. Income**

a) Profits or losses from Stock-in-trade are recognised on trade dates on "first-in first-out" basis.

b) Profits or losses from Investments are recognised on trade dates by comparing the sales realisation with the weighted average cost of such investment.

c) In respect of contracts relating to specified shares settled without taking or giving deliveries, profits or losses are recognised on settlement dates.

d) Merchant Banking and Advisory Fees are accrued as per the terms of contract except where there is uncertainty as to their realisation.

#### **8. Retirement Benefits**

a) Retirement Benefits in the form of Provident Fund, Encashment of Leave (based on actuarial valuation as at year end) and Pension Scheme, etc. whether in pursuance of any laws or otherwise is accounted on accrual basis and charged to the profit and loss account of the year.

b) The present liability of future payment of gratuity in respect of all eligible employees is covered under a Group Gratuity Policy of the Life Insurance Corporation of India. Annual contributions are determined by the LIC under the policy and accordingly accounted for.

## 9. Taxation

Taxes on income are computed whereby such taxes are accrued in the same period as the revenue and expense to which they relate.

Current tax liability is measured using the applicable tax rates and tax laws and the necessary provision is made annually. Deferred tax asset/liability arising out of the tax effect of timing differences is measured using the tax rates and the tax laws that have been enacted / substantially enacted at the balance sheet date.

Deferred tax assets are recognised only if there is a reasonable certainty of their realization.

## SCHEDULE 'Q'

### NOTES ON ACCOUNTS

1. <b>Contingent Liabilities</b>	<b>As At March 31, 2007 (Rs. in lacs)</b>	<b>As At March 31, 2006 (Rs. in lacs)</b>
a) Demands raised by Income Tax and Sales Tax department against which the Company has preferred appeals.	<b>11.66</b>	11.66
b) Corporate Guarantees given, Shares/Fixed Deposits pledged for a subsidiary	<b>1386.14</b>	675.00
c) Claim made against the Company not acknowledged (Interest liability on the above can not be ascertained)	<b>545.80</b>	545.80
d) Uncalled liability on partly paid warrants	<b>216.00</b>	-

2. Loans and Advances include a sum of Rs. 10.74 lacs (Previous year Rs. 13.84 lacs) due from the Principal Officer of the Company. Maximum balance outstanding during the year - Rs. 13.84 lacs (Previous year Rs. 16.85 lacs).

### 3. Income from Securities comprises of:

- Profit on sale of Stock-in-trade (net) Rs. 23.26 lacs [Previous year Rs. 1.55 lacs].
- Profit on sale of investments (net) Rs. 1795.81 lacs [Previous year Rs. 466.33 lacs].
- Dividend received Rs. 10.29 lacs [Previous year Rs. 5.32 lacs]

4. <b>Auditor's Remuneration :</b>	<b>Year ended March 31, 2007 (Rs. In lacs)</b>	<b>Year ended March 31, 2006 (Rs. In lacs)</b>
Audit Fees	<b>1.85</b>	1.85
Tax Audit Fees	<b>0.25</b>	0.25
In Other Capacity:		
Certification	<b>0.13</b>	1.16
Other matters	<b>0.85</b>	0.85
	<b>3.08</b>	4.11

5 <b>(a) Director's Remuneration</b>	<b>Year ended March 31, 2007 (Rs. In lacs)</b>	<b>Year ended March 31, 2006 (Rs. In lacs)</b>
i) Salary, Bonus & Allowances*	<b>12.22</b>	6.80
ii) Contribution to Provident & Other Funds * #	<b>0.34</b>	0.23
iii) Commission to non-whole time Directors	<b>25.00</b>	15.00
iv) Sitting Fees	<b>0.85</b>	1.20
	<b>38.41</b>	23.23

\* The remuneration is paid to whole-time director.

# Excludes contribution to LIC under LIC's Group Gratuity Scheme, being unascertainable

\*\* Includes Incentive bonus of Rs. 6.50 Lacs (Previous Year Rs. 3.00 Lacs) subject to approval of shareholders.

# PRIME SECURITIES LIMITED

(b) Computation of net profits in accordance with Section 349 of the Companies Act, 1956 and the commission payable to directors

	Year ended March 31, 2007 (Rs. In lacs)	Year ended March 31, 2006 (Rs. In lacs)
Profit before Tax as per Profit and Loss Account	3062.77	1657.42
Add:		
Director's Remuneration	37.56	22.03
Directors Sitting Fees	0.85	1.20
Loss on Sale of Fixed Assets	-	2.75
	<b>3101.18</b>	1683.40
Less : Fringe Benefit Tax	1.80	1.49
Net Profit as per Section 349 of the Companies Act, 1956	<b>3099.38</b>	1681.91
1% of above	30.99	16.82
Commission to Non-Whole time Directors	25.00	15.00

6. Expenditure in Foreign Currency

	Year ended March 31, 2007 (Rs. In lacs)	Year ended March 31, 2006 (Rs. In lacs)
Travelling Expenses	-	1.10

7. Fixed Assets include a residential flat of Rs. 318.00 lacs (Net) in a Co-operative Society, acquired from a Debtor in satisfaction of a claim. In view of the restraining Orders, the Society has kept in abeyance the admission of membership of the Company. During the year, pursuant to the order of the Hon'ble High Court, the possession of the flat was handed over to the Official Assignee. An appeal was filed by the Company against the said order whereby the said order was set aside. Pursuant to the fresh chamber summons filed by the Company for raising attachment, the Official Assignee has been directed not to sell or dispose off the flat. The Company has been legally advised that the said developments will not have a bearing on the Company's title to the flat and the Company is not likely to have any further claim or liability against the said flat.

8. The balances of Debtors, Creditors, Advances and Liabilities are subject to confirmation and consequential adjustments if any.

9. Details of Stock-in-trade are given in Annexure – B.

10. The Company's main business is to provide corporate advisory services. All other activities are incidental to the main business. As such, there are no separate reportable segments, as per Accounting Standard on 'Segment Reporting' (AS 17) issued by the Institute of Chartered Accountants of India.

11. **Earnings per Share (EPS) (Basic & Diluted) is as follows:**

Basic & Diluted : Rs. 11.09 (Previous year Rs 6.42)

The above calculation is based on following figures:

Profit after tax : Rs. 2712.97 lacs (Previous year Rs. 1569.93 lacs)

No. of Equity shares for the purpose of calculating Basic EPS : 244.55 lacs (Previous year Rs 244.55 lacs)

No. of Equity shares for the purpose of calculating Diluted EPS : 244.55 lacs (Previous year Rs 244.55 lacs)

12. **Related Party Disclosures**

1) Related party disclosures as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India are given below:

**Relationships**

(a) Subsidiary Companies

- (1) Prime Broking Company (India) Limited
- (2) Prime Research & Advisory Limited
- (3) Prime Commodities Broking (India) Limited

(b) Directors

- (1) Mr. Arun Shah
- (2) Mr. Nikhil Shah
- (3) Mr. Pradip Dubhashi
- (4) Mr. R Ramchandran

(c) Key Management Personnel

- (1) Mr. N. Jayakumar - President
- (2) Ms. Binaifer Jijina
- (3) Mr. Ajay Shah

(d) Relative of Key Management Personnel

(1) Mrs. Madhu Jayakumar

- 2) The following transactions were carried out with the related parties in the ordinary course of business during the financial year 2006-2007.

(Rs. in lacs)

Sl. No.	Nature of Transaction	Transactions during the year		Balance as on	
		Current Year	Previous Year	31.03.07	31.03.06
1.	Inter Corporate Deposits taken from: a) Prime Research & Advisory Limited	-	-	<b>3.60 (Credit)</b>	3.60 (Credit)
2.	Interest paid/payable on Inter Corporate Deposits: a) Prime Research & Advisory Ltd.	<b>0.43</b>	0.43	<b>4.29 (Credit)</b>	3.96 (Credit)
3.	Sums paid/received from Prime Broking Company (India) Ltd. on current account. - Amount Received - Amount Paid	<b>3,315.19</b> <b>3,652.59</b>	1,612.76 1,801.69	<b>539.41 (Debit)</b>	21.88 (Debit)
4.	Reimbursement of expenses – - From Prime Broking Company (India) Ltd.	<b>180.13</b>	93.49		
5.	Brokerage paid to Prime Broking Company (India) Limited	<b>24.56</b>	1.87	-	-
6.	Sums paid/received from Prime Broking Company (India) Ltd. on Shares Transaction account. - Amount Received - Amount Paid	<b>2,513.62</b> <b>3,093.11</b>	619.91 126.30	<b>105.33 (Debit)</b>	-
7.	Sums paid on behalf of Prime Commodities Broking (India) Ltd	<b>15.27</b>	21.64	<b>1.91 (Debit)</b>	21.64 (Debit)
8.	Purchase of car from Mr. N Jayakumar	-	13.50	-	-
9.	Loan to Mr. N. Jayakumar - Given during the year - Repaid during the year	- <b>3.10</b>	- 3.01	<b>10.74 (Debit)</b>	13.84 (Debit)
10.	Interest on loan received from Mr. N Jayakumar	<b>0.37</b>	0.46	-	-
11.	Rent paid to Mrs. Madhu Jayakumar for residential accommodation.	<b>3.00</b>	3.00	<b>3.00(Credit)</b>	3.00(Credit)
12.	Remuneration paid to Director & Key managerial personnel of the Company during the year (Perquisites valued as per rules prescribed by the Income Tax Act, 1961).	<b>361.31</b>	106.70	-	-
13.	Deposit received from Prime Broking Company (India) Ltd.	-	-	<b>35.00 (Credit)</b>	35.00 (Credit)
14.	Deposit received from Prime Research & Advisory Ltd.	-	-	<b>13.50 (Credit)</b>	13.50 (Credit)
15.	Credit given for Sale Consideration of Shares belonging to Prime Research & Advisory Ltd.	-	-	<b>0.18 (Credit)</b>	0.18(Credit)
16.	Deposit given to Mrs. Madhu Jayakumar for Residential accommodation	-	-	<b>100.00 (Debit)</b>	100.00 (Debit)

- 3) Sitting fees paid to the Directors of the Company for attending meetings of the Board of Directors during the year is Rs. 0.85 lac (Previous year Rs. 1.20 lac).

13. Other information pursuant to paragraph 4C of Part II of Schedule VI to the Companies Act, 1956 - Not applicable.

14. Previous year figures have been regrouped and/or re-arranged wherever considered necessary.

As per our Report attached

For and on behalf of  
**CHANDABHOY & JASSOOBHOY**  
Chartered Accountants

**A. K. Kotwal**  
Partner

Mumbai, Dated : April 27, 2007

**N. JAYAKUMAR**  
President

**AJAY SHAH**  
Company Secretary

For and on behalf of the Board

**NIKHIL SHAH** Director  
**ARUN SHAH** Director  
**PRADIP DUBHASHI** Director  
**R. RAMACHANDRAN** Director

Mumbai, Dated : April 27, 2007

# PRIME SECURITIES LIMITED

## ANNEXURE 'A'

### Investments (Long Term, Non-trade)

Scrip	Quantity (Numbers) As at 31.03.2007	Quantity (Numbers) As at 31.03.2006	Value (Rs. in Lacs) As at 31.03.2007	Value (Rs. in Lacs) As at 31.03.2006
<b>A) Current Investments</b>				
<b>(At Cost or Market Value whichever is lower)</b>				
<b>Quoted Equity Shares</b>				
(Face Value Rs.10/- each, unless otherwise stated)				
Aban Offshore Ltd. (Face Value Rs. 2/- per share)	68,112	120,000	238.16	316.33
IOL Broadband Ltd	465,000	465,000	66.83	66.83
Lakshmi Overseas Ltd	-	86,500	-	244.38
ABG Shipyard Ltd	-	14,770	-	41.44
Hi-tech Plast Ltd	333,060	-	211.07	-
LKP Merchant Financing Ltd	62,500	-	31.78	-
Tulip Star Hotel Ltd	52,795	-	30.17	-
International Hometex Ltd	400,000	-	52.60	-
<b>Aggregate Amount of Current Investments</b>			<b>630.60</b>	<b>668.98</b>
<b>Aggregate Market value of Current Investments</b>			<b>3,502.57</b>	<b>2,439.24</b>
<b>B) Long Term Investments (At Cost)</b>				
<b>Quoted Equity Shares</b>				
(Face Value Rs.10/- each, unless otherwise stated)				
EL Forge Ltd.	80,222	50,000	50.94	49.73
Logix Microsystems Ltd	86,000	100,000	111.12	66.00
S B & T International Ltd	580,039	-	154.00	-
Asian Electronics Ltd	105,000	-	364.58	-
S Kumars Nationwide Ltd	2,335,000	-	1,597.08	-
Sub-Total (I)			<b>2,277.72</b>	<b>115.73</b>
<b>Holding in Current Year at Nil Cost</b>				
Aditya Forge Ltd	-	156,700	-	-
I G Petrochemicals Ltd	400	400	-	-
Star Spin & Twist Machineries Ltd.	48,800	48,800	-	-
Sub-Total (II)			<b>-</b>	<b>-</b>
<b>Aggregate Amount of Quoted Long Term Investments Total (I+II)</b>			<b>2,277.72</b>	<b>115.73</b>
<b>Aggregate Market Value of Quoted Long Term Investments</b>			<b>2,541.23</b>	<b>357.83</b>

<b>Unquoted Equity Shares/Debentures/Warrants</b> (Face Value of Rs.10/- each unless otherwise stated)				
<b>I. Equity Shares</b>				
Baron International Ltd	1,938,300	1,938,300	935.45	935.45
Blue Chip Technologies Ltd	100,000	100,000	-	-
Gateway Entertainment Ltd	28,500	28,500	-	-
Roop Automotives Ltd	401,674	300,000	96.50	66.00
Trinity Fuels Ltd	320,000	320,000	-	-
Mark Auto Industries Ltd	25,000	25,000	6.00	6.00
Business India Publications Ltd	577,589	502,589	317.67	276.42
			<b>1,355.63</b>	<b>1,283.87</b>
<b>Investments in Subsidiary Companies</b>				
Prime Broking Company (India) Ltd	5,341,000	5,341,000	1,719.70	1,719.70
Prime Research & Advisory Ltd.	350,000	350,000	33.02	33.02
Prime Commodities Broking Company (India) Ltd	350,000	-	35.00	-
			<b>1,787.72</b>	<b>1,752.72</b>
			<b>3,143.35</b>	<b>3,036.59</b>
Less : Provision for Diminution in the value of Investments			935.45	935.45
Sub-Total(I)			<b>2,207.90</b>	<b>2,101.14</b>
<b>II. Equity Share Warrants (Partly Paid-up)</b>				
Intense Technologies Limited (Issue Price Rs. 60, Rs. 6/- Paid up per Warrant)	400,000	400,000	24.00	-
Sub-Total(II)			<b>24.00</b>	<b>-</b>
<b>III. Debentures</b>				
12% Blue Chip Technologies Ltd Fully convertible debenture (Face Value Rs.100/-)	25,000	25,000	25.00	25.00
6% Asian Electronics Limited Fully convertible debenture (Face Value Rs.240/-)	-	75,000	-	180.00
			<b>25.00</b>	<b>205.00</b>
Less : Provision for Non-Performing Assets			25.00	25.00
Sub-Total(III)			<b>-</b>	<b>180.00</b>
<b>Aggregate Amt. of Unquoted Long Term Investments Total (I+II+III)</b>			<b>2,231.90</b>	<b>2,281.14</b>
<b>Aggregate Amount of Long Term Investments</b>			<b>4,509.62</b>	<b>2,396.87</b>
<b>Aggregate Amount of Investments</b>	<b>Total (A) + (B)</b>		<b>5,140.22</b>	<b>3,065.85</b>
<b>Aggregate Amount of Quoted Investments</b>			<b>2,908.32</b>	<b>784.71</b>
<b>Aggregate Market Value of Quoted Investments</b>			<b>6,043.80</b>	<b>2,797.07</b>

NOTE : All the abovementioned Shares/Debentures/Securities are fully paid-up, unless otherwise stated.

