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**MESSAGE FROM THE MANAGEMENT**

Dear Stakeholders,

'Fortune' group has once again given encouraging performance across all business verticals during the year. The economic outlook, both global as well as domestic, has improved despite dramatic changes taking place globally. Being a finance service enterprise, we have had to face the brunt of recession, which we did with a lot of confidence in our value system. Looking back, we can proudly say that we have come out with flying colors.

The tremendous support and faith shown by you during the tough times enabled us to maintain our progress and we thank you for that.

All businesses face ups and downs and some manage extraordinary performances despite downturns. We managed to do the same in the last year. We wish to briefly highlight the main reasons for our success and also the direction we need to take to ensure that we continue our growth in the long term.

At 'Fortune' we had our eyes focused on our enterprising theme to **INNOVATE & INITIATE**. We devoted a great share of our energies and resources to thoroughly revamp every vertical of our business by innovating numerous concepts, plans, strategies & tactics and simultaneously initiating the same into action. This translated into a better future and our businesses grew faster. 'Fortune' has delivered superior performance by way of increased revenues, enhanced profits, heightened new clients empanelment, spreading geographical presence and maturing product range with improvements across all key parameters as compared to the last fiscal.

Other major element that led to our success is the dedication of our employees. We are happy to say that we have one of the best teams in the industry. It is very hard to become a preferred employer, but once you do, the best people from the industry want to work with you. We feel that as long as people prefer to work with us, we will have a definite advantage over the competition.

We have not only managed to change our organization for better, but have also increased value addition to customers by broadening the range of our products and services. We have built up a high technology trading infrastructure and created a stronger brand. Continuous training and development have ensured more responsive and proactive employees. All this has led to good performance which we are sure will strengthen your belief in our Company.

The path to our goals is not easy but we will work smartly and our management will do its best to ensure that the market volatility has no impact on our progress. As we move ahead, Fortune will try to attain pole positions in all verticals it will be present in and become an industry model.

As a step further to achieve our vision, we are entering a period of transformational growth with the phased build up of a number of tactical business initiatives, from its world class pool of newly acquired human resources. However, while pursuing these growth



opportunities, we need to simultaneously leverage our expertise and strengths in synergistic areas to maximize stakeholders' value.

We, on behalf of the Company and the Board of Directors express our gratitude to various institutions, banks, government authorities and all others for their useful support and co-operation. We also wish to acknowledge the patronage of our valued customers who have come to respect our brands. We thank them for their affirmation of our actions.

We also take this opportunity to recognize the immense contribution made by the employees of our Company through their dedication and commitment. We would like to sincerely thank our colleagues on the Board for their wise advice and continued guidance. We are also thankful to all of you for the confidence you have maintained in the organization.

We look forward to your continued support and encouragement in all the future to come.

**"Just as energy is the basis of life itself & ideas the source of innovation, so is innovation the vital spark of all human change, improvement & progress"**

***-Theodore Levitt***

With best wishes,

Mumbai, May 20, 2010

**J T Poonja**  
Executive Chairman

**Nimish C Shah**  
Managing Director

## BOARD OF DIRECTORS

<b>Mr. J.T. Poonja</b>	Executive Chairman
<b>Mr. Nimish C. Shah</b>	Managing Director
<b>Mr. C. R. Mehta</b>	Director
<b>Mr. Gaurang A. Patel</b>	Director <i>(resigned w.e.f. 1<sup>st</sup> November, 2009)</i>
<b>Mr. H. R. Prasad</b>	Director
<b>Mr. Manoj G. Patel</b>	Director
<b>Mr. Ramesh Venkat</b>	Director
<b>Mrs. Sangeeta J. Poonja</b>	Director
<b>Mr. Sanjay Kothari</b>	Additional Director <i>(appointed w.e.f. 25<sup>th</sup> September, 2009)</i>
<b>Mr. Shailesh Haribhakti</b>	Alternate Director
<b>Mr. Sohan C. Mehta</b>	Director