The following investments were purchased and sold during the period from April 1, 2006 to March 31, 2007

Equity Shares	Quantity (Numbers)	Value (Rs. in Lacs)
El Forge Ltd	379,959	353.44
S.B.&T. International Ltd	83,521	37.26
Logix Microsystems Ltd	60,000	77.52
Asian Electronics Ltd	75,020	289.26
S. Kumars Nationwide Ltd	2,978,071	1,667.89
Hi Tech Plast Ltd	2	-

# PRIME SECURITIES LIMITED

## ANNEXURE 'B' Stock-in-Trade (Non-trade)

Scrip	Quantity (Numbers) As at 31.03.2007	Quantity (Numbers) As at 31.03.2006	Amount (Rs. in lacs) As at 31.03.2007	Amount (Rs. in lacs) As at 31.03.2006
<b>A) Quoted Equity Shares/Equity Warrants/ Debentures/Securities/Units</b> (Face value of Rs. 10/- each, unless otherwise stated)				
<b>I Equity Shares :</b>				
ABB Ltd.	100	100	0.22	0.22
Carrier Aircon Ltd.	350	350	0.24	0.24
Castrol India Ltd.	100	100	0.19	0.19
Control Print (India) Ltd.	200	200	0.01	0.01
Eicher Motors Ltd.	100	100	0.01	0.01
Gujarat Industrial Power Company Ltd.	900	900	0.13	0.13
Hindustan Oil Exploration Company Ltd.	1,500	1,500	0.15	0.15
I T C Ltd. (Face Value of Re. 1/- each)	1,000	100	0.63	0.63
Jaiprakash Industries Ltd.	1,600	1,600	0.13	0.13
Kamat Hotels (India) Ltd.	400	400	0.03	0.03
L M L Ltd.	4,556	4,556	1.07	1.07
Larsen & Toubro Ltd.	250	250	0.46	0.46
Lok Housing & Constructions Ltd.	200	200	0.01	0.01
Novartis India Ltd.	50	50	0.11	0.11
Reliance Capital Ltd.	80	80	0.02	0.02
Reliance Industries Ltd.	3,374	3,374	4.41	4.41
Simplex Concrete Pipes (India) Ltd.	100	100	0.01	0.01
State Bank of India Ltd.	50	50	0.10	0.10
Sterlite Industries (India) Ltd.	250	250	0.25	0.25
Tata Chemicals Ltd.	40	40	0.01	0.01
The Bank of Rajasthan Ltd.	150	150	0.01	0.01
Uniflex Cables Ltd.	700	700	0.04	0.04
Ultratech Cement Limited	20	20	0.04	0.04
			<b>8.27</b>	<b>8.27</b>
<b>Holding in Current Year at Nil cost / less than Rs.1000/-</b>				
Aditya Forge Ltd (Rs.Nil), (Previous year Rs.Nil)	-	229,300	-	-
Ahmedabad Advanced Electricals Ltd. (Rs.Nil), (Previous year Rs.Nil)	1	1	-	-
Andhra Cement Company Ltd. (Rs.Nil), (Previous year Rs.Nil)	11	11	-	-
Andhra Petrochemicals Ltd. (Rs.Nil), (Previous year Rs.Nil)	100	100	-	-
Bharat Chemicals & Fertilisers Ltd. (Rs.Nil), (Previous year Rs.Nil)	50	50	-	-
Bharat Pipes & Fittings Ltd. (Rs.Nil), (Previous year Rs.Nil)	500	500	-	-
BPL Ltd. (Rs.Nil), (Previous year Rs.Nil)	300	300	-	-
C S E C Limited (Rs.Nil), (Previous year Rs.Nil)	50	50	-	-
Eureka Industries Ltd. (Rs.Nil), (Previous year Rs.Nil)	300	300	-	-
Gujrat Cycles Ltd. (Rs.Nil), (Previous year Rs.Nil)	300	300	-	-
Hitek Industries Ltd. (Rs.Nil), (Previous year Rs.Nil)	500	500	-	-
Hytasun Magnetics Ltd. (Rs.Nil), (Previous year Rs.Nil)	100	100	-	-
International Instrument Ltd. (Rs.Nil), (Previous year Rs.Nil)	75	75	-	-
Kuwer Industries Ltd. (Rs.Nil), (Previous year Rs.Nil)	250,000	250,000	-	-
Lakshmi Electrical Control Systems Ltd. (Rs. Nil), (Previous year Rs.Nil)	50	50	-	-
Lakshmi Synthetic Machinery Mfrs.Ltd. (Rs. Nil), (Previous year Rs.Nil)	200	200	-	-
Modi GBC Ltd. (Rs. Nil), (Previous year Rs.Nil)	800	800	-	-
Otoklin Plants & Equipments Ltd. (Rs.Nil), (Previous year Rs.Nil)	150	150	-	-
Pan Auto Ltd. (Rs.Nil), (Previous year Rs.Nil)	416,200	416,200	-	-
Patheja Forgings & Auto Parts Mfrs.Ltd. (Rs.Nil), (Previous year Rs.Nil)	369	369	-	-
Priyadarshini Spinning Mills Ltd. (Rs.Nil), (Previous year Rs.Nil)	150	150	-	-

Radan Tapes & Tubes Ltd. (Rs. Nil), (Previous year Rs.Nil)	6,600	6,600	-	-
Rama Newsprint & Papers Ltd. (Rs.Nil), (Previous year Rs.Nil)	100	100	-	-
Ravlon Pen Company Ltd. (Rs. Nil), (Previous year Rs.Nil)	48	48	-	-
Roshanlal Oils Ltd. (Rs.Nil), (Previous year Rs.Nil)	50	50	-	-
Samtel Colour Ltd. (Rs.Nil), (Previous year Rs.Nil)	100	100	-	-
Sand Plast (India) Ltd. (Rs.Nil), (Previous year Rs.Nil)	120,200	120,200	-	-
Shriram Honda Power Equipments Ltd. (Rs.Nil), (Previous year Rs.Nil)	130	130	-	-
Standard Batteries Ltd. (Rs.Nil), (Previous year Rs.Nil)	10	10	-	-
Star Spin & Twist Machineries Ltd. (Rs.Nil), (Previous year Rs.Nil)	15,900	15,900	-	-
The Swadeshi Cotton Mills Company Ltd. (Rs.Nil), (Previous year Rs.Nil)	45	45	-	-
Teaktex Processing Complex Ltd. (Rs.Nil), (Previous year Rs.Nil)	38,300	38,300	-	-
The Tata Iron & Steel Co.Ltd. (Rs.Nil), (Previous year Rs.Nil)	376	376	-	-
Topline Shoes Ltd. (Rs.Nil), (Previous year Rs.Nil)	110,600	110,600	-	-
Ucal Power Ltd. (Rs.Nil), (Previous year Rs.Nil)	100	100	-	-
Uniplas (India) Ltd. (Rs.Nil), (Previous year Rs.Nil)	75	75	-	-
Uniworth India Ltd (Rs.Nil), (Previous year Rs.Nil)	100	100	-	-
DSQ Biotech Ltd. (Rs.Nil), (Previous year Rs.Nil)	100	100	-	-
Viral Syntex Ltd. (Rs.Nil), (Previous year Rs.Nil)	100	100	-	-
Western Ministeel Ltd. (Rs.Nil), (Previous year Rs.Nil)	75	75	-	-
Ultra Tech Cement Limited (Rs.Nil), (Previous year Rs.Nil)	9	9	-	-
			-	-
			8.27	8.27
Less : Provision for Shares Pending transfer in Company's name			8.27	8.27
			-	-
Sub-total (I)			-	-
<b>II. Warrants :</b>				
Videocon International Ltd.	7,500	7500	-	-
			-	-
Sub-total (II)			-	-
<b>III. Debentures :</b>				
16.00% Essar Shipping Ltd. Partly Convertible Debentures (Rs. 50/-) "J" Series	-	-	-	-
			-	-
Sub-total (III)			-	-
<b>Aggregate amount of Quoted Stock in Trade</b>	<b>Total A (I+II+III)</b>		-	0.00
<b>B) Unquoted Equity Shares/Debentures</b> (Face value Rs.10/-each,unless otherwise stated)				
<b>Equity Shares :</b>				
Patheja Brothers Forgings & Stampings Ltd.	380,000	380,000	-	-
			-	-
Sub-total (I)			-	-
<b>Aggregate amount of Unquoted Stock in Trade</b>	<b>Total B</b>		-	-
<b>Aggregate Amount of Stock in Trade</b>	<b>Total A + B</b>		-	-
<b>Aggregate Amount of Quoted Stock in Trade</b>			-	-
<b>Aggregate Market Value of Quoted Stock in Trade</b>			0.20	0.19

NOTE : All the abovementioned Shares/Debentures/Securities are fully paid-up, unless otherwise stated.

# PRIME SECURITIES LIMITED

## ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

### Balance Sheet Abstract and Company's General Business Profile

<b>1 Registration Details</b>	
Registration No.	26724
State Code	11
Balance Sheet Date	March 31, 2007
<b>2 Capital raised during the year (Rs. in '000)</b>	
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement- Equity Shares	NIL
<b>3 Position of mobilisation and deployment of funds (Rs. in '000)</b>	
Total Liabilities	570536
Total Assets	570536
<b>Sources of funds</b>	
Paid-up Capital	122694
Reserves & Surplus	445326
Secured Loans	1726
Unsecured Loans	790
<b>Application of funds</b>	
Net Fixed Assets	39051
Investment	514022
Net Current Assets	17463
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL
<b>4 Performance of the Company (Rs. in '000)</b>	
Turnover (Gross Receipts)	411752
Total Expenditure	58094
Profit before tax	306277
Profit after tax	271297
Earning Per Share	11.09
Dividend rate including Special Dividend if any	
- On Preference Shares	-
- On Equity Shares	45%
<b>5 Generic names of Principal products, service of the Company</b>	
Item Code No. (ITC Code)	NOT APPLICABLE
Service Description	Debt and Equity Organisation, Issue Management, Merger & Acquisition and other Advisory services

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956 RELATING TO THE SUBSIDIARY COMPANIES

A. Name of Subsidiary	Prime Broking Company (India) Limited	Prime Commodities Broking (India) Limited	Prime Research & Advisory Limited
<b>B. Financial year ended</b>	<b>March 31, 2007</b>	<b>March 31, 2007</b>	<b>March 31, 2007</b>
<b>C. Holding Company's Interest</b>			
I. No. of Equity Shares	53,41,000	3,50,000	3,50,000
Face value per Share	Rs. 10	Rs. 10	Rs. 10
II. Percentage of Holding	100%	100%	100%
<b>D. The net aggregate amount of Subsidiary's Profits/(Losses) So far as it concerns the Members of Holding Company not dealt with in The Holding Company's Accounts</b>			
a) For the current financial Year (Rs. in lacs)	91.08	(4.46)	0.21
b) For the previous Financial years since it became a Subsidiary (Rs. in lacs)	90.46	-	(3.43)
<b>E. The net aggregate amount of Profits/(Losses) of the Subsidiary which has been dealt with in the Holding Company's Accounts</b>			
a) For the current Financial year	Nil	Nil	Nil
b) For the previous Financial years since it became a Subsidiary	Nil	Nil	Nil

**N. JAYAKUMAR**  
President  
**AJAY SHAH**  
Company Secretary

For and on behalf of the Board  
**NIKHIL SHAH** Director  
**ARUN SHAH** Director  
**PRADIP DUBHASHI** Director  
**R. RAMACHANDRAN** Director

Mumbai, Dated : April 27, 2007

**N. JAYAKUMAR**  
President  
**AJAY SHAH**  
Company Secretary

For and on behalf of the Board  
**NIKHIL SHAH** Director  
**ARUN SHAH** Director  
**PRADIP DUBHASHI** Director  
**R. RAMACHANDRAN** Director

Mumbai, Dated : April 27, 2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2007

(Rs. in Lacs)

	INFLOWS/(OUTFLOWS)	
	Year ended 31-Mar-07	Year ended 31-Mar-06
<b>A. Cash flow from Operating Activities</b>		
<b>Net Profit/(Loss) Before tax</b>	<b>3,062.77</b>	<b>1,657.42</b>
Adjustments for :		
Depreciation	13.90	11.95
Interest & Finance Charges	2.31	1.20
Diminution in Value of Investments	212.61	4.77
Loss on sale of asset	-	2.75
Profit on sale of Investments	(1,795.81)	(466.33)
Dividend Received	(10.29)	(5.32)
Interest Received	(13.95)	(16.89)
Bad Debts Written-off / back (Net)	244.99	(0.86)
Provision for diminution in value of Investment written back	-	(121.90)
	<b>(1,346.24)</b>	<b>(590.62)</b>
Operating Profit before Working Capital changes	<b>1,716.53</b>	<b>1,066.80</b>
Adjustments for Changes in the Working Capital		
Stock In Trade	-	0.05
Debtors	(43.65)	(100.42)
Loans & Advances	(538.70)	(202.30)
Current Liabilities & Provisions	139.47	(209.65)
	<b>(442.88)</b>	<b>(512.32)</b>
<b>Cash generated from Operations</b>	<b>1,273.65</b>	<b>554.48</b>
Direct Taxes Paid (net)	(216.17)	(44.80)
<b>Net Cash from Operating Activities (A)</b>	<b>1,057.48</b>	<b>509.68</b>
<b>B. Cashflow from Investment Activities</b>		
Purchase of Investments	(5,503.84)	(1,066.03)
Purchase of Fixed Assets	(6.92)	(32.50)
Sale of Investments	5,036.67	857.33
Sale of Fixed Assets	-	0.27
Dividend Received	10.29	5.32
Interest Received	13.28	15.68
	<b>(450.52)</b>	<b>(219.93)</b>
<b>Net Cash used in Investment activities (B)</b>		
<b>C. Cashflow from Financing activities</b>		
Interest & Finance Charges	(1.98)	(0.87)
Fresh Issue of share capital	-	126.00
Buy Back of Equity share capital	-	(219.07)
Funds Borrowed/(Repaid) (net)	(5.30)	(189.54)
Dividend Paid	(489.11)	-
Dividend Tax Paid	(68.59)	-
	<b>(564.98)</b>	<b>(283.48)</b>
<b>Net Cash Used in Finance Activities (C)</b>		
<b>Net Cashflow (A + B + C)</b>	<b>41.98</b>	<b>6.26</b>
<b>Changes in the Cash &amp; Bank Balances</b>		
Cash and Cash Equivalents at the beginning of the year	<b>58.67</b>	<b>52.41</b>
Cash and Cash Equivalents at the end of the year	<b>100.65</b>	<b>58.67</b>

**Notes:**

- 1 Cash and Cash equivalents at the end of the year include :
  - a) Rs. 15.66 lacs (Previous year Rs. 15.66 lacs) in a fixed deposit pledged with bank towards overdraft availed by subsidiary Company.
  - b) Rs. 38.14 lacs (Previous year Rs. 38.14 lacs) in a fixed deposit pledged with bank towards Bank Guarantee availed by subsidiary Company.
- 2 Previous year figures have been regrouped / rearranged wherever necessary.

**N. JAYAKUMAR**  
*President*

**AJAY SHAH**  
*Company Secretary*

For and on behalf of the Board  
**NIKHIL SHAH** *Director*  
**ARUN SHAH** *Director*  
**PRADIP DUBHASHI** *Director*  
**R RAMACHANDRAN** *Director*  
Mumbai, Dated : April 27, 2007

# ***PRIME SECURITIES LIMITED***

## **CONSOLIDATED ACCOUNTS - AUDITOR'S REPORT**

To,

**The Board of Directors of Prime Securities Limited**

1. We have audited the attached consolidated Balance Sheet of Prime Securities Limited and its Subsidiary Companies as at 31<sup>st</sup> March, 2007 and also the related consolidated Profit and Loss Account and the cash flow statement for the year ended on that date annexed thereto. These consolidated 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 did not audit the financial statements of two Subsidiary Companies – Prime Broking Company (India) Ltd. (PBCIL) and Prime Commodities Broking (India) Ltd. (PCBIL) for the year ended March 31, 2007. The financial statements of PBCIL and PCBIL were audited by another auditor whose report has been furnished to us, and our opinion, so far as it relates to PBCIL and PCBIL is based solely on the report of the other auditor.
2. We 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 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India, on the basis of individual financial statements of Prime Securities Limited and its Subsidiary Companies included in the consolidated financial statements.
4. In our opinion, based on our audit and the report of other auditor, the consolidated financial statements referred to above give a true and fair view of the financial position of Prime Securities Limited and its Subsidiary Companies as at 31<sup>st</sup> March 2007 and of the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles in India.

For and on Behalf of  
**Chandabhoj & Jassoobhoj**  
*Chartered Accountants*

**A. K. Kotwal**  
*Partner*  
Membership No.: F 37030

Mumbai : April 27, 2007

**CONSOLIDATED BALANCE SHEET OF PRIME SECURITIES  
LTD AND ITS SUBSIDIARIES AS AT MARCH 31, 2007**

Schedule	As at 31-Mar-07 Rs. in lacs	As at 31-Mar-06 Rs. in lacs
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
Share Capital A	1,226.94	1,226.94
Reserves and Surplus B	4,036.29	1,903.95
	<b>5,263.23</b>	3,130.89
<b>Loan Funds</b>		
Secured Loans C	716.20	476.31
<b>TOTAL</b>	<b>5,979.43</b>	3,607.20
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets D</b>		
Gross Block	1,290.77	1,229.57
Less : Depreciation	778.33	748.17
Net Block	512.44	481.40
<b>Investments E</b>	<b>4,164.36</b>	2,139.72
<b>Current Assets, Loans and Advances</b>		
Debtors F	1,684.18	426.03
Cash and Bank Balances G	593.64	295.00
Other Current Assets H	12.85	16.97
Loans and Advances I	1,071.40	1,089.44
	<b>3,362.07</b>	1,827.44
<b>Less : Current Liabilities and Provisions</b>		
Current Liabilities J	1,338.77	445.08
Provisions K	810.90	433.85
	<b>2,149.67</b>	878.93
<b>Net Current Assets</b>	<b>1,212.40</b>	948.51
<b>Deferred Tax Asset (Net)</b> ( Refer note no. 14 of Schedule 'Q' )	<b>87.64</b>	37.57
<b>Miscellaneous Expenditure L</b> (To the extent not written-off or adjusted)	<b>2.59</b>	-
<b>TOTAL</b>	<b>5,979.43</b>	3,607.20
<b>Significant Accounting Policies P</b>		
<b>Notes on Accounts Q</b>		

As per our Report attached

For and on behalf of

**CHANDABHOY & JASSOOBHOY**  
Chartered Accountants

**N. JAYAKUMAR**  
President

**A. K. Kotwal**  
Partner

**AJAY SHAH**  
Company Secretary

Mumbai, Dated : April 27, 2007

For and on behalf of the Board

**NIKHIL SHAH** Director  
**ARUN SHAH** Director  
**PRADIP DUBHASHI** Director  
**R. RAMACHANDRAN** Director

Mumbai, Dated : April 27, 2007

**CONSOLIDATED PROFIT AND LOSS ACCOUNT OF PRIME SECURITIES  
LTD AND ITS SUBSIDIARIES FOR THE YEAR ENDED MARCH 31, 2007**

Schedule	Year ended 31-Mar-07 Rs. in lacs	Year ended 31-Mar-06 Rs. in lacs
<b>INCOME</b>		
Merchant Banking and Advisory Fees (Gross) [Tax deducted at source Rs. 128.31 lacs (Previous Year Rs. 67.96 lacs)]	2,271.51	1,358.52
Income From Broking Operations (Net of Service Tax)	998.65	628.35
Income from Securities (Net)	1,823.83	479.03
Income From PMS Operations (Net of Service Tax)	75.57	-
Interest and Other Income M	41.06	74.80
<b>TOTAL</b>	<b>5,210.62</b>	2,540.70
<b>EXPENDITURE</b>		
Administrative and Other Expenses N	1,321.05	678.38
<b>Profit before Interest, Tax, and Non-cash charges</b>	<b>3,889.57</b>	1,862.32
Interest and Finance Charges O	79.96	11.68
<b>Profit before Non-cash charges and Tax</b>	<b>3,809.61</b>	1,850.64
Less:		
Bad Debts written-off / (written back) (Net)	244.99	61.04
Depreciation	31.54	138.62
Provision for Diminution in value of Investments Written Back	-	(121.90)
Diminution in value of Investments	343.33	4.77
	<b>619.86</b>	82.53
<b>Profit before Tax</b>	<b>3,189.75</b>	1,768.11
Provision for Tax - Current Tax	(436.03)	(160.00)
- Deferred Tax	50.07	4.67
- Fringe Benefit Tax	(3.99)	(3.56)
<b>Profit after Tax</b>	<b>2,799.80</b>	1,609.22
Prior Period Adjustments - Tax	(29.75)	46.95
	<b>2,770.05</b>	1,656.17
Surplus Brought forward from Previous Year	637.84	349.31
Utilisation for Buy Back of Shares	-	(201.83)
Transfer to Capital Redemption Reserve	-	(17.25)
	<b>637.84</b>	130.23
<b>Available for appropriation</b>	<b>3,407.89</b>	1,786.40
<b>Appropriation</b>		
Interim Dividend	183.42	-
Tax on Interim Dividend	25.72	-
Proposed Dividend	366.83	305.69
Tax on Proposed Dividend	61.74	42.87
Transfer to General Reserve	1,300.00	800.00
<b>Balance Carried to the Balance Sheet</b>	<b>1,470.16</b>	637.84
<b>Earning Per Share (Face Value per share Rs. 5/-)</b>		
- Basic	11.45	6.58
- Diluted	11.45	6.58
<b>Significant Accounting Policies P</b>		
<b>Notes on Accounts Q</b>		

As per our Report attached

For and on behalf of

**CHANDABHOY & JASSOOBHOY**  
Chartered Accountants

**N. JAYAKUMAR**  
President

**A. K. Kotwal**  
Partner

**AJAY SHAH**  
Company Secretary

Mumbai, Dated : April 27, 2007

For and on behalf of the Board

**NIKHIL SHAH** Director  
**ARUN SHAH** Director  
**PRADIP DUBHASHI** Director  
**R. RAMACHANDRAN** Director

Mumbai, Dated : April 27, 2007

# PRIME SECURITIES LIMITED

## SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31-Mar-07 Rs. in lacs	As at 31-Mar-06 Rs. in lacs		As at 31-Mar-07 Rs. in lacs	As at 31-Mar-06 Rs. in lacs
<b>SCHEDULE 'A'</b>			<b>SCHEDULE 'B'</b>		
<b>SHARE CAPITAL</b>			<b>RESERVES &amp; SURPLUS</b>		
<b>AUTHORISED</b>			<b>Capital Redemption Reserve</b>		
3,00,00,000 (Previous year 3,00,00,000)			As per last Balance Sheet	217.27	200.02
Equity Shares of Rs. 5/- each	1,500.00	1,500.00	Add : Transfer from Profit & Loss A/c.	-	17.25
2,00,000 (Previous year 2,00,000) 13 % Cumulative Redeemable				217.27	217.27
Preference Shares of Rs. 100/- each	200.00	200.00	<b>Share Premium</b>		
18,00,000 (Previous year 18,00,000)			As per last Balance Sheet	248.84	178.84
Unclassified shares of Rs. 100/- each	1,800.00	1,800.00	Add : Additions during the year	-	70.00
<b>TOTAL</b>	<b>3,500.00</b>	<b>3,500.00</b>		248.84	248.84
<b>ISSUED</b>			<b>General Reserve</b>		
2,52,04,625 (Previous year 2,52,04,625)			As per last Balance Sheet	800.00	800.00
Equity Shares of Rs.5/- each	1,260.23	1,260.23	Add : Additions during the year	1,300.00	-
<b>TOTAL</b>	<b>1,260.23</b>	<b>1,260.23</b>		2,100.00	800.00
<b>SUBSCRIBED</b>			<b>Profit &amp; Loss Account</b>		
2,52,04,025 (Previous year 2,52,04,025)			<b>TOTAL</b>	<b>4,036.29</b>	<b>1,903.95</b>
Equity Shares of Rs.5/- each	1,260.20	1,260.20	<b>SCHEDULE 'C'</b>		
<b>TOTAL</b>	<b>1,260.20</b>	<b>1,260.20</b>	<b>SECURED LOANS</b>		
<b>PAID-UP</b>			Overdraft from a Bank	688.57	449.57
2,44,55,425 (Previous year 2,44,55,425)			(Fully Secured against Fixed Deposit/ shares pledged with the Bank and corporate guarantee of holding company)		
Equity Shares of Rs. 5/- each	1,222.77	1,222.77	Short Term Loans & Advances		
Add : Share Forfeiture Account	4.17	4.17	(i) From Banks	27.63	26.74
[7,48,600 Equity Shares (Previous year 7,48,600) forfeited]			[Secured by hypothecation of assets of the Company acquired out of said loan] Repayable within one year Rs. 8.32 lacs (Previous Year Rs. 8.56 lacs)]		
Of the above			<b>TOTAL</b>	<b>716.20</b>	<b>476.31</b>
i) 1,35,476 (Previous year 1,35,476 ) Equity shares of Rs. 10/- issued as fully paid up pursuant to a contract without payment being received in cash.			<b>SCHEDULE 'E'</b>		
ii) 28,62,550 (Previous year 28,62,550) Equity shares of Rs. 10/- each have been allotted as Bonus shares by capitalisation of Rs. 84,50,000 out of Share Premium and Rs. 2,01,75,500 out of balance in Profit & Loss account.			<b>INVESTMENTS</b>	4,164.36	2139.72
<b>TOTAL</b>	<b>1,226.94</b>	<b>1,226.94</b>	<b>TOTAL</b>	<b>4,164.36</b>	<b>2139.72</b>

### SCHEDULE 'D'

#### FIXED ASSETS

(Rs. In Lacs)

DESCRIPTION	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As on 1-Apr-06	Additions during the year	Sales/Adj. during year	As on 31-Mar-07	As on 1-Apr-06	For the year		As on 31-Mar-07	As on 31-Mar-07	As on 31-Mar-06
						Provided	Written Back			
Goodwill arising on Consolidation	595.32	-	-	595.32	595.32	-	-	595.32	-	-
Data Processing Equipment	57.34	10.08	2.54	64.88	36.53	5.57	0.76	41.34	23.54	20.81
Computer Software	33.04	28.16	-	61.20	1.10	7.59	-	8.69	52.51	31.94
Furniture & Fixtures	65.64	5.81	0.29	71.16	25.05	4.10	0.04	29.11	42.05	40.59
Residential Flats *	392.80	-	-	392.80	68.40	6.40	-	74.80	318.00	324.40
Office Equipments	32.29	1.95	-	34.24	9.62	1.61	-	11.23	23.01	22.67
Vehicles	53.14	26.80	8.77	71.17	12.15	6.27	0.58	17.84	53.33	40.99
<b>Total</b>	<b>1,229.57</b>	<b>72.80</b>	<b>11.60</b>	<b>1,290.77</b>	<b>748.17</b>	<b>31.54</b>	<b>1.38</b>	<b>778.33</b>	<b>512.44</b>	<b>481.40</b>
<b>Previous Year</b>	<b>1,152.70</b>	<b>83.72</b>	<b>6.85</b>	<b>1,229.57</b>	<b>613.38</b>	<b>138.62</b>	<b>3.83</b>	<b>748.17</b>	<b>481.40</b>	

\* Refer Note No. 10 of Schedule Q

	As at 31-Mar-07 Rs. in lacs	As at 31-Mar-06 Rs. in lacs
<b>SCHEDULE 'F'</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured, considered good unless otherwise stated)		
Debts outstanding for a period exceeding six months		
Considered Good	65.20	1.93
Considered Doubtful	72.03	72.03
	137.23	73.96
Less : Provision for Doubtful Debts	72.03	72.03
	65.20	1.93
Other Debts - Considered Good	1,618.98	424.10
<b>TOTAL</b>	<b>1,684.18</b>	<b>426.03</b>
<b>SCHEDULE 'G'</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	4.07	3.95
Bank Balances :-		
with Scheduled Banks:		
On Current Accounts	98.93	23.42
On Deposit Accounts	490.64	267.63
[Bank deposits of Rs. 490.29 lacs (Previous year Rs. 267.30 lacs) pledged with bank of which Rs. 359.41 lacs (Previous Year Rs 150.64 lacs) against guarantees issued by Bank and Rs. 130.88 lacs (Previous Year Rs 116.66 lacs) against overdraft)		
<b>TOTAL</b>	<b>593.64</b>	<b>295.00</b>
<b>SCHEDULE 'H'</b>		
<b>OTHER CURRENT ASSETS</b>		
Accrued Income	12.85	16.97
<b>TOTAL</b>	<b>12.85</b>	<b>16.97</b>
<b>SCHEDULE 'I'</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured, considered good, unless otherwise stated)		
Loans	135.13	22.28
[Considered doubtful Rs. 8.14 lacs (Previous year Rs 8.14 lacs)]		
Advances recoverable in cash or in kind or for value to be received	270.00	314.21
	405.13	336.49
Less : Provision for Non-Performing Assets	8.14	8.14
	396.99	328.35
Advance Tax and Tax Deducted at source (Net of Provisions)	10.34	32.04
Security Deposits	664.07	729.05
<b>TOTAL</b>	<b>1,071.40</b>	<b>1,089.44</b>
<b>SCHEDULE 'J'</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
Due to small scale industrial units	-	-
Due to others	856.99	151.39
Other Liabilities	481.78	293.69
<b>TOTAL</b>	<b>1,338.77</b>	<b>445.08</b>

	As at 31-Mar-07 Rs. in lacs	As at 31-Mar-06 Rs. in lacs
<b>SCHEDULE 'K'</b>		
<b>PROVISIONS</b>		
Provision for Taxation (Net of Advance Tax and Tax deducted at source)	181.43	19.01
Provision for Fringe Benefit Tax (Net of Advance Tax)	0.27	0.38
Provision for Leave Encashment	101.93	65.89
Proposed Dividend	428.57	348.57
Unclaimed Dividend	41.20	-
Provision for Gratuity	57.50	-
<b>TOTAL</b>	<b>810.90</b>	<b>433.85</b>
<b>SCHEDULE 'L'</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written-off or adjusted)		
Preliminary Expenses	2.59	-
<b>TOTAL</b>	<b>2.59</b>	<b>-</b>
<b>SCHEDULE 'M'</b>		
<b>INTEREST AND OTHER INCOME</b>		
Interest received (Gross)	37.36	36.57
[Tax Deducted at source Rs. 6.00 lacs (Previous year Rs 5.09 lacs)]		
Miscellaneous Income	3.70	3.23
Bad Debts Recovered	-	35.00
<b>TOTAL</b>	<b>41.06</b>	<b>74.80</b>
<b>SCHEDULE 'N'</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Salaries & Bonus	857.48	344.87
Contribution to Provident and Other Funds	7.09	4.16
Staff Welfare Expenses	14.35	8.30
Travelling & Conveyance	25.58	24.34
Rent	44.90	35.45
Legal & Professional fees	142.97	73.25
Rates & Taxes	0.26	0.86
Stamp Charges	43.65	27.64
Telephone, Postage and Courier Charges	22.31	27.93
Printing & Stationery	6.64	6.91
Advertisement	8.91	6.72
Insurance	3.50	1.91
Repairs & Maintenance		
- Building	1.78	23.98
- Others	5.84	5.80
Membership & Subscription	35.02	21.47
Transaction Fees	20.57	15.14
Directors' Sitting Fees	0.85	1.20
Commission to Directors	25.00	15.00
Auditor's Remuneration	4.39	5.22
Loss on sale of assets	1.25	2.75
Miscellaneous Expenses	48.71	25.48
<b>TOTAL</b>	<b>1,321.05</b>	<b>678.38</b>
<b>SCHEDULE 'O'</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Interest :		
On Fixed Loans	3.02	1.35
On Others	70.81	7.34
Finance charges	6.13	2.99
<b>TOTAL</b>	<b>79.96</b>	<b>11.68</b>

# PRIME SECURITIES LIMITED

## SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

### SCHEDULE 'P'

#### SIGNIFICANT ACCOUNTING POLICIES

##### 1. Accounting Convention

The Consolidated Financial Statements have been prepared under the historical cost convention in accordance with Generally Accepted Accounting Principles in India and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

##### 2. Principles of Consolidation

The Consolidated Financial Statements relate to Prime Securities Limited ("the Company") and its Wholly owned Subsidiary Companies, Prime Broking Company (India) Limited, Prime Research & Advisory Limited and Prime Commodities Broking (India) Limited. The Consolidated Financial Statements have been prepared on the following basis: -

- The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.
- The excess of cost to the Company of its investment in the Subsidiary Companies over the Company's portion of equity (net assets) of the Subsidiary Companies on the date on which investment in Subsidiaries is made is recognised as Goodwill, which is amortised over a period of five years.

##### 3. Companies included in Consolidation

Subsidiary Companies considered in the consolidated financial statements are:

Name of the Company	Country of incorporation	Proportion of ownership interest held by the Company as at March 31, 2007	Date of becoming subsidiary company
Prime Broking Company (India) Ltd	India	100	March 25, 1994
Prime Research & Advisory Ltd	India	100	November 5, 1997
Prime Commodities Broking (India) Limited	India	100	April 24, 2006

##### 4. Other Significant Accounting Policies

###### a) Method of Accounting

The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis.

###### b) Fixed Assets

- Fixed Assets are stated at cost less depreciation.

###### c) Depreciation

- Depreciation on assets for own use including the assets acquired under "Hire Purchase Scheme" is provided on straight line method on pro-rata basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- The cost of fixtures and fittings installed in leased premises, are amortised over the period of the lease of the respective premises or depreciated as per 4(c)(i) above, if such depreciation is higher.
- Capitalised Software is amortised over the useful life of the asset not exceeding six years.

###### d) Investments/Stock-in-trade

- Shares, Debentures, Units, Warrants and Securities those are intended, at the time of acquisition, to be held for a period exceeding twelve months are classified as "Long Term Investments".
- Shares, Debentures, Units, Warrants and Securities are accounted under Investments/Stock-in-trade on trade dates.
- Rights entitlements are accounted for as Investments / Stock-in-trade at issue price plus acquisition cost, if any.

- Bonus entitlements are recognised on ex-bonus dates without any acquisition cost.
- The cost of Investments/Stock-in-trade include brokerage and stamp duty.

##### e) Valuation of Investments and Stock-in-trade

- Quoted scrips under Current Investments, are valued at cost or market value, whichever is lower, whereby the cost of each scrip is compared with its market value and the resultant shortfall, if any, is charged to revenue.
- Long Term Investments are stated at cost unless there is a diminution in the value of Investments other than temporary.
- Quoted scrips under Stocks are valued at book value or market value, whichever is lower, whereby the book value of each scrip is compared with its market value and the resultant shortfall, if any, is charged to revenue.

For this purpose:

- Quoted scrips are taken at the highest year end closing market rates prevailing on the principal stock exchanges where they are traded.
  - The rights entitlements for Shares / Debentures are taken at the year-end closing market rates applicable to relevant Shares / Debentures less uncalled liability, if any.
- Unquoted Scrips under "Stock-in-trade" are taken at cost or fair value of the share, whichever is lower, as per the latest audited Balance Sheet of the Companies concerned, whereas Unquoted Shares held under "Investments" are valued at cost unless the diminution in the value of each of such investments, in the opinion of the Management, is other than temporary.

##### f) Income

- Profits or losses from Stock-in-trade are recognised on trade dates on "first-in first-out" basis.
- Profits or losses from Investments are recognised on trade dates by comparing the sales realisation with the weighted average cost of such investment.
- In respect of contracts relating to specified shares settled without taking or giving deliveries, profits or losses are recognised on settlement dates.
- Merchant Banking and Advisory Fees are accrued as per the terms of contract except where there is uncertainty as to their realisation.
- Brokerage income in case of capital market transactions and in case of futures and options transactions is accounted for on the basis of transaction date. In case of wholesale debt market transactions, it is accounted for at the end of the relevant month.

##### g) Retirement Benefits

- Retirement Benefits in the form of Provident Fund, Encashment of Leave (based on actuarial valuation as at year end) and Pension Scheme, etc. whether in pursuance of any laws or otherwise is accounted on accrual basis and charged to the profit and loss account of the year.
- The present liability of future payment of gratuity in respect of all eligible employees is covered under a Group Gratuity Policy of the Life Insurance Corporation of India. Annual contributions are determined by the LIC under the policy and accordingly accounted for.