## GROUP INFORMATION

### FORTUNE'S LEADERSHIP TEAM

<b>Mr. Devesh Kumar</b>	Group CEO
<b>Mr. Kamlesh Gandhi</b>	Group Advisor
<b>Mr. Vishal Trehan</b>	Country Head – Retail & Broking
<b>Mr. Pankaj Wadhawan</b>	Head – Financial Advisory Group
<b>Mr. Arun Kumar Bhangadia</b>	Sr. Vice President – Hyderabad Region
<b>Mr. B. B. Tantri</b>	Head – Operations
<b>Mr. S. G. Muthu Kummar</b>	Head – Corporate Affairs
<b>Mr. S. Kalyanasundaram</b>	Head – Treasury
<b>Mr. Pranav Kumar</b>	Head – Corporate Sales
<b>Mr. Naveen Sharma</b>	Head – Northern Region
<b>Mr. Govindaraj</b>	Head – Southern Region
<b>Mr. Mahantesh Sabarad</b>	Sr. Vice President – Equity Research
<b>Mr. Niraj Shah</b>	Sr. Vice President – Equity Research
<b>Mr. Abhijit Chakraborty</b>	Sr. Vice President – Institutional Equity Sales

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### COMPANY SECRETARY

Mr. Haroon Mansuri

### AUDITORS

M/s. Nipun Sudhir & Associates  
Chartered Accountants

### BANKERS

Axis Bank Ltd.  
HDFC Bank Ltd.  
Karur Vysya Bank Ltd.  
Union Bank of India  
Vijaya Bank

### REGISTRAR & SHARE TRANSFER AGENT

Purva Shareregistry (India) Pvt. Ltd.  
Shivshakti Industrial Estate,  
Unit No. 9, Ground Floor,  
7-B Sitaram Mills Compound,  
J. R. Boricha Marg,  
Lower Parel, Mumbai - 400 011

### REGISTERED OFFICE

K. K. Chambers, 2<sup>nd</sup> Floor,  
Sir P. T. Marg,  
Fort, Mumbai - 400 001  
Website : [www.ffsil.com](http://www.ffsil.com)

## DIRECTORS' REPORT

### Dear Shareholders

Your Directors are pleased to present their Nineteenth Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31 2010. The summarized financial results of the Company are given below:

### Financial Highlights :

	(Rupees in Lacs)	
	2009-10	2008-09
<b>Total Income</b>	<b>1,443.66</b>	766.02
Profit before depreciation and tax	<b>1,011.21</b>	321.77
Depreciation & Amortisation	<b>19.91</b>	21.24
Profit before tax	<b>991.30</b>	300.53
Provision for taxes - Current tax	<b>221.86</b>	63.00
- Deferred tax	<b>(15.71)</b>	1.85
- Fringe benefits tax	<b>-</b>	3.35
Profit after tax	<b>785.15</b>	232.33
Balance brought forward from previous year	<b>1,946.39</b>	1,859.80
Tax in respect of earlier years (Net)	<b>17.19</b>	0.41
Balance available for appropriations	<b>2,714.35</b>	2,091.72
Transfer to General Reserve	<b>78.51</b>	23.23
Dividend	<b>302.91</b>	122.10
Balance carried to Balance Sheet	<b>2,332.93</b>	1,946.39
Weighted average number of equity shares		
- Basic	<b>11,248,799</b>	10,816,712
- Diluted	<b>11,470,992</b>	11,050,110
Nominal value per share (in rupees)	<b>10.00</b>	10.00
Basic and diluted earnings per share (in rupees)		
- Basic	<b>6.98</b>	2.15
- Diluted	<b>6.84</b>	2.10

### Performance Review :

The efforts of the Company to expand its diversified product offerings, geographical presence, new empanelment of customers is driving the growth as projected. The Company continued to see profitable growth during the year under review across its all business operations.

For the year ended March 31 2010, the Company on standalone basis earned a total income of Rs. 1443.66 lacs, an increase of 88% over previous year's Rs.766.02 lacs.

The net profit of the Company for the year increased to Rs. 785.15 lacs (54% of the total income) as compared to Rs.232.33 lacs (30% of total income) in the previous year.