##### h) Taxation

- Taxes on income are computed whereby such taxes are accrued in the same period as the revenue and expense to which they relate.
- Current tax liability is measured using the applicable tax rates and tax laws and the necessary provision is made annually. Deferred tax asset/liability arising out of the tax effect of timing differences is measured using the tax rates and the tax laws that have been enacted / substantially enacted at the balance sheet date.
- Deferred tax assets are recognized only if there is a reasonable certainty of their realization.

**SCHEDULE 'Q'**  
**NOTES ON ACCOUNTS**

**1. Contingent Liabilities**

(Rs in Lacs)

	As at March 31, 2007	As at March 31, 2006
a) Demands raised by Income Tax and Sales Tax department against which the Company has preferred appeals.	11.66	11.66
b) Claim made against the Company not acknowledged (Interest liability on the above can not be ascertained)	573.43	574.25
c) Bank Guarantees Issued	675.00	275.00
d) Corporate Guarantee given Shares/Fixed Deposit pledged	1,386.14	675.00
e) Uncalled liability on Partly paid warrants	216.00	-

2. Unquoted investments include shares of Concept Productions Limited and Vishaka Aqua Limited aggregating Rs. 130.72 Lac. The decline in the value of investment as perceived by the management is other than temporary and hence provision of Rs. 130.72 Lacs has been made towards diminution.
3. Loans and Advances include a sum of Rs. 10.74 lacs (Previous year Rs. 13.84 lacs) due from the Principal Officer of the Company. Maximum balance outstanding during the year - Rs. 13.84 lacs (Previous year Rs. 16.85 lacs).
4. In the opinion of the management, Sundry Debtors outstanding over six months have a value at least equal to the amount shown in the balance sheet and the provisions made thereof are sufficient and adequate.
5. The maximum balance outstanding during the year from director was Rs. 92.72 lacs (Previous year Rs. 94.01 lacs).
- 6. Income from Securities comprises of:**
- a) Profit on sale of stock-in-trade (net) Rs. 23.26 lacs (Previous Year Rs 1.55 lacs).
- b) Profit on sale of investments (net) Rs. 1,786.75 lacs (Previous Year Rs 472.16 lacs).
- a) Dividend received Rs. 13.82 lacs (Previous Year Rs 5.32 lacs).

**7. Expenditure incurred in foreign currency:**

	Year Ended March 31, 2007 Rs. in lacs	Year Ended March 31, 2006 Rs. in lacs
a) Foreign Travel	0.94	2.99
b) Membership & Subscription	5.87	-
	6.81	2.99

**8. Auditor's Remuneration**

	Year Ended March 31, 2007 Rs. in lacs	Year Ended March 31, 2006 Rs. in lacs
Audit Fees	2.70	2.50
Tax Audit Fees	0.50	0.40
In Other Capacity:		
- Certification	0.33	1.46
- Other matters	0.85	0.85
Out of Pocket Expenses	0.01	0.01
	4.39	5.22

**9. Director's Remuneration**

	Year Ended March 31, 2007 Rs. in lacs	Year Ended March 31, 2006 Rs. in lacs
i) Salary Bonus & Allowances**	85.28	35.10
ii) Contribution to Provident & Other Funds #	0.34	0.23
iii) Commission to Non-Whole time Directors	25.00	15.00
iv) Sitting Fees	0.85	1.20
	111.47	51.53

# Excludes contribution to LIC under LIC's Group Gratuity Scheme, amount being unascertainable.

\*\* Includes Incentive bonus of Rs. 6.50 Lacs (Previous Year Rs. 3.00 Lacs) subject to approval of shareholders.

10. Fixed Assets include a residential flat of Rs. 318.00 lacs (Net) in a Co-operative Society, acquired from a Debtor in satisfaction of a claim. In view of the restraining Orders, the Society has kept in abeyance the admission of membership of the Company. During the year, pursuant to the order of the Hon'ble High Court, the possession of the flat was handed over to the Official Assignee. An appeal was filed by the Company against the said order whereby the said order was set aside. Pursuant to the fresh chamber summons filed by the Company for raising attachment, the Official Assignee has been directed not to sell or dispose off the flat. The Company has been legally advised that the said developments will not have a bearing on the Company's title to the flat and the Company is not likely to have any further claim or liability against the said flat.

11. The balances of Debtors, Creditors, Advances and Liabilities are subject to confirmation and consequential adjustments, if any.

**12. Related Party Disclosures**

- 1) Related party disclosures as per Accounting Standard 18 issued by the Institute of Chartered Accountants of India are given below:

**Relationships**

(a) Directors

- (1) Mr. Arun Shah #
- (2) Mr. Nikhil Shah##
- (3) Mr. Pradip Dubhashi
- (4) Mr. R Ramachandran
- (5) Mr. N. Jayakumar\*
- (6) Ms. Binaifer Jijina\*\*
- (7) Mr. Ajay Shah\*\*\*
- (8) Mr. Vinay Motwani\*\*\*\*

\* Key management personnel – President of Prime Securities Limited, Chairman of Prime Broking Company (India) Limited & Director of Prime Research & Advisory Limited.

\*\* Director of Prime Research & Advisory Limited.

\*\*\* Director of Prime Broking Company (India) Limited, Prime Research & Advisory Limited and Prime Commodities Broking (India) Limited.

\*\*\*\* Director of Prime Broking Company (India) Limited and Prime Research & Advisory Limited.

# Director of Prime Securities limited, Prime Broking Company (India) limited & Prime Commodities Broking (India) Limited

## Director of Prime Securities limited & Prime Commodities Broking (India) Limited

(b) Relatives of Directors

- (1) Ms. Madhu Jayakumar
- (2) Ms. Avni A shah

(c) Associate Company

- (1) Judith Investments Private Limited

# PRIME SECURITIES LIMITED

- 2) The following transactions were carried out with the related parties in the ordinary course of business during the financial year 2006-2007.

(Rs. in lacs)

Sl. No.	Nature of Transaction	Transactions during the year		Balance as on	
		Current Year	Previous Year	31.03.07	31.03.06
1	Loan to Mr. N. Jayakumar - Given during the year - Repaid during the year	- 3.10	- 3.01	10.74 (Debit)	13.84 (Debit)
2	Interest on loan received from Mr. N Jayakumar	0.37	0.46	-	-
3	Remuneration paid to Director & Key managerial personnel of the Company for the year (Perquisites valued as per rules prescribed by the Income Tax Act, 1961).	43423	131.30	-	-
4	Deposit given to Mrs. Madhu Jayakumar for Residential accommodation	-	-	100.00 (Debit)	100.00 (Debit)
5	Rent paid to Mrs. Madhu Jayakumar for residential accommodation.	3.00	3.00	3.00 (Credit)	3.00 (Credit)
6	Purchase of car from Mr. N Jayakumar	-	13.50	-	-
7	Salary paid to Relative of Director	0.96	-	-	-
8	Brokerage Income - From Directors - Relative of Directors - Associate Company	7.61 17.92 2.95	9.01 8.31 0.70	- - -	- - -

- 3) Sitting fees paid to the Directors of the Company for attending the meetings of Board of Directors during the year is Re. 0.85 lac (Previous year Rs 1.20 lac).

### 13. Earnings per Share (EPS) (Basic & Diluted) is as follows:

Basic & Diluted : Rs. 11.45 (Previous Year Re. 6.58)

The above calculation is based on following figures:

Profit after tax: Rs. 2,799.80 lacs (Previous Year Rs. 1,609.22 lacs)

No. of Equity shares for the purpose of calculating Basic EPS: 244.55 lacs (Previous Year 244.55 lacs) (paid-up share capital)

No. of Equity shares for the purpose of calculating Diluted EPS: 244.55 lacs (Previous Year 244.55 lacs)

### 14. The break-up of net deferred tax asset as on March 31, 2007 is as follows:

(Rs. in lacs)

	As at March 31, 2007	As at March 31, 2006
Deferred Tax Assets		
1) Provision for doubtful debt offered for disallowance earlier	13.75	13.75
2) Difference between book & tax depreciation	16.43	10.36
3) Diminution in value of Investments	57.46	13.46
Net deferred tax asset	87.64	37.57

### 15. Segmental Reporting

Business Segments

(Rs. in lacs)

Particulars	Merchant Banking		Broking		Total	
	31.3.07	31.3.06	31.3.07	31.3.06	31.3.07	31.3.06
Segment Revenue	2271.51	1358.52	1074.22	628.35	3345.73	1986.87
Add: Unallocated Revenue					1864.89	553.83
Total Revenue					5210.62	2540.70
Segment Result before Interest and Tax	1431.68	1021.09	316.44	206.82	1748.12	1227.91
Add: Unallocated Income/(Expenses) (net of income/expense)					1521.56	551.88
Profit before Interest and Tax					3269.68	1779.79
Interest and Finance Charges					(79.96)	(11.68)
Provision for Tax					(389.95)	(158.89)
Prior Period Adjustments					(29.75)	46.95
Net Profit					2770.02	1656.17
Segment Assets	932.96	1209.51	2918.36	1050.32	3851.32	2259.83
Add : Unallocated Assets					4275.18	2226.30
Total Assets					8126.50	4486.13
Segment Liabilities	817.32	597.85	1150.67	261.69	1967.99	859.54
Add: Unallocated Liabilities					897.89	495.70
Total Liabilities					2865.88	1355.24
Capital Expenditure	6.92	32.50	65.88	51.22	72.80	83.72
Depreciation & Amortisation	13.90	11.95	17.64	7.58	31.54	19.53
Add: Unallocated depreciation & Amortisation					-	119.09
Total Depreciation & Amortisation					31.54	138.62

Notes:-

- Segments have been identified in line with the Accounting Standard on Segment Reporting (AS - 17) taking into account the organization structure as well as the differential risks and returns of these segments.
  - The Company has disclosed business segment as the primary segment.
  - Since the Company provides services in same economic environment, there are no geographic segments.
16. Previous year figures have been regrouped and/or re-arranged wherever considered necessary.

As per our Report attached  
For and on behalf of

**CHANDABHOY & JASSOUBHOY**  
Chartered Accountants

**A. K. Kotwal**  
Partner

Mumbai, Dated : April 27, 2007

For and on behalf of the Board

**NIKHIL SHAH** Director  
**ARUN SHAH** Director  
**PRADIP DUBHASHI** Director  
**R. RAMACHANDRAN** Director

**N. JAYAKUMAR**  
President

**AJAY SHAH**  
Company Secretary

Mumbai, Dated : April 27, 2007

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2007

	INFLOWS/(OUTFLOWS)	
	Year ended 31-Mar-07	Year ended 31-Mar-06
<b>A. Cash flow from Operating Activities</b>		
Net Profit Before tax	3,189.75	1,768.11
Adjustment for :		
Depreciation	31.54	138.62
Interest & Finance Charges	79.96	11.68
Diminution in Value of Investments	343.33	4.77
Loss on sale of asset	1.25	2.75
Profit on sale of Investments (net)	(1,786.75)	(472.16)
Dividend Received	(13.82)	(5.32)
Interest Received	(37.36)	(36.57)
Bad Debts Written-off/back (net)	244.99	61.04
Provision for diminution in value of Investment Written Back	-	(121.90)
	<b>(1,136.86)</b>	<b>(417.09)</b>
Operating Profit before Working Capital changes	<b>2,052.89</b>	<b>1,351.02</b>
Adjustments for Changes in the Working Capital		
Stock-in-Trade	-	0.05
Debtors	(1,458.15)	(110.35)
Loans & Advances	(75.24)	(380.52)
Current Liabilities & Provisions	1,028.44	114.88
	<b>(504.95)</b>	<b>(27.38)</b>
Cash generated from Operations	<b>1,547.95</b>	<b>1,323.65</b>
Direct Taxes Paid (net)	<b>(285.75)</b>	<b>(146.58)</b>
<b>Net Cash from Operating Activities (A)</b>	<b>1,262.19</b>	<b>1,177.07</b>
<b>B. Cashflow from Investment Activities</b>		
Purchase of Investments	(5,683.98)	(1,676.22)
Purchase of Fixed Assets	(72.80)	(83.72)
Sale of Investments	5,126.72	888.15
Sale of Fixed Assets	8.98	0.27
Dividend Received	13.82	5.32
Interest Received	41.48	27.01
<b>Net Cash used in Investment activities (B)</b>	<b>(565.78)</b>	<b>(839.19)</b>
<b>C. Cashflow from Financing activities</b>		
Interest & Finance Charges	(79.96)	(11.68)
Fresh Issue of Capital	-	126.00
Buy back of shares	-	(219.07)
Payment of Dividend	(489.11)	-
Tax on Dividend	(68.59)	-
Funds Borrowed/(Repaid) (net)	239.89	167.66
<b>Net Cash Used in Finance Activities (C)</b>	<b>(397.77)</b>	<b>62.91</b>
<b>Net Cashflow (A + B + C)</b>	<b>298.64</b>	<b>52.22</b>
<b>Changes in the Cash &amp; Bank Balance</b>		
Cash and Cash Equivalents at the beginning of the year	<b>295.00</b>	<b>242.78</b>
Cash and Cash Equivalents at the end of the year	<b>593.64</b>	<b>295.00</b>

**Notes:**

1. Cash and Cash equivalents at the end of the year include :  
Rs. 490.29 lacs (Previous Year Rs. 267.30 lacs) in fixed deposits pledged with scheduled banks of which Rs. 359.41 lacs (Previous Year Rs. 150.64 lacs) against Bank Guarantee and Rs. 130.88 lacs (Previous Year Rs. 116.66 lacs) against overdraft.
2. Previous year's figures are regrouped/rearranged wherever necessary.

For and on behalf of the Board

**N.JAYAKUMAR**  
*President*

**AJAY SHAH**  
*Company Secretary*

**NIKHIL SHAH**      *Director*  
**ARUN SHAH**        *Director*  
**PRADIP DUBHASHI**   *Director*  
**R. RAMACHANDRAN**   *Director*

Mumbai, Dated : April 27, 2007

# PRIME BROKING COMPANY (INDIA) LIMITED

## BOARD OF DIRECTORS

N Jayakumar  
Vinay Motwani  
Ajay Shah  
Arun Shah

*Chairman*  
*Whole-Time Director*  
*Director*  
*Director*

## AUDITORS

K.V.S. & Company

*Chartered Accountants*

## REGISTERED OFFICE

Phoenix House, A Wing, 4th Floor,  
462, Senapati Bapat Marg,  
Lower Parel, Mumbai 400 013.  
Tel : (022) 2498 1515 Fax : (022) 2497 0777  
Email : prime@primesec.com

## DIRECTOR'S REPORT

### The Members

#### Prime Broking Company (India) Limited

Your Directors present their Thirteenth Annual Report together with the Audited Statement of Accounts for the year ended March 31, 2007.

### FINANCIAL RESULTS

(Rs. in lacs)

	Year ended March 31, 2007	Year ended March 31, 2006
Total Income	1,102.15	661.95
Total Expenditure	744.50	352.04
<b>Profit before Interest and Depreciation</b>	<b>357.65</b>	309.91
Interest & Other Finance Charges	78.08	10.91
Depreciation	17.64	7.58
Diminution in Value of Investment	130.72	Nil
Debts Written-off	Nil	61.90
<b>Profit before Tax</b>	<b>131.21</b>	229.52
Current Tax	88.00	74.00
Deferred Tax	(50.07)	(4.67)
Fringe Benefit Tax	2.19	2.07
<b>Profit after Tax</b>	<b>91.08</b>	158.12
P&L balance carried to Balance sheet	181.54	90.45

### BUSINESS REVIEW & PROSPECTS

During the year under review, the Total Revenue of the Company was Rs 1,102.15 lacs as compared to Rs 661.95 lacs in the previous year. This includes Income from Brokerage of Rs 998.65 lacs, Income from Wealth Management of Rs 75.57 lacs and Income from Securities and Dividend of Rs 27.93 lacs. The Net Profit after Tax & Extraordinary Items was Rs 91.08 lacs as compared to Rs 158.12 lacs in the previous year.

The Directors have not recommended any dividend on the Equity Shares.

### REGISTRATION AS PORTFOLIO MANAGER

During the year under review, the Company has registered itself with SEBI as a Portfolio Manager to offer Wealth Management services to select HNIs and corporate clients. This activity has contributed substantially towards revenue generation.

### DIRECTORS

Mr Arun Shah retires at the ensuing Annual General Meeting and is eligible for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956 your Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;

2. They have selected such accounting policies and applied them consistently and made judgements 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 on March 31, 2007 and of the profit of the Company for the year ended on that date;
3. They 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 of the assets of the Company and for preventing and detecting fraud and other irregularities;
4. They have prepared the annual accounts on a going concern basis.

### SECRETARIAL COMPLIANCE REPORT

Secretarial Compliance Certificate for the year ended March 31, 2007 obtained from a Practising Company Secretary under the provisions of Section 383A of the Companies Act, 1956 is given separately in this Annual Report.

### AUDIT COMMITTEE

The Audit Committee of the Company consists of three Directors, namely Mr N. Jayakumar, Mr Vinay Motwani and Mr Ajay Shah.

### AUDITORS' REPORT & AUDITORS

The proprietor of M/s K. V. S. & Company, the retiring Auditors, has intimated that M/s K. V. S. & Company cannot to continue as a Statutory Auditor of the Company, since he has become a partner in M/s Gandhi & Associate, Chartered Accountants. The Company proposes to appoint M/s Gandhi & Associates as Statutory Auditors of the Company from the conclusion of ensuing Annual General Meeting. The Company has received a letter from M/s Gandhi and Associates to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956. Members are requested to appoint them as Auditors and authorise the Board of Directors to fix their remuneration.

### PARTICULARS OF EMPLOYEES

The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the reports and accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees. Any shareholder interested in obtaining a copy may write to the Company Secretary at the registered office of the Company.

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

In view of the nature of activities carried on by the Company, information pertaining to conservation of energy and technology is not being given.

During the year, there were no earnings in foreign exchange and the expenditure in foreign currency amounted to Rs 6.81 lacs.

### ACKNOWLEDGEMENTS

The Board would like to place on record their appreciation of the contributions made by every employee of the Company. The Board would like to thank the bankers and Prime Securities Limited, the Holding Company, for their continued support to the Company.

**For and on behalf of the Board of Directors**

Mumbai  
Dated: July 13, 2007

**N. Jayakumar**  
Chairman

**COMPLIANCE CERTIFICATE**

**U/S 383A of the Companies Act, 1956 & Rule 3 of the companies (Compliance Certificate) Rules, 2001**

To, Nominal Capital: 5,50,00,000/-  
 The Members, Registration No. – 11- 76046  
 Prime Broking Company (India) Limited (31/03/2007)

I/ We have examined the registers, records, books and papers of Prime Broking Company (India) Limited (the Company) as required to be maintained under the Companies Act 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and articles of Association of the Company for the financial year ended on 31<sup>st</sup> March, 2007. In my/our opinion and to the best of my/our information and according to the examinations carried out by me/us and explanations furnished to me/us by the Company, its officers and agents, I/we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company being a public limited company, comments are not required.
4. The Board of Directors duly met 10 times on 28/04/2006, 19/05/2006, 06/07/2006, 13/07/2006, 29/09/2006, 12/10/2006, 17/11/2006, 16/01/2006, 12/02/2007, and 13/03/2007 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the minutes books maintained for the purpose.
5. The Company has not closed its Register of Members or Debenture holders during the financial year.
6. The annual general meeting for the year ended on 31.03.2006 was held on 29/08/2006 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No extra ordinary general meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. The company has obtained necessary approvals from Board of Directors, Members and Central Government pursuant to section 314 of the Companies Act wherever applicable.
12. No duplicate share certificates were issued during the year under review.
13.
  - i. There was no allotment/transfer/transmission of securities during the financial year.
  - ii. The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
  - iii. The Company was not required to post warrants to any members of the Company as no dividend was declared during the financial year.
  - iv. The Company was not required to transfer any amount to Investor Education & Protection Fund.
  - v. The Company has duly-complied with the requirements of Section 217 of the Act regarding Board's report.
14. The Board of Directors of the company is duly constituted. There was no appointment of additional Directors, alternate Directors and Directors to fill casual vacancies during the financial year.

15. The Company has not appointed any Managing Director/Wholtime Director/ Manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company has obtained approval of the Regional Director under provision sub-section (1) of Section 297 of the Companies Act during the year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions, which required the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has neither raised nor accepted any deposits from Public during the financial year.
24. The amounts borrowed by the company from banks during the financial year ending 31st March 2007 are within the borrowing limits of the company. The Company has not made any borrowings from directors, members, public and others during the financial year ended 31st March, 2007.
25. The Company has not made any loans and investments or given guarantees or provided securities to other bodies corporate during the financial year and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the financial year
27. The Company has not altered the provisions of the memorandum with respect to the objects of the company during the financial year.
28. The Company has not altered the provisions of the memorandum with respect to name of the company during the financial year.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the company during the financial year.
30. The Company has not altered its Articles of Association during the financial year.
31. There were no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishment imposed on the company during the year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

Place: Mumbai Signature  
 Date: July 13, 2007 Name of Company Secretary: Pramod S. Shah  
C. P. No.: 3804

**ANNEXURE A**

The Company has been maintaining the statutory records such as:

- |   |                            |
|---|----------------------------|
| 1) Minutes Book (Board Meeting)         | 6) Register of Assets.     |
| 2) Minutes Book (AGM & EGM)             | 7) Register of Investment. |
| 3) Register of Member.                  | 8) Register of Charges.    |
| 4) Register of Director.                | 9) Register of Contracts.  |
| 5) Register of Director's shareholding. |                            |

**ANNEXURE B**

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on 31<sup>st</sup> March, 2007.

Sr. No.	Form No.	Filed u/s	For	Filed On
1	Balance Sheet	220	31/03/2006	18/09/2006
2	Annual Return	159	29/08/2006	14/09/2006
3	Secretarial Compliance Report	383A	31/03/2006	18/09/2006
4	Form No. 23	192	29/08/2006	18/09/2006

# PRIME BROKING COMPANY (INDIA) LIMITED

## AUDITOR'S REPORT

### To the members of PRIME BROKING COMPANY (INDIA) LIMITED

We have audited the attached Balance Sheet of **PRIME BROKING COMPANY (INDIA) LIMITED**, as at 31<sup>st</sup> March, 2007, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. 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 conducted our audit in accordance with the 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to in paragraph above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-Section (3C) of Section 211 of the Companies Act, 1956.
5. On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on 31<sup>st</sup> March 2007 from being appointed as a director in terms of clause (g) of sub-Section (1) of Section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon 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 31<sup>st</sup> March 2007;
  - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and,
  - iii. in case of Cash Flow Statement, the cash flows for the year ended on that date.

### For K V S AND COMPANY

Chartered Accountants

**K V Sahasrabudhe**

Proprietor

M.No.106172

Place: Mumbai.

Dated: April 27, 2007

### Annexure referred to in paragraph 3 of the Auditor's Report to the Shareholders of PRIME BROKING COMPANY (INDIA) LIMITED on the accounts for the year ended March 31, 2007.

Based upon the information and explanations furnished to us and the books and records examined by us in the normal course of audit, we report that to the best of our knowledge and belief:

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.  
(b) As explained to us, the assets have been physically verified by the management in accordance with a phased programme of verification, which in our opinion is reasonable, considering the size and the nature of its business. No material discrepancies have been noticed on such physical verification.  
(c) In our opinion and according to the explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) The Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register, maintained under Section 301 of the Companies Act, 1956.  
(b) The Company had taken unsecured loan from a company covered in the

register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 250.00 lacs and the year end balance of loan taken from such company was Rs. Nil.

- (c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions on which loan has been taken from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
  - (d) The Company was regular in repaying the principal amount and the interest.
3. The Company has an adequate internal control system commensurate with its size and the nature of its business, with regard to purchase of inventories, fixed assets and for the sale of goods and services. There is no continuing failure to correct major weaknesses in the internal control system.
  4. (a) The particulars of contracts or arrangements, referred to under Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that Section;  
(b) As per the information and explanations given to us, the services rendered during the year to the parties covered under the register maintained under Section 301 of the Companies Act, 1956 are reasonable having regard to the prevailing market prices at the relevant time.
  5. The Company has not accepted any deposits within the meaning of the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
  6. The Company has an adequate internal audit system commensurate with its size and nature of its business.
  7. As per the information provided to us no cost records were prescribed by the Central Government under clause (d) of sub Section (1) of Section 209 of the Companies Act, 1956.
  8. According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund Employees' State Insurance, Income-tax, Sales-tax, Wealth-tax, Service tax, and other statutory dues with appropriate authorities. According to the information and explanations given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31<sup>st</sup> March, 2007 for a period of more than six months from the date they became payable.
  10. The Company does not have any accumulated losses at the end of the financial year. No cash losses were incurred by the Company in the current financial year and in the immediately preceding financial year.
  11. The Company has not defaulted in repayment of its dues to banks. No debentures have been issued by the Company.
  12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
  13. The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the Company.
  14. The company has maintained proper records of the transactions for dealing in shares, securities and other investments and entries are made periodically. The shares, securities and other investments have been held by the company in its own name except to the extent of exemption granted under Section 49 of the Companies Act, 1956.
  15. According to the information and explanations given to us, the Company has given a guarantee for loan availed by the holding company from a bank. In our opinion and according to the explanation given to us the terms and conditions are not prima facie prejudicial to the interest of the company.
  16. According to the information and explanations given to us, term loans taken by the company have been applied for the purpose for which they were obtained.
  17. On the basis of our examination of the accounts, the funds raised on short-term basis have not been used for long-term investments.
  18. On the basis of our examination and according to the information and explanations given to us, no fraud, on or by the Company, has been noticed or reported during the year.

The provisions of clause (ii), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditors Report ) Order, 2003 are not applicable in the current year and hence no comments are provided in this report.

### For K V S AND COMPANY

Chartered Accountants

**K V Sahasrabudhe**

Proprietor

M.No.106172

Place: Mumbai.

Dated: April 27, 2007

**BALANCE SHEET AS AT MARCH 31, 2007**

	Schedule Annexed	As at 31-Mar-07 Rs. in lacs	As at 31-Mar-06 Rs. in lacs
<b>Shareholders' Funds</b>			
Share Capital	A	534.10	534.10
Reserves and Surplus	B	774.34	683.25
		<b>1,308.44</b>	1,217.35
<b>Loan Funds</b>			
Secured Loans	C	698.94	453.75
		<b>698.94</b>	453.75
<b>Total</b>		<b>2,007.38</b>	1,671.10
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	D	184.46	130.18
Less : Depreciation		62.52	46.26
Net Block		121.94	83.92
<b>Investments</b>			
	E	811.85	826.59
<b>Current Assets, Loans and Advances</b>			
Sundry Debtors	F	1,624.24	104.40
Cash and Bank Balances	G	492.82	236.03
Other Current Assets	H	29.50	24.56
Loans and Advances	I	664.95	651.57
		<b>2,811.51</b>	1016.56
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	J	1,787.28	284.57
Provisions	K	38.28	8.97
		<b>1,825.56</b>	293.54
<b>Net Current Assets</b>		<b>985.95</b>	723.02
<b>Deferred Tax Asset</b>		<b>87.64</b>	37.57
<b>Total</b>		<b>2,007.38</b>	1,671.10
<b>Notes On Accounts</b>	O		

The schedules A to O are annexed to & forming part of the Accounts

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

	Schedule Annexed	Year ended 31-Mar-07 Rs. in lacs	Year ended 31-Mar-06 Rs. in lacs
<b>INCOME</b>			
<b>Schedule</b>			
Income from Broking Operations (Net of Service Tax)		998.65	628.35
Advisory Fees (Tax deducted at source Rs. 0.04 lac) (Previous year Rs.0.37 lac)		0.49	6.82
Profit on Sale Of Investments (Net)		-	5.83
Income from PMS (Net of Service Tax)		75.57	-
Interest, Dividend and Other Income	L	27.44	20.95
		<b>1,102.15</b>	661.95
<b>EXPENDITURE</b>			
Administrative and Other Expenses	M	744.50	352.04
<b>Total Expenditure</b>		<b>744.50</b>	352.04
<b>Profit before Interest and Depreciation</b>		<b>357.65</b>	309.91
Interest and Other Finance Charges	N	78.08	10.91
Depreciation		17.64	7.58
Debts Written off		-	61.90
Diminution in value of - Investments		130.72	
		<b>226.44</b>	80.39
<b>Profit Before Tax</b>		<b>131.21</b>	229.52
Provision for tax - Current Tax		88.00	74.00
- Deferred Tax		(50.07)	(4.67)
- Fringe Benefit Tax		2.19	2.07
<b>Profit After Tax</b>		<b>91.08</b>	158.12
<b>Add : Profit / (Loss) brought forward from Previous year</b>		<b>90.46</b>	(67.67)
<b>Balance carried to the Balance Sheet</b>		<b>181.54</b>	90.45
<b>Earning per Share - Basic and Diluted</b>		<b>1.71</b>	2.96
<b>Notes on Accounts</b>	O		

The schedules A to O are annexed to & forming part of the Accounts

As per our Report of even date attached For and on behalf of the Board  
For **K V S and Company**  
Chartered Accountants

**K V Sahasrabudhe**  
Proprietor

Mumbai  
Dated : April 27, 2007

**N. Jayakumar** Chairman  
**Vinay Motwani** Director  
**Arun Shah** Director  
**Ajay Shah** Director

Mumbai  
Dated : April 27, 2007

As per our Report of even date attached For and on behalf of the Board  
For **K V S and Company**  
Chartered Accountants

**K V Sahasrabudhe**  
Proprietor

Mumbai  
Dated : April 27, 2007

**N. Jayakumar** Chairman  
**Vinay Motwani** Director  
**Arun Shah** Director  
**Ajay Shah** Director

Mumbai  
Dated : April 27, 2007



SCHEDULES ANNEXED TO AND FORMING PART OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007		
	Year ended 31-Mar-07 Rs. in lacs	Year ended 31-Mar-06 Rs. in lacs
<b>SCHEDULE "I"</b>		
<b>INTEREST, DIVIDEND AND OTHER INCOME</b>		
Interest Received (Tax Deducted at Source Rs. 5.21 lacs (Previous Year Rs. 4.41 lacs))	23.40	19.69
Dividend Received	3.53	-
Miscellaneous Income	0.51	1.26
<b>TOTAL</b>	<b>27.44</b>	<b>20.95</b>
<b>SCHEDULE "M"</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
Salaries and Bonus	476.47	183.83
Contribution to Provident Fund	4.77	2.69
Staff Welfare	11.31	5.93
Travelling and Conveyance	15.22	12.63
Rent	35.00	25.55
Legal and Professional Fees	39.75	24.76
Stamp Charges	43.65	27.64
Telephone, Postage & Courier	10.36	10.02
Printing and Stationery	1.94	1.41
Insurance	2.58	1.23
Repairs & Maintenance		
- Building	1.48	1.72
- Others	4.55	4.50
	6.03	6.22
Membership and Subscription	25.88	16.04
Transaction Fees	20.57	15.14
Auditors' Remuneration	1.10	1.00
Loss on sale of Investments	9.06	-
Loss on sale of Asset	1.25	-
Miscellaneous Expenses	39.56	17.95
<b>TOTAL</b>	<b>744.50</b>	<b>352.04</b>
<b>SCHEDULE "N"</b>		
<b>INTEREST AND FINANCE CHARGES</b>		
Interest		
On Fixed Loans	1.42	0.71
Others	70.54	7.23
	71.96	7.94
Bank charges	6.12	2.97
<b>TOTAL</b>	<b>78.08</b>	<b>10.91</b>

**SCHEDULE "O"****NOTES FORMING PART OF ACCOUNTS****1. Significant Accounting Policies:****a) Basis of Accounting**

Financial statements are prepared under historical cost convention and on an accrual basis in accordance with the requirements of the Companies Act, 1956.

**b) Revenue Recognition**

Brokerage income in case of capital market transactions and in case of futures and options transactions is accounted for on the basis of transaction date. In case of wholesale debt market transactions, it is accounted for at the end of the relevant month.

**c) Fixed Assets**

Fixed Assets are stated at cost of acquisition less accumulated depreciation.

**d) Depreciation**

Depreciation has been provided on pro rata basis using the straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956. Capitalised Software is amortised over the useful life of the asset not exceeding six years.

**e) Investments**

Investments to be held over a period of twelve months are classified as long-term investments and are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary. All investments are valued at cost inclusive of brokerage but do not include stamp duty, which is charged to revenue.

**f) Stock-in-trade**

- Stock-in-trade is valued at FIFO cost or market value whichever is lower on an individual script basis.
- Bonus entitlements are recognised on ex-bonus dates without acquisition cost.
- The cost of stock-in-trade includes brokerage but does not include stamp duty, which is charged to revenue.

iv) Market value of Stock-in-trade in respect of Quoted Scrips are taken at the highest year end closing market rates prevailing on the principal stock exchanges where they are traded.

**g) Retirement Benefits**

- Retirement Benefits in the form of Provident Fund, Encashment of Leave (based on actuarial valuation as at year end) and Pension Scheme, etc. whether in pursuance of any laws or otherwise is accounted on accrual basis and charged to the profit and loss account of the year.
- The present liability of future payment of gratuity in respect of all eligible employees is administered by a trust formed for this purpose and is covered under a group gratuity policy of the Life Insurance Corporation of India. Annual contributions are determined by the LIC under the policy and accordingly accounted for.

**h) Taxation**

Taxes on income are computed whereby such taxes are accrued in the same period as the revenue and expense to which they relate. Current tax liability is measured using the applicable tax rates and tax laws and the necessary provision is made annually. Deferred tax asset/liability arising out of the tax effect of timing differences is measured using the tax rates and the tax laws that have been enacted / substantially enacted at the balance sheet date. Deferred tax assets are recognized only if there is a reasonable certainty of their realization.

**2. Contingent liabilities not Provided for:**

	As at March 31, 2007 Rs. in lacs	As at March 31, 2006 Rs. in lacs
a) Claims made not acknowledged as debts	27.63	28.45
b) Bank Guarantees issued	675.00	275.00
c) Guarantee given on behalf of Holding Company	0.68	1.46

- In the opinion of the management, sundry debtors and loans and advances subject to confirmation, have a value at least equal to the amount shown in the balance sheet and the provisions made thereof are sufficient and adequate.
- Sundry debtors include a sum of Rs. Nil (Previous Year Rs. Nil) due from director. The maximum balance outstanding during the year from director was Rs. 92.72 lacs (Previous year Rs. 94.01 lacs).
- Unquoted investments include shares of Concept Productions Limited and Vishaka Aqua Limited aggregating Rs. 130.72 Lacs. The decline in the value of investment as perceived by the management is other than temporary and hence provision of Rs. 130.72 Lacs has been made towards diminution.
- The entire Share Capital of the Company is held by Prime Securities Limited along with its nominees. The number of Equity shares held by the Holding Company and its nominee as on March 31, 2007 is 53,41,000.
- The Company does not have any dues payable to any small scale industrial unit as at the year end or at any time during the year. The identification of small scale industries is based on the management's knowledge of their status.