Fortune did well in achieving business growth across all its product offerings while continued to improve its operational profitability by conserving costs and creating efficiencies. Fortune continues to focus on acquiring new customers while increasing its level of operations with existing customers, post high growth in all spheres it operates. The broad range of services enables Fortune to provide 'end-to-end' services to its clients and able to provide comprehensive and high value adding services to its clientele.



## **Consolidated Results :**

As required under Accounting Standard 21 (AS 21) on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India (ICAI), the audited Consolidated Financial Statements for the year ended March 31 2010 together with Auditors' Report thereon are provided in the Annual Report.

As per the Consolidated Accounts, the Company has earned the total income of Rs. 7,226.43 lacs, an increase of 71% over previous year's Rs. 4,208.31 lacs.

The Consolidated net profit for the year stood at Rs.1,606.34 lacs (22% of the total income) as compared to the net loss of Rs.65.06 lacs in the previous year.

## **Dividend :**

The Directors recommend a dividend of Rs. 2.50 per equity share of Rs. 10/- each for the financial year ended March 31 2010 on 12,116,400 equity shares of Rs. 10/- each of the Company. The dividend if declared at the ensuing Annual General Meeting, will involve a payout of Rs. 302.91 lacs and will be payable to those members whose names appear in the Register of Members as on date of the Annual General Meeting.

## **Future Prospects :**

After the 'annus horribilis' of FY09, the financial markets staged a remarkable turnaround in FY10 on account of the ongoing stabilization of the global financial and economic systems and consequent pick-up in risk appetite across the various financial market participants. The Indian securities markets were a significant beneficiary of the global trend of 'bull run' in financial markets.

There was significant activity in capital raising activity in the domestic markets. In 11 months from April 2009 to February 2010, there were 117 issues raising Rs. 83,240 crore from primary market compared to Rs.14,268 crore raised through 44 issues during April 2008 to February 2009. Amount raised through QIP during 11 months were significantly higher at Rs.41,133 crore compared to meager Rs.189 crore done during previous financial year. Thus there was a substantial increase in risk appetite of institutional players.

There were 38 public issues during April-February 2010 raising Rs.37,125 crore compared to 21 public issues raising Rs.2,082 crore during the previous year. There were total 21 Rights issue collecting Rs. 4,982 crore compared to collecting of Rs. 11,997 crore through 21 Rights issues in the previous year. Thus investors were welcoming new business ideas and did prefer to support existing businesses.

Increased activity in the secondary market improved the flow of funds into mutual fund investments also. Equity oriented mutual funds have seen inflow of Rs.182,811 crore in 11 months April-February 2010 compared to Rs.38,210 crore recorded in previous year. Many of the corporate projects that had been deferred due to slowdown in demand last year have witnessed resumption.

Most market participants expect that the current rally will continue in the near-term. The continued growth of the markets will be dependent on the aggregate global macro-environment (especially the acceleration of growth momentum in face of the ongoing normalization of fiscal and monetary policies in the developed world) and government's initiative to divest stake in various PSUs and invest in infrastructure and urbanization projects.

## **Share Capital :**

### **a) Preferential allotment :**

Pursuant to the consent granted by the members through Postal Ballot, the results of which were declared on January 11 2010, the Internal Finance Committee in its meeting held on February 5 2010 allotted 10,00,000 equity shares of Rs. 10/- each at a premium of Rs. 70/- per share aggregating to Rs. 800.00 lacs to the strategic investors and 6,00,000 equity warrants of Rs. 10/- each at a premium of Rs. 70/- per warrant convertible in to one equity share of Rs. 10/- each at a premium of Rs. 70/- per share, aggregating to Rs. 480.00 lacs on preferential basis to the promoters, relatives of promoters and a Company in which the relatives of promoter are interested.

The 10,00,000 fresh equity shares rank pari-passu with the existing equity shares of the Company with respect to the voting rights and dividend entitlement. The preferential allotment of equity shares and equity warrants has not resulted in to any change in the composition of Board of Directors, management or control of the Company.