**8. Expenditure incurred in foreign currency:**

	As at March 31, 2007 Rs. in lacs	As at March 31, 2006 Rs. in lacs
a) Foreign Travel	0.94	1.89
b) Membership & Subscription	5.87	-
	6.81	1.89

**9. Details of Auditors' Remuneration are as under:**

	As at March 31, 2007 Rs. in lacs	As at March 31, 2006 Rs. in lacs
Audit Fees	0.65	0.65
Tax Audit Fees	0.25	0.15
For other Services - Certification	0.20	0.20
	1.10	1.00

**10. a) Managerial Remuneration:**

	As at March 31, 2007 Rs. in lacs	As at March 31, 2005 Rs. in lacs
i) Salary, Bonus & Allowances	73.06	28.30
ii) Monetary Value of Perquisites	-	-
iii) Contribution to Provident Fund & Other Funds	-	-
	73.06	28.30

- During the year as well as previous year, the Company has not paid commission to its Directors. As such, the computation of net profit in accordance with Section 198 read with Section 349 of the Companies Act, 1956 has not been given.

# PRIME BROKING COMPANY (INDIA) LIMITED

11. The Company's main business is Stock broking. All other activities are incidental to the main business. As such, there are no separate reportable segments, as per Accounting Standard on 'Segment Reporting' (AS 17) issued by the Institute of Chartered Accountants of India.

## 12. Earnings per Share (EPS) (Basic & Diluted) is as follows:

Basic & Diluted: Rs. 1.71 (Previous Year Rs. 2.96)  
The above calculation is based on following figures:  
Profit after tax: Rs. 91.08 lacs (Previous Year Rs. 158.11 lacs)  
No. of Equity Shares for the purpose of calculating EPS : 53.40 lacs (Previous Year 53.40 lacs)

## 13. Related Party Disclosures:

1) Related party disclosures as per AS-18 are given below:

### Relationships

- (a) Holding Company  
(1) Prime Securities Limited
- (b) Fellow Subsidiary  
(1) Prime Research & Advisory Limited
- (c) Directors  
(1) Mr. N. Jayakumar  
(2) Mr. Ajay Shah  
(3) Mr. Arun Shah  
(4) Mr. Vinay Motwani
- (d) Relatives of Directors  
(1) Ms. Madhu Jayakumar  
(2) Avni A Shah
- (e) Associate Company  
(1) Judith Investments Private Limited

2) The following transactions were carried out with the related parties in the ordinary course of business during the financial year 2006-2007

(Rs. in lacs)

Sl. No.	Nature of Transaction	Transactions during the year		Balance as on	
		Current Year	Previous Year	31.03.07	31.03.06
1.	Sums received (net of sums paid) from Prime Securities Limited on current account.	517.52	188.94	NIL	NIL
2.	Reimbursement of expenses to Prime Securities Limited	180.13	93.49	539.41 (Credit)	21.88 (Credit)
3.	Sums paid (net of sums received) to Prime Securities Limited on account of Share Transactions done through the Company	579.49	464.87	105.33 (Credit)	NIL
4.	Interest free advance received from Prime Research & Advisory Limited on current account.	NIL	NIL	5.15 (Credit)	5.15 (Credit)
5.	Security Deposit paid to Prime Securities Ltd.	NIL	NIL	35.00 (Debit)	35.00 (Debit)
6.	Sums paid to Prime Research & Advisory Limited on account of Share Transactions done through the Company	NIL	NIL	4.71 (Credit)	4.71 (Credit)
7.	Salary paid to Relative of Director	0.96	NIL	NIL	NIL
8.	Remuneration paid to Whole-time Director of the Company. (Perquisites valued as per rules prescribed by the Income Tax Act, 1961)	72.92	24.60	NIL	NIL
9.	Brokerage Income				
	- from Directors	7.61	9.01	NIL	NIL
	- from Relative of Directors	17.92	8.31		
	- from Associate Company	2.95	0.70		
	- From Holding Company	24.56	1.87		

14. The break-up of net deferred tax asset as on March 31, 2007 is as follows:

Rs. in lacs

Deferred Tax Assets	As at	
	March 31, 2007	March 31, 2006
1 Provision for doubtful debts	13.75	13.75
2 Depreciation	16.43	10.36
3 Diminution in value of Investments	57.46	13.46
<b>Net deferred tax asset</b>	<b>87.64</b>	<b>37.57</b>

15. Previous year figures have been regrouped / rearranged wherever necessary.

16. Other information pursuant to paragraph 4A, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are not applicable.

As per our Report of even date attached For and on behalf of the Board  
For **K V S and Company**  
Chartered Accountants

**K V Sahasrabudhe**  
Proprietor

Mumbai  
Dated : April 27, 2007

**N. Jayakumar** Chairman  
**Vinay Motwani** Director  
**Arun Shah** Director  
**Ajay Shah** Director

Mumbai  
Dated : April 27, 2007

## ANNEXURE "A" Investments (Non-trade)

Script	Quantity (Numbers) As at 31.3.2007	Quantity (Numbers) As at 31.3.2006	Value (Rupees in Lacs) As at 31.3.2007	Value (Rupees in Lacs) As at 31.3.2006
<b>LONG TERM</b>				
<b>A) Quoted Equity Shares</b> (Face Value Rs. 10/- each, unless otherwise stated)				
Aban Lloyd Limited (Face Value Rs. 2/- per share)	40,000	40,000	458.41	458.41
Kojam Fininvest Limited	-	19,000	-	36.89
SB & T International Limited	169,000	92,000	74.80	52.67
Lakshmi Overseas Limited	-	3,500	-	28.89
ABG Shipyard Limited	-	10,230	-	33.33
El Forge Limited	102,000	102,000	85.68	85.68
Logix Microsystems Limited	60,000	-	167.28	-
Tuip Star Hotels Limited	42,500	-	25.11	-
Lumax Industries Limited	121	-	0.58	-
<b>TOTAL (A)</b>			<b>811.86</b>	<b>695.87</b>
<b>B) Unquoted Equity Shares</b> (Face Value Rs. 10/- each, unless otherwise stated)				
Concept Productions Limited	30,200	30,200	130.62	130.62
Baron International Ltd	80,000	80,000	40.00	40.00
Kuwer Industries Ltd	100	100	-	-
Royal Industries Ltd	15,000	15,000	-	-
Visakha Acqua Ltd.	10,000	10,000	0.10	0.10
			170.72	170.72
Less : Provision for Non-Performing Assets			170.72	40.00
<b>TOTAL (B)</b>			<b>-</b>	<b>130.72</b>
<b>Aggregate Amount of Investments Total (A) + (B)</b>			<b>811.86</b>	<b>826.59</b>
<b>Aggregate Value of Quoted Investments</b>			<b>811.86</b>	<b>659.87</b>
<b>Aggregate Value of Unquoted Investments</b>			<b>-</b>	<b>130.72</b>
<b>Aggregate Market Value of Quoted Investments</b>			<b>1061.29</b>	<b>703.38</b>

The following investments were purchased and sold during the period from April 1, 2006 to March 31, 2007  
1,38,71,578 units of face value of Rs. 10/- each in Principal Mutual Fund - Liquid Fund

Purchase Sell  
1,550.00 1,550.39

## Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956

### Balance Sheet Abstract and Company's General Business Profile

<b>1 Registration details</b>	
Registration No.	: 76046
State Code	: 11
Balance Sheet Date	: March 31, 2007
<b>2 Capital raised during the year</b>	<b>(Rupees in Thousands)</b>
Public Issue	: NIL
Rights Issue	: NIL
Bonus Issue	: NIL
Private Placement- Equity Shares	: NIL
<b>3 Position of mobilisation and deployment of funds</b>	<b>(Rupees in Thousands)</b>
Total Liabilities	: 200738
Total Assets	: 200738
<b>Sources of funds</b>	
Paid-up Capital	: 53410
Reserves & Surplus	: 77434
Secured Loans	: 69894
Unsecured Loans	: NIL
<b>Application of funds</b>	
Net Fixed Assets	: 12194
Investment	: 81185
Net Current Assets	: 98595
Deferred Tax Assets	: 8764
Accumulated Losses	: NIL
<b>4 Performance of the Company</b>	<b>(Rupees in Thousands)</b>
Turnover (Gross Receipts)	: 110215
Total Expenditure	: 74450
Profit/(Loss) before tax	: 13121
Profit/(Loss) after tax	: 9108
Earning Per Share	: 1.71
Dividend rate including Special Dividend if any	
- On Preference Shares	: -
- On Equity Shares	: -
<b>5 Generic names of Principal products, service of the Company</b>	
Item Code No. (ITC Code)	: NOT APPLICABLE
Service Description	: Stock Broking

**CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2007**

(Rs. in Lacs)

	INFLOWS/(OUTFLOWS)	
	Year ended 31-Mar-07	Year ended 31-Mar-06
<b>A. Cash flow from Operating Activities</b>		
<b>Net Profit Before tax</b>	<b>131.21</b>	229.51
Adjustments for :		
Depreciation	17.64	7.58
Interest & Finance Charges	78.08	10.91
Diminution in Value of Investment	130.72	-
Debts written off	-	61.90
(Profit) / Loss on sale of Investments	9.06	(5.83)
(Profit) / Loss on sale of Assets	1.25	-
Interest Received	(23.40)	(19.69)
Dividend Received	(3.53)	-
	<b>209.81</b>	54.88
Operating Profit before Working Capital changes	<b>341.02</b>	284.39
Adjustments for Changes in the Working Capital		
Debtors	(1,519.84)	(25.56)
Loans, Advances & Other Current Assets	(23.39)	76.10
Current Liabilities & Provisions	1,511.58	85.61
	<b>(31.65)</b>	136.15
<b>Cash generated from Operations</b>	<b>309.36</b>	420.53
Direct Taxes Paid (Net)	(69.46)	(101.72)
<b>Net Cash from Operating Activities (A)</b>	<b>239.90</b>	318.81
<b>B. Cashflow from Investment Activities</b>		
Purchase of Investments	(215.09)	(610.19)
Purchase of Fixed Assets	(65.88)	(51.22)
Sale of Investments	90.05	-
Sale of Fixed Assets	8.98	30.83
Interest Received	28.19	11.33
Dividend Received	3.53	-
<b>Net Cash used in Investment activities (B)</b>	<b>(150.22)</b>	(619.25)
<b>C. Cashflow from Financing activities</b>		
Interest & Finance Charges	(78.08)	(10.91)
Funds Borrowed/(Repaid) (net)	245.19	357.20
<b>Net Cash Used in Finance Activities (C)</b>	<b>167.11</b>	346.29
<b>Net Cashflow</b>	<b>256.79</b>	45.86
<b>Changes in the Cash &amp; Bank Balance</b>		
Cash and Cash Equivalents at the beginning of the year	236.03	190.17
Cash and Cash Equivalents at the end of the year	492.82	236.03

**Notes:**

- 1 Cash and Cash equivalents at the end of the year include :
  - a) Rs. 115.22 lacs (Previous year Rs. 101 lacs) in a fixed deposit pledged with bank towards overdraft facility.
  - b) Rs. 321.27 lacs (Previous year Rs. 115.22 lacs) in a fixed deposit pledged with bank towards Bank Guarantee.
- 2 Previous year figures have been regrouped / rearranged wherever necessary.

For and on behalf of the Board  
**N.JAYAKUMAR** *Chairman*  
**VINAY MOTWANI** *Director*  
**ARUN SHAH** *Director*  
**AJAY SHAH** *Director*  
 Mumbai, Dated : April 27, 2007

# PRIME COMMODITIES BROKING (INDIA) LIMITED

## BOARD OF DIRECTORS

Arun Shah *Chairman*  
Nikhil Shah *Director*  
Ajay Shah *Director*

## AUDITORS

Chandabhoy & Jassoobhoy  
*Chartered Accountants*

## REGISTERED OFFICE

Phoenix House, A Wing, 4th Floor,  
462, Senapati Bapat Marg,  
Lower Parel, Mumbai 400013.  
Tel : (022) 2498 1515 Fax : (022) 2497 0777  
Email : prime@primesec.com

## DIRECTOR'S REPORT

### The Members

#### Prime Commodities Broking (India) Limited

Your Directors present their maiden Annual Report together with the Audited Accounts for the Year ended March 31, 2007.

### BUSINESS REVIEW

During the year under review, the Company did not generate any revenue since no activity was taken up. There being no profit, the Directors do not recommend any dividend on the Equity Shares.

### APPLICATION FOR MEMBERSHIP OF MULTI COMMODITIES EXCHANGE

During the year under review, the Company has applied for the Membership of Multi Commodities Exchange ("MCX").

### DIRECTORS

Mr Arun Shah, Mr Nikhil Shah and Mr Ajay Shah were appointed as the first directors of the Company. Mr Arun Shah retires at the ensuing Annual General Meeting and is eligible for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
2. they have selected such accounting policies in consultation with the statutory auditors and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the financial year;
3. they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding of the assets of the Company and for preventing and detecting fraud and other irregularities;
4. they have prepared the annual accounts on a going concern basis.

### SECRETARIAL COMPLIANCE REPORT

Secretarial Compliance Certificate for the year ended March 31, 2007 obtained from a Practising Company Secretary under the provisions of Section 383A of the Companies Act, 1956 is given separately in this Annual Report.

### AUDITORS

M/s. Chandabhoy & Jassoobhoy, Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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

In view of the nature of activities carried on by the Company, the information pertaining to conservation of energy and technology is not being given. During the year, there were no earnings or expenditure in foreign exchange.

### PARTICULARS OF EMPLOYEES

The Company did not have any employee during the year under review.

Mumbai  
Dated: July 13, 2007

For and on behalf of the Board of Directors

Arun Shah  
Nikhil Shah  
Ajay Shah

}

Director

**COMPLIANCE CERTIFICATE**

**U/S 383A of the Companies Act, 1956 & Rule 3 of the companies  
(Compliance Certificate) Rules, 2001**

To, Nominal Capital: 2,00,00,000/-  
The Members, Registration No: 11- 161313  
Prime Commodities Broking (India) Limited (31/03/2007)

I/ We have examined the registers, records, books and papers of **Prime Commodities Broking (India) Limited** (the Company) as required to be maintained under the Companies Act 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and articles of Association of the Company for the financial year ended on 31<sup>st</sup> March, 2007. In my/our opinion and to the best of my/our information and according to the examinations carried out by me/us and explanations furnished to me/us by the Company, its officers and agents, I/we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company being a public limited company, comments are not required
4. The Board of Directors duly met **6** times on **25/04/2006, 13/07/2006, 17/08/2006, 12/10/2006, 16/01/2007 and 09/03/2007** in respect of which meetings proper notice were given and the proceedings were properly recorded and signed including the circular resolution passed in the minutes books maintained for the purpose.
5. The Company has not closed its Register of Members during the financial year.
6. The comments under this clause are not required as the financial year 2006-2007 is the first financial year of the company.
7. **No** Extra ordinary general meeting was held during the year 2006-07.
8. The Company has not advanced any loans its directors and / or persons or firms or companies referred to under section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the company has not obtained any approvals from the Board of Directors, Members or Central Government.
12. No duplicate share certificates were issued during the year under review.
13.
  - i. The Company has delivered all the certificates on allotment of securities and on lodgement thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act.
  - ii. The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
  - iii. The Company was not required to post warrants to any members of the Company as no dividend was declared during the financial year.
  - iv. The Company was not required to transfer any amount to Investor Education & Protection Fund.
  - v. The Company has duly-complied with the requirements of section 217 of the Act regarding Board's report.
14. The Board of Directors of the company is duly constituted and the appointment of additional directors; alternate directors and directors to fill casual vacancy have been duly made.

15. The Company has not appointed managing director / whole-time director / manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such other authorities prescribed under the various provisions of the Act during the year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any Shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions, which required the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has neither raised nor accepted any deposits from Public during the financial year.
24. The amount borrowed by the company from directors, members, public, financial institutions, banks and other during the financial year are within the borrowing limits of the company.
25. The Company has not made loans and investments or given guarantees or provided securities to other bodies corporate during the financial year and consequently no have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the financial year
27. The Company has not altered the provisions of the memorandum with respect to the objects of the company during the financial year.
28. The Company has not altered the provisions of the memorandum with respect to name of the company during the financial year.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the company during the financial year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. There were no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishment imposed on the company during the year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. Provident Fund is not applicable.

Place : Mumbai Signature  
Date : July 13, 2007 Name of Company Secretary : Pramod S. Shah  
C. P. No. : 3804

**Annexure A**

The Company has been maintaining the statutory records such as:

1) Minutes Book (Board Meeting)	6) Register of Assets.
2) Minutes Book (AGM & EGM)	7) Register of Investment.
3) Register of Member.	8) Register of Charges.
4) Register of Director.	9) Register of Contracts.
5) Register of Director's shareholding.	

**Annexure B**

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on **31<sup>st</sup> March, 2007**.

Sr. No.	Form No.	Filed u/s	For	Filed on
1	Form No. 1A	20	Name Availability	Filed
2	Form No.1	33(2)	Application for New Registration of a company	Filed
3	Form No. 18	146	Change in situation of Registered office of the company	Filed
4	Form No.32	303(2)	Appointment of Director	Filed
5	Form No. 20	149(2)(b)	Declaration of Compliance	Filed
6	Form No. 22	165	Statutory Report	Filed
7	Memorandum & Articles of Association	-	As per requirement of The Act	Filed

Note: Since the Company Incorporated on 24<sup>th</sup> April 2006, financial year 2006-2007 is the first financial year of the company.

# PRIME COMMODITIES BROKING (INDIA) LIMITED

## AUDITOR'S REPORT

To the members of  
PRIME COMMODITIES BROKING (INDIA) LIMITED

We have audited the attached Balance Sheet of PRIME COMMODITIES BROKING (INDIA) LIMITED, as at 31<sup>st</sup> March, 2007, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. 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 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order. Further to our comments in the Annexure referred to above, we report that:

1. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
5. On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon 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 31<sup>st</sup> March 2007;
  - ii. in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and,
  - iii. in case of Cash Flow Statement, the cash flows for the year ended on that date.

For K V S AND COMPANY

Chartered Accountants

**K V Sahasrabudhe**

Proprietor

M.No.106172

Place: Mumbai.  
Dated: April 27, 2007

### Annexure referred to in paragraph 3 of the Auditor's Report to the Shareholders of PRIME COMMODITIES BROKING (INDIA) LIMITED on the accounts for the year ended March 31, 2007.

Based upon the information and explanations furnished to us and the books and records examined by us in the normal course of audit, we report that to the best of our knowledge and belief.

1. (a) The Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register, maintained under Section 301 of the Companies Act, 1956.  
(b) The Company has not taken any loans secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
2. The Company has an adequate internal control system commensurate with its size and the nature of its business, with regard to purchase of inventories, fixed assets and for the sale of goods and services. There is no continuing failure to correct major weaknesses in the internal control system
3. According to the information and explanations given to us there are no contracts or arrangements that need to be entered into a register maintained in pursuance of Section 301 of the Companies Act, 1956. According paragraph 4(v)(a) and (b) of the order are not applicable
4. The Company has not accepted any deposits within the meaning of the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
6. According to the information and explanations given to us, the Company is regular in depositing undisputed statutory with appropriate authorities.
8. The provisions of any Special Statute applicable to Chit Fund, Nidhi or Mutual Benefit Fund/Societies are not applicable to the Company.
9. On the basis of our examination of the accounts, the funds raised on short-term basis have not been used for long-term investments.
10. On the basis of our examination and according to the information and explanations given to us, no fraud, on or by the Company, has been noticed or reported during the year.

The provisions of clause (i), (ii), (iv), (vii), (viii), (ix), (x), (xi), (xii), (xiv), (xv), (xvi), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditors Report ) Order, 2003 are not applicable in the current year and hence no comments are provided in this report.

For K V S AND COMPANY

Chartered Accountants

**K V Sahasrabudhe**

Proprietor

M.No.106172

Place: Mumbai.  
Dated: April 27, 2007

**BALANCE SHEET AS AT MARCH 31, 2007**

	Schedule	As at 31-3-2007 Rs. in lacs
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
Share Capital	A	35.00
<b>Loan Funds</b>		
Unsecured Loan (From Promoters)		1.90
<b>Total</b>		<b>36.90</b>
<b>APPLICATION OF FUNDS</b>		
<b>Current Assets, Loans and Advances</b>		
Loans & Advances	B	30.00
<b>Less : Current Liabilities</b>	C	<b>0.15</b>
<b>Net Current Assets</b>		<b>29.85</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off)	D	<b>2.59</b>
<b>Profit &amp; Loss Account</b> (Debit balance to the extent not adjusted)		<b>4.46</b>
<b>Total</b>		<b>36.90</b>
<b>Significant Accounting Policies</b>	F	
<b>Notes on Accounts</b>	G	

As per our Report of even date attached For and on behalf of the Board  
For **K V S and Company** **Arun Shah** Director  
Chartered Accountants  
**Nikhil Shah** Director  
**K V Sahasrabudhe** **Ajay Shah** Director  
Proprietor  
Mumbai Mumbai  
Dated : April 27, 2007 Dated : April 27, 2007

**SCHEDULES ANNEXED TO AND FORMING PART OF THE  
BALANCE SHEET AS AT MARCH 31, 2007**

	As at 31-3-2007 Rs. in lacs
<b>SCHEDULE 'A'</b>	
<b>Share Capital</b>	
Authorised : 20,00,000 Equity shares of Rs.10/- each	200.00
<b>Issued, Subscribed and Paid - up</b>	
3,50,000 Equity Shares of Rs.10/- each	35.00
	<b>35.00</b>
<b>SCHEDULE 'B'</b>	
<b>Loans &amp; Advances</b>	
Security Deposits to Multi Commodities Exchange	30.00
	<b>30.00</b>
<b>SCHEDULE 'C'</b>	
<b>Current Liabilities</b>	
Other Liabilities	0.15
	<b>0.15</b>
<b>SCHEDULE 'D'</b>	
<b>Miscellaneous Expenditure</b> (to the extent not written off)	
Preliminary Expenses	2.59
Deferred Revenue Expenditure	
	<b>2.59</b>
<b>SCHEDULE 'E'</b>	
<b>Administrative &amp; Other Expenses</b>	
Auditors Remuneration	0.10
Membership & Subscription	4.16
Legal & Professional Fees	0.20
Filing Fees	0.01
	<b>4.46</b>

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

	Schedule	Year ended 31-3-2007 Rs. in lacs
<b>INCOME</b>		
		<b>Nil</b>
	Total	<b>Nil</b>
<b>EXPENDITURE</b>		
Administrative & Other Expenses	E	4.46
	Total	<b>4.46</b>
Profit / (Loss) Before Tax		(4.46)
Less: Provision for Current Tax		Nil
Profit / (Loss) After Tax		(4.46)
Balance carried to Balance Sheet		(4.46)
Earnings per share - basic and diluted		(1.28)
<b>Significant Accounting Policies</b>	F	
<b>Notes on Accounts</b>	G	

As per our Report of even date attached For and on behalf of the Board  
For **K V S and Company** **Arun Shah** Director  
Chartered Accountants  
**Nikhil Shah** Director  
**K V Sahasrabudhe** **Ajay Shah** Director  
Proprietor  
Mumbai Mumbai  
Dated : April 27, 2007 Dated : April 27, 2007

**SCHEDULE 'F'**
**SIGNIFICANT ACCOUNTING POLICIES**
**1. System of Accounting**

The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis.

**2. Accounting Convention**

The accounts have been prepared under historical cost convention.

**3. Preliminary Expenses**

Preliminary Expenses have been amortized over a period of ten years.

**SCHEDULE 'G'**
**NOTES ON ACCOUNTS**
**1. Details of Auditors' Remuneration are as under : Rs. In lacs**

	Year ended March 31, 2007
Audit Fees	0.10
	<b>0.10</b>

2. 3,50,000 Equity shares of the Company, representing its entire Paid-up capital, is held by Prime Securities Limited, together with its nominees.

**3. Related Party Disclosures**

A Related party disclosures as per Accounting Standard – 18 issued by Institute of Chartered Accountants of India are given below:

**Relationships**
**(a) Holding Company**

(1) Prime Securities Limited

**(b) Associate Company**

(1) Prime Broking Company (India) Limited

**(c) Directors**

(1) Mr. Arun Shah (2) Mr. Nikhil Shah (3) Mr. Ajay Shah

# PRIME COMMODITIES BROKING (INDIA) LIMITED

B The following transactions were carried out with the related parties in the ordinary course of business during the financial year 2006-2007

Sr. No.	Nature of Transaction	Transactions during the year Current Year	Balance as on 31.03.07
1.	Sums paid by the Holding Company Prime Securities Ltd.	1.90	1.90 (Debit)

4. The company has not accounted for deferred tax asset as a matter of prudence and the same will be reviewed on each balance sheet date.  
 5. This is the first year of the Company since incorporation.  
 6. Other information pursuant to paragraph 3 4C, and 4D (except for the earnings in the foreign currency ) of Part II of Schedule VI of the Companies Act, 1956 is not applicable.

As per our Report of even date attached For and on behalf of the Board  
 For **K V S and Company** **Arun Shah** *Director*  
*Chartered Accountants*  
**K V Sahasrabudhe**  
*Proprietor* **Ajay Shah** *Director*  
 Mumbai Mumbai  
 Dated : April 27, 2007 Dated : April 27, 2007

## Cash Flow Statement for the year ended on March 31, 2007

(Rs. in Lacs)

	INFLOWS/(OUTFLOWS)	
	Year ended 31-Mar-07	Year ended 31-Mar-06
<b>A. Cash flow from Operating Activities</b>		
<b>Net Profit Before tax</b>	<b>0.24</b>	0.27
Adjustment for :		
Interest Received	(0.44)	(0.43)
Operating Profit before Working Capital Changes	(0.20)	(0.16)
Adjustments for Changes in the Working Capital Loans, Advances & Other Current Assets	-	0.26
<b>Cash generated from operations</b>	<b>(0.20)</b>	0.10
Direct Taxes Paid (Net)	0.03	(0.09)
<b>Net Cash Used in Operating Activities (A)</b>	<b>(0.23)</b>	0.01
<b>B. Cashflow from Investment Activities</b>		
Interest received	0.10	0.09
Net Cash from Investment activities (B)	0.10	0.09
<b>Net Cashflow (A+B)</b>	<b>0.13</b>	(0.10)
<b>Changes in the Cash &amp; Bank Balance</b>		
Cash and Cash Equivalents at the beginning of the year	0.30	0.20
Cash and Cash Equivalents at the end of the year	0.17	0.30

Note :

Previous year figures have been regrouped / rearranged wherever necessary.

For and on behalf of the Board of Directors

**Arun Shah** *Director*  
**Nikhil Shah** *Director*  
**Ajay Shah** *Director*

Mumbai, Dated : April 27, 2007

## Additional Information as required under Part IV of Schedule VI to the Companies Act,1956

### Balance Sheet Abstract and Company's General Business Profile

<b>1. Registration details</b>	
Registration No.	: 161313
State Code	: 11
Balance Sheet Date	: 31.03.2007
<b>2. Capital raised during the year</b>	<b>Rs. in Thousands</b>
Public Issue	: Nil
Rights Issue	: Nil
Bonus Issue	: Nil
Private Placement- Equity Shares	: Nil
<b>3. Position of mobilisation and deployment of funds</b>	<b>Rs. in Thousands</b>
Total Liabilities	: 3690
Total Assets	: 3690
<b>Sources of funds</b>	
Paid-up Capital	: 3500
Reserves & Surplus	: -
Secured Loans	: -
Unsecured Loans	: 190
<b>Application of funds</b>	
Net Fixed Assets	: -
Investment	: -
Net Current Assets	: 2985
Miscellaneous Expenditure	: 259
Accumulated Losses	: 446
<b>4. Performance of the Company</b>	<b>Rs. in Thousands</b>
Turnover (Gross Receipts)	: Nil
Total Expenditure	: 446
Profit / (Loss) before tax	: (446)
Profit / (Loss) after tax	: (446)
Earning Per Share	: (1.28)
Dividend rate including Special Dividend if any	
- On Preference Shares	: -
- On Equity Shares	: -
<b>5. Generic names of Principal products, service of the Company</b>	
Item Code No. (ITC Code)	: Not Applicable
Service Description	: Fund Management, Equity Research and Analysis and Advisory Services

For and on behalf of the Board of Directors

**Arun Shah** *Director*  
**Nikhil Shah** *Director*  
**Ajay Shah** *Director*

Mumbai, Dated : April 27, 2007

## BOARD OF DIRECTORS

N Jayakumar *Chairman*  
Binaifer Jijina *Director*  
Vinay Motwani *Director*  
Ajay Shah *Director*

## AUDITORS

Chandabhoy & Jassoobhoy  
*Chartered Accountants*

## REGISTERED OFFICE

Phoenix House, A Wing, 4th Floor,  
462, Senapati Bapat Marg,  
Lower Parel, Mumbai 400013.  
Tel : (022) 2498 1515 Fax : (022) 2497 0777  
Email : prime@primesec.com

## DIRECTORS' REPORT

### The Members

#### Prime Research & Advisory Limited

Your Directors present their Fourteenth Annual Report together with the Audited Accounts for the Year ended March 31, 2007.

The Company did not carry out any activities during the year under review. In view of the accumulated losses, the Directors are unable to recommend any Dividend.

### DIRECTORS

Mr N. Jayakumar and Mr Ajay Shah retires at the ensuing Annual General Meeting and are eligible for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956 your Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
2. They have selected such accounting policies and applied them consistently and made judgements 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 on March 31, 2007 and of the profit of the Company for the year ended on that date;
3. They 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 of the assets of the Company and for preventing and detecting fraud and other irregularities;
4. They have prepared the annual accounts on a going concern basis.

### SECRETARIAL COMPLIANCE CERTIFICATE

Secretarial Compliance Certificate for the year ended March 31, 2007 obtained from a Practising Company Secretary under the provisions of Section 383A of the Companies Act, 1956 is given separately in this Annual Report.

### AUDITORS' REPORT & AUDITORS

M/s. Chandabhoy & Jassoobhoy, Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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

In view of the nature of activities carried on by the Company, the information pertaining to conservation of energy and technology is not being given. During the year, there were no earnings or expenditure in foreign exchange.

### PARTICULARS OF EMPLOYEES

The Company did not have any employee during the year under review.

Mumbai  
Dated: July 13, 2007

### For and on behalf of the Board of Directors

N. Jayakumar  
Binaifer Jijina  
Vinay Motwani  
Ajay Shah

} Directors

# PRIME RESEARCH & ADVISORY LIMITED

## COMPLIANCE CERTIFICATE

### U/S 383A of the Companies Act, 1956 & Rule 3 of the companies (Compliance Certificate) Rules, 2001

To, The Members,  
Prime Research & Advisory Limited

Nominal Capital: 2,50,00,000/-  
Registration No. - 11 - 71007  
(31/03/2007)

I/ We have examined the registers, records, books and papers of Prime Research & Advisory Limited (the Company) as required to be maintained under the Companies Act 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and articles of Association of the Company for the financial year ended on **31<sup>st</sup> March, 2007**. In my/our opinion and to the best of my/our information and according to the examinations carried out by me/us and explanations furnished to me/us by the Company, its officers and agents, I/we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company being a public limited company, comments are not required.
4. The Board of Directors duly met 4 times on 28/04/2006, 13/07/2006, 12/10/2006 and 16/01/2007 in respect of which meetings proper notice were given and the proceedings were properly recorded and signed including the circular resolution passed in the minutes books maintained for the purpose.
5. The Company has not closed its Register of Members or Debenture holders during the financial year.
6. The annual general meeting for the year ended on 31.03.2006 was held on 29/08/2006 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. **No** extra ordinary general meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. There were no instances falling within the purview of the Section 314 of the Companies Act, the company has not obtained any approvals from the Board of Directors, Members or Central Government.
12. No duplicate share certificates were issued during the year under review.
13.
  - i. There was no allotment/transfer/transmission of securities during the financial year.
  - ii. The Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
  - iii. The Company was not required to post warrants to any members of the Company as no dividend was declared during the financial year.
  - iv. The Company was not required to transfer any amount to Investor Education & Protection Fund.
  - v. The Company has duly-complied with the requirements of Section 217 of the Act regarding Board's report.
14. The Board of Directors of the company is duly constituted. There was no appointment of additional Directors, alternate Directors and Directors to fill casual vacancies during the financial year.

15. The Company has not appointed any Managing Director/Wholetime Director/ Manager during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such other authorities prescribed under the various provisions of the Act during the year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions, which required the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has neither raised nor accepted any deposits from Public during the financial year.
24. The Company has not made any borrowings from directors, members, public, banks and others during the financial year ending 31st March, 2007.
25. The Company has not made loans to other bodies corporate in compliance with the provisions of the Act and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the memorandum with respect to situation of the company's registered office from one state to another during the financial year
27. The Company has not altered the provisions of the memorandum with respect to the objects of the company during the financial year.
28. The Company has not altered the provisions of the memorandum with respect to name of the company during the financial year.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the company during the financial year.
30. The Company has not altered its Articles of Association during the financial year.
31. There were no prosecution initiated against or show cause notices received by the company and no fines or penalties or any other punishment imposed on the company during the year, for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company was not required to deduct any contribution towards provident fund during the financial year pursuant to section 418 of the Act.

Place : Mumbai  
Date : July 13, 2007

Signature  
Name of Company Secretary : Pramod S. Shah  
C. P. No. : 3804

### Annexure A

- The Company has been maintaining the statutory records such as:
- |   |                            |
|---|----------------------------|
| 1) Minutes Book (Board Meeting)         | 6) Register of Assets.     |
| 2) Minutes Book (AGM & EGM)             | 7) Register of Investment. |
| 3) Register of Member.                  | 8) Register of Charges.    |
| 4) Register of Director.                | 9) Register of Contracts.  |
| 5) Register of Director's shareholding. |                            |

### Annexure B

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending on **31<sup>st</sup> March, 2007**.

Sr. No.	Form No.	Filed u/s	For	Filed On
1	Balance Sheet	220	31/03/2006	14/09/2006
2	Annual Return	159	29/08/2006	14/09/2006
3	Secretarial Compliance Report	383A	31/03/2006	14/09/2006

## AUDITOR'S REPORT

The Members,

### Prime Research & Advisory Limited

We have audited the attached Balance Sheet of PRIME RESEARCH & ADVISORY LIMITED as at March 31, 2007, the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. 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 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 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act 1956, we enclose in the annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above :
  - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of those books;
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - v) 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 are disqualified as on March 31, 2007 from being appointed as a director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and Cash Flow Statement read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with 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, 2007;
  - 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 Cash Flow Statement, of the cash flows for the year ended on that date.