The holders of equity warrants have an option to apply for and obtain one equity share of Rs. 10/- each at a premium of Rs. 70/- per share for each equity warrant allotted to them. The option is exercisable with in a period of 18 months from the date of allotment of equity warrants.

The Board of Directors take this opportunity to thank the strategic investors who have shown confidence in the Management of the Company by investing in capital of the Company.



In July 2008, the Company had allotted 4,00,000 equity warrants of Rs. 10/- each at a premium of Rs. 210/- per warrant convertible in to one equity share of Rs. 10/- each at a premium of Rs. 210/- per share, aggregating to Rs. 880.00 lacs on preferential basis to the promoters, relatives of promoters and a Company in which the relatives of promoter are interested. Such equity warrants were due for conversion in January 2010. The holders of these equity warrants did not exercise their options to convert their holding in to the equity shares of the Company, hence the amount of Rs. 88.00 lacs received by the Company on allotment of the equity warrants has been forfeited and credited to Capital Reserve.

#### **b) Employees Stock Option Scheme (ESOP) :**

The Company had introduced stock options plan for employees. The statement as required under Clause 12 of the SEBI (ESOP and ESPS) Guidelines, 1999 is annexed as Annexure I and forms part of the Annual Report.

The Company has received a certificate from the Auditors that the FFSIL ESOP Scheme 2006 has been implemented in accordance with the SEBI Guidelines and the resolution passed at the Annual General Meeting held on September 23 2006. The Certificate would be placed at the Annual General Meeting for inspection by Members.

During the year under review, the Company has allotted 16,400 equity shares of Rs. 10/- each under the FFSIL ESOP Scheme.

Consequent to the preferential allotment of equity shares on preferential basis and allotment of equity shares under the FFSIL ESOP Scheme 2006, the paid up equity capital of the Company has been increased to Rs. 1,211.64 lacs divided into 1,21,16,400 equity shares of Rs. 10/- each fully paid up.

#### **Subsidiary Companies :**

Your Company has received an exemption from the Ministry of Corporate Affairs, New Delhi, exempting the Company for compliance of Section 212 (1) of the Companies Act, 1956 for the year ended March 31 2010. Accordingly, the accounts of the subsidiary companies are not attached with the annual report of the Company. However, the annual accounts of the subsidiary companies will be made available to the investors of the holding and subsidiary companies and be kept for inspection by the members at the Registered Office of the Company and will also be uploaded on the website of the Company.

The information in aggregate for each of the subsidiary companies is disclosed in annual report as stipulated in the letter issued by the Ministry of Corporate Affairs, New Delhi.

Statement pursuant to Section 212 (3) of the Companies Act, 1956 relating to the subsidiary companies is annexed as Annexure II and forms part of the Annual Report.

During the year under review, the Company has invested a sum of Rs. 862.00 lacs in subsidiary companies detailed as under:

- a) 5,15,000 equity shares of Rs.10/- each fully paid at a premium of Rs.70/- per share in Fortune Equity Brokers (India) Limited aggregating to Rs.412.00 lacs;
- b) 15,00,000 equity shares of Rs.10/- each fully paid at a premium of Rs.20/- per share in Fortune Credit Capital Limited aggregating to Rs.450.00 lacs.

#### **Fixed Deposits :**

The Company has not accepted any deposit from the public during the year under review, to which the provisions of Section 58A of the Companies Act, 1956 and the rules made there under would apply.

#### **Corporate Governance :**

A report on the Corporate Governance along with a certificate from the Auditors of the Company regarding the compliance of conditions of the Corporate Governance and also the Management Discussion and Analysis as stipulated under Clause 49 of the Listing Agreement are forming part of the Annual Report.

All Board members and senior management personnel have affirmed compliance with code of conduct for the year 2009-2010. A declaration to this effect certified by the Executive Chairman of the Company is also attached in the Annual Report.

The Executive Chairman and the Chief Financial Officer (CFO) have certified to the Board with regard to the financial statements and other matters as required under Clause 49 of the Listing Agreement and the said certificate is given in the Annual Report.

#### **Committees :**

The Company has four committees of the Board of Directors. These committees are – Audit Committee, Remuneration/ Compensation Committee, Shareholders Grievances Committee and Internal Finance Committee.

The terms of reference, composition and the details of the meetings held during the year under review are provided in Corporate Governance Report.

**Internal Control Systems & their adequacy :**

The Company has in place adequate systems of internal control that are commensurate with its size and nature of the business and documented procedures covering all financial and operating functions. The Company being a service industry, it has in place clear processes and well-defined roles and responsibilities for its staff at various levels. The management has a defined reporting system, which facilitates monitoring and adherence to the process and systems in place.

**Auditors :**

M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai, Statutory Auditors of the Company hold office up to the conclusion of this Annual General Meeting and are recommended for reappointment. The Company has received a certificate under Section 224 (1B) of the Companies Act, 1956 stating that the appointment, if made, will be within the limits as specified in that section.

**Directors :**

The Board of Directors appointed Mr. Sanjay Kothari as an Additional Director on September 25 2009. Mr. Kothari holds the office of Directorship till the ensuing Annual General Meeting. The Company has received deposit from the member of the company proposing the candidature of Mr. Kothari as a Director of the Company.

Mr. Gaurang A. Patel has resigned as a Director of the Company effective from November 1 2009. The Board wishes to place on record its appreciation for the valuable contribution made by Mr. Patel during his tenure as a Director of the Company.

Mr. Ramesh Venkat and Mrs. Sangeeta J. Poonja, Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment.

**Conservation of Energy, Technology Absorption :**

The provision of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to your Company since your company is not covered under the scheduled industry pursuant to the said rules.

**Foreign Exchange earnings and outgo :**

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
<b>Earnings :</b>		
Subscription for issue of shares	<b>800.08</b>	2,436.75
Investment & Merchant Banking income	<b>230.73</b>	85.82
<b>Outgo :</b>		
Foreign Travelling / Business Promotion	<b>2.32</b>	6.66
Subscription	-	4.45
Dividend	<b>36.67</b>	49.15

**Particulars of employees :**

Statement under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particular of Employees) Rules 1975, as amended by the Companies Amendment Act, 1988 is annexed as Annexure III and forms part of the Annual Report.

**Investor Education & Protection Fund :**

During the year under review, no amount of unclaimed dividend was due for transfer to the Investor Education & Protection Fund.

**Directors' Responsibility Statement :**

Pursuant to Section 217 (2AA) of the Companies Act, 1956 the Directors to the best of their knowledge and belief confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- appropriate accounting policies had been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

- proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts had been prepared on a going concern basis.

**Acknowledgement :**

The Management of your Company is grateful to customers, regulatory authorities, vendors, shareholders, business associates, company's bankers, Financial Institutions, Government authorities, etc. for their continued support and co-operation. The Directors appreciate and value the contributions made by every member of 'Fortune' family towards growth of the Company.

On behalf of the Board

Mumbai, May 20 2010

**J. T. Poonja**  
Executive Chairman



## Annexure I to the Directors' Report

Disclosure pursuant to the provisions of Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as at March 31 2010.

a	Options Granted	3,26,990																		
b	The pricing formula	<p>The remuneration/compensation committee has been authorised to decide the exercise price in accordance with the Securities &amp; Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and any other amendments thereto.</p> <table border="1"> <thead> <tr> <th>No. of options granted</th> <th>Exercise price (Rs.)</th> </tr> </thead> <tbody> <tr> <td>100,300</td> <td>55.00</td> </tr> <tr> <td>115,690</td> <td>91.00</td> </tr> <tr> <td>111,000</td> <td>98.00</td> </tr> </tbody> </table>	No. of options granted	Exercise price (Rs.)	100,300	55.00	115,690	91.00	111,000	98.00										
No. of options granted	Exercise price (Rs.)																			
100,300	55.00																			
115,690	91.00																			
111,000	98.00																			
c	Options Vested	2,75,290																		
d	Options exercised	16,400																		
e	Total number of shares arising as a result of exercise of option	16,400																		
f	Options lapsed	59,300																		
g	Variation of terms of options	Not Applicable																		
h	Money realized by exercise of options	Rs. 9,02,000/-																