For and on Behalf of  
**Chandabhoy & Jassoobhoy**  
*Chartered Accountants*

**Bhupendra T. Nagda**  
*Partner*

Mumbai : April 27, 2007

Membership No.: 102580

### ANNEXURE TO THE AUDITOR'S REPORT

**Annexure referred to in paragraph 1 of our report of even date to the members of Prime Research & Advisory Limited on the accounts for the year ended March 31, 2007.**

- i) The Company does not have any fixed assets and hence clause 4(i) of the Order is not applicable to the Company for the year under report.
- ii) The Company does not hold any inventory and hence clause 4 (ii) of the Order is not applicable to the Company for the year under report.
- iii) a. The Company has granted an unsecured loan to a company covered in the register maintained under section 301 of the Act. The total amount of loan given aggregated to Rs.3.60 lacs. In our opinion, the rate of interest and other terms and conditions of the loan are not prima facie prejudicial to the interest of the Company.

- b. The principal amount has been renewed on maturity and the interest amount is yet to be received.
- c. The Company has not taken any other loans from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
- v) According to the information and explanations given to us, there are no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 exceeding Rs.500,000/- that need to be entered in the register required to be maintained under that section. Accordingly, clauses 4(v) (a) and (b) of the Order is not applicable to the Company.
- vi) The Company has not accepted public deposits during the year under report.
- vii) In our opinion, clause 4 (vii) of the order in respect of internal audit system is not applicable to the company during the year.
- viii) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956.
- ix) a. The Company is regular in depositing undisputed statutory dues with the appropriate authorities.  
b. According to the information and explanations given to us, no undisputed dues payable in respect of income tax, sales tax, wealth tax, customs duty, service tax and cess were outstanding as at 31st March, 2007 for a period of more than six months from the date they became payable.  
c. According to the information and explanations given to us, there are no statutory dues outstanding on account of any dispute as of 31st March, 2007.
- x) The accumulated losses of the Company at the end of the financial year are not more than fifty per cent of its net worth. The Company has not incurred cash losses during the current financial year ended March 31, 2007 and the immediately preceding financial year ended March 31, 2006.
- xi) The Company has neither borrowed any funds from financial institution or bank nor issued any debentures. Accordingly, the provisions of clause 4(xi) of the Order are not applicable to the Company.
- xii) According to the information and explanations given to us and the records of the Company examined by us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- xiv) The Company is not dealing in shares, securities, debentures and other investments, hence clause 4(xiv) of the Order is not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi) No term loans have been availed by the Company during the year.
- xvii) According to the information and explanations given to us, no funds have been raised on short-term basis during the year.
- xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties covered in the register maintained under section 301 of the Act.
- xix) The Company has not issued any debentures.
- xx) The Company has not raised any money by public issues during the year.
- xxi) Based on the audit procedure performed and the information and explanations given by the management, we report that no fraud on or by the Company has been noticed and reported during the year.

For and on Behalf of  
**Chandabhoy & Jassoobhoy**  
*Chartered Accountants*

**Bhupendra T. Nagda**  
*Partner*

Mumbai : April 27, 2007

Membership No.: 102580

# PRIME RESEARCH & ADVISORY LIMITED

## BALANCE SHEET AS AT MARCH 31, 2007

Schedule	As at 31-3-2007 Rs. in lacs	As at 31-3-2006 Rs. in lacs
<b>SOURCES OF FUNDS</b>		
<b>Shareholders' Funds</b>		
Share Capital	A	35.00
	<b>Total</b>	<b>35.00</b>
<b>APPLICATION OF FUNDS</b>		
<b>Current Assets, Loans and Advances</b>		
Cash & Bank Balances	B	0.17
Loans & Advances	C	31.77
		<b>31.94</b>
<b>Less : Current Liabilities &amp; Provisions</b>	D	<b>0.16</b>
<b>Net Current Assets</b>		<b>31.78</b>
<b>Profit &amp; Loss Account</b> (Debit Balance to the extent not adjusted)		<b>3.22</b>
	<b>Total</b>	<b>35.00</b>
<b>Significant Accounting Policies</b>	F	
<b>Notes on Accounts</b>	G	

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007

Schedule	Year Ended 31-3-2007 Rs. in lacs	Year Ended 31-3-2006 Rs. in lacs
<b>INCOME</b>		
Interest Received (Gross)	0.44	0.43
(Tax Deducted at Source Rs.0.10 lac) (Previous year Rs. 0.10 lac)		
	<b>Total</b>	<b>0.44</b>
<b>EXPENDITURE</b>		
Administrative & Other Expenses	E	0.20
	<b>Total</b>	<b>0.20</b>
<b>Profit Before Tax</b>	<b>0.24</b>	<b>0.27</b>
Less : Provision for Current Tax	0.03	0.02
<b>Profit After Tax</b>	<b>0.21</b>	<b>0.25</b>
Add : Prior Period Adjustment of Income Tax (Rs.73/-)	0.00	-
	<b>0.21</b>	<b>0.25</b>
Deficit brought forward from Previous Year	(3.43)	(3.68)
<b>Balance Carried to the Balance Sheet</b>	<b>(3.22)</b>	<b>(3.43)</b>
<b>Earning per share - Basic and Diluted</b>	<b>0.06</b>	<b>0.07</b>
<b>Significant Accounting Policies</b>	F	
<b>Notes on Accounts</b>	G	

As per our Report attached  
For and on behalf of

**CHANDABHOY & JASSOOBHOY**  
Chartered Accountants

For and on behalf of the Board

**N Jayakumar** Director

**Binaifer Jijina** Director

**Bhupendra T. Nagda**  
Partner

**Ajay Shah** Director

**Vinay Motwani** Director

Mumbai, Dated : April 27, 2007

Mumbai, Dated : April 27, 2007

As per our Report attached  
For and on behalf of

**CHANDABHOY & JASSOOBHOY**  
Chartered Accountants

For and on behalf of the Board

**N Jayakumar** Director

**Binaifer Jijina** Director

**Bhupendra T. Nagda**  
Partner

**Ajay Shah** Director

**Vinay Motwani** Director

Mumbai, Dated : April 27, 2007

Mumbai, Dated : April 27, 2007

**SCHEDULES ANNEXED TO AND FORMING PART OF THE  
BALANCE SHEET AS AT MARCH 31, 2007**

	As at 31-3-2007 Rs. in lacs	As at 31-3-2006 Rs. in lacs
<b>SCHEDULE 'A'</b>		
<b>Share Capital</b>		
<b>Authorised :</b>		
25,00,000 (Previous Year 25,00,000) Equity shares of Rs.10/- each	250.00	250.00
<b>Issued, Subscribed and Paid - up</b>		
350,000 (Previous Year 350,000) Equity Shares of Rs.10/- each	35.00	35.00
	<u>35.00</u>	<u>35.00</u>
<b>SCHEDULE 'B'</b>		
<b>Cash &amp; Bank Balances</b>		
Cash on Hand	0.02	0.04
Bank Balance with Scheduled Bank in Current Account	0.15	0.26
	<u>0.17</u>	<u>0.30</u>
<b>SCHEDULE 'C'</b>		
<b>Loans &amp; Advances</b>		
Tax Deducted at Source	0.28	0.28
Due from Holding Company	8.07	7.73
Security Deposit [Includes Rs.13.50 lacs (Previous Year Rs.13.50 lacs) from Holding Company]	13.56	13.56
Due from Prime Broking Company (India) Ltd., an Associate Company	9.86	9.86
	<u>31.77</u>	<u>31.43</u>
<b>SCHEDULE 'D'</b>		
<b>Current Liabilities &amp; Provisions</b>		
Provision for Taxation	0.05	0.05
Other Liabilities	0.11	0.11
	<u>0.16</u>	<u>0.16</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT  
& LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

	Year Ended 31-3-2007 Rs. In lacs	Year Ended 31-3-2006 Rs. In lacs
<b>SCHEDULE 'E'</b>		
<b>Administrative &amp; Other Expenses</b>		
Auditors Remuneration	0.11	0.11
Bank charges (Rs.120, Previous Year Rs.89)	0.00	0.00
Filing Fees	0.02	0.02
Legal & Professional Fees	0.07	0.03
	<u>0.20</u>	<u>0.16</u>

**SCHEDULE 'F'**

**SIGNIFICANT ACCOUNTING POLICIES**

- System of Accounting**  
The Company follows the mercantile system of accounting and recognises income and expenditure on accrual basis.
- Accounting Convention**  
The accounts have been prepared under historical cost convention.
- Fixed Assets**  
Fixed Assets are stated at cost less depreciation.
- Depreciation**  
Depreciation on assets is provided on straight line method on pro-rata basis at the rates prescribed in Schedule XIV of the Companies Act, 1956.
- Investment**  
Shares and Debentures which are intended, at the time of acquisition, to be held for a period exceeding twelve months are classified as "Investment".

Investment is valued at Cost unless the diminution in the value of Investment, in the opinion of the management, is other than temporary.

**6. Income**

Advisory fees are accrued as per the terms of contract.

**7. Taxation**

Taxes on income is computed whereby such taxes are accrued in the same period as the revenue and expense to which they relate.

Current tax liability is measured using the applicable tax rates and tax laws and the necessary provision is made annually. Deferred tax asset/liability arising out of the tax effect of timing differences is measured using the tax rates and the tax laws that have been enacted / substantially enacted at the balance sheet date.

Deferred tax assets are recognized only if there is a reasonable certainty of their realization.

**SCHEDULE 'G'**

**NOTES ON ACCOUNTS**

**1. Details of Auditors' Remuneration are as under :**

	Year ended March 31, 2007	Year ended March 31, 2006
Audit Fees	0.10	0.10
Out of Pocket Expenses	0.01	0.01
	<u>0.11</u>	<u>0.11</u>

**2. 3,50,000 Equity shares of the Company, representing its entire Paid-up capital, is held by Prime Securities Limited, together with its nominee.**

**3. Related Party Disclosures**

**A** Related party disclosures as per Accounting Standard – 18 issued by Institute of Chartered Accountants of India are given below:

**Relationships**

**(a) Holding Company**

(1) Prime Securities Limited

**(b) Associate Company**

(1) Prime Broking Company (India) Limited

**(c) Directors**

(1) Mr. N. Jayakumar

(2) Ms. Binaifer Jijina

(3) Mr. Ajay Shah

(4) Mr. Vinay Motwani

**B The following transactions were carried out with the related parties in the ordinary course of business during the financial year 2006-2007**

Sr. No.	Nature of Transaction	Transactions during the year		Balance as on	
		Current Year	Previous Year	31.03.07	31.03.06
1.	Inter Corporate Deposits given to : a) Prime Securities Limited	-	-	3.60(Dr)	3.60(Dr)
2.	Interest received / receivable on Inter Corporate Deposit : a) Prime Securities Limited	0.43	0.43	4.29(Dr)	3.95(Dr)
3.	Debit given for the sale consideration of shares belonging to the Company sold by Prime Broking Company (India) Limited	-	-	9.86(Dr)	9.86(Dr)
4.	Deposit given to Prime Securities Limited	-	-	13.50(Dr)	13.50(Dr)
5.	Debit given for the sale consideration of shares belonging to the Company sold by Prime Securities Limited	-	-	0.18(Dr)	0.18(Dr)

**4. Earning per Share (EPS) (Basic and Diluted) is calculated as follows :**

Profit after tax - Rs.0.21 lac (Previous year Rs.0.25 lac)

No of Shares - 3,50,000 (Previous year 3,50,000)

Earnings per Share (Basic and Diluted) – Re 0.06 [Previous year Re 0.07]

- Previous year figures have been regrouped, and / or re-arranged, wherever considered necessary.
- Other information pursuant to paragraph 3, 4C and 4D (except for the earnings in foreign currency) of part II of Schedule VI of the Companies Act, 1956 is not applicable.

As per our Report attached

For and on behalf of

**CHANDABHOY & JASSOOBHOY**  
Chartered Accountants

**Bhupendra T. Nagda**  
Partner

Mumbai, Dated : April 27, 2007

For and on behalf of the Board

**N Jayakumar** Director  
**Binaifer Jijina** Director  
**Ajay Shah** Director  
**Vinay Motwani** Director

Mumbai, Dated : April 27, 2007

# PRIME RESEARCH & ADVISORY LIMITED

## Cash Flow Statement for the year ended on March 31, 2007

(Rs. in Lacs)

	INFLOWS/ (OUTFLOWS)
	Year ended 31-Mar-07
<b>A. Cash flow from Operating Activities</b>	
Net Profit / (Loss) Before tax	(4.46)
Operating Profit / (Loss) before Working Capital Changes	(4.46)
Adjustments for Changes in the Working Capital	
Loans, Advances & Other Current Assets	(30.00)
Current Liabilities	0.15
Miscellaneous Expenditure	(2.59)
	(32.44)
<b>Cash generated from operations</b>	<b>(36.90)</b>
<b>Net Cash Used in Operating Activities (A)</b>	<b>(36.90)</b>
<b>B. Cashflow from Financing Activities</b>	
Issue of Share Capital	35.00
Funds Borrowed / (Repaid) (net)	1.90
Net Cash from Financing Activities (B)	36.90
<b>Net Cashflow (A+B)</b>	<b>-</b>
<b>Changes in the Cash &amp; Bank Balance</b>	
Cash and Cash Equivalents at the beginning of the year	-
Cash and Cash Equivalents at the end of the year	-

For and on behalf of the Board

**N Jayakumar** Director

**Binaifer Jijina** Director

**Ajay Shah** Director

**Vinay Motwani** Director

Mumbai, Dated : April 27, 2007

## Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956

### Balance Sheet Abstract and Company's General Business Profile

<b>1. Registration details</b>	
Registration No.	: 71007
State Code	: 11
Balance Sheet Date	: 31.03.2007
<b>2. Capital raised during the year</b>	
	<b>Rs. in Thousands</b>
Public Issue	: Nil
Rights Issue	: Nil
Bonus Issue	: Nil
Private Placement- Equity Shares	: Nil
<b>3. Position of mobilisation and deployment of funds</b>	
	<b>Rs. in Thousands</b>
Total Liabilities	: 3500
Total Assets	: 3500
<b>Sources of funds</b>	
Paid-up Capital	: 3500
Reserves & Surplus	: -
Secured Loans	: -
Unsecured Loans	: -
<b>Application of funds</b>	
Net Fixed Assets	: -
Investment	: -
Net Current Assets	: 3178
Miscellaneous Expenditure	: -
Accumulated Losses	: 322
<b>4. Performance of the Company</b>	
	<b>Rs. in Thousands</b>
Turnover (Gross Receipts)	: 44
Total Expenditure	: 20
Profit / (Loss) before tax	: 24
Profit / (Loss) after tax	: 21
Earning Per Share	: 0.06
Dividend rate including Special Dividend if any	
- On Preference Shares	: -
- On Equity Shares	: -
<b>5. Generic names of Principal products, service of the Company</b>	
Item Code No. (ITC Code)	: Not Applicable
Service Description	: Fund Management, Equity Research and Analysis and Advisory Services

For and on behalf of the Board of Directors

**N Jayakumar** Director

**Binaifer Jijina** Director

**Ajay Shah** Director

**Vinay G. Motwani** Director

Mumbai, Dated : April 27, 2007

## PRIME SECURITIES LIMITED

Regd. Office : Phoenix House, A Wing, 4th Floor, 462, Senapati Bapat Marg, Lower Parel, Mumbai 400013.

PRIME

### ATTENDANCE SLIP

I hereby record my presence at the Twenty-Fifth Annual General Meeting of the Company at Victoria Memorial School for the Blind, 73, Tardeo Road, Opp Film Centre, Near Bharat Petroleum Petrol Pump, Mumbai - 400 034 on Thursday, August 30, 2007 at 10.00 a.m.

Folio No \_\_\_\_\_

DP ID / Client ID \_\_\_\_\_

Full Name of the Shareholder \_\_\_\_\_ Signature \_\_\_\_\_  
(in block letters)

Full Name of the Proxy \_\_\_\_\_ Signature \_\_\_\_\_

## PRIME SECURITIES LIMITED

Regd. Office : Phoenix House, A Wing, 4th Floor, 462, Senapati Bapat Marg, Lower Parel, Mumbai 400013.

PRIME

### PROXY

I \_\_\_\_\_

of \_\_\_\_\_ in the district of \_\_\_\_\_

Member(s) of Prime Securities Limited hereby appoint \_\_\_\_\_

of \_\_\_\_\_ in the district of \_\_\_\_\_ or failing him

\_\_\_\_\_ of \_\_\_\_\_ in the district of

\_\_\_\_\_ as my / our Proxy to attend and vote for me/us and my/our behalf at the

Twenty-Fifth Annual General Meeting of the Company to be held on Thursday, August 30, 2007 at 10.00 a.m. at Victoria Memorial School for the Blind, 73, Tardeo Road, Opp Film Centre, Near Bharat Petroleum Petrol Pump, Mumbai - 400 034 on \_\_\_\_\_ and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2007.

Folio No \_\_\_\_\_

DP ID / Client ID \_\_\_\_\_

No. of Shares held \_\_\_\_\_

Affix  
Re 1/-  
Revenue  
Stamp

**Note :** The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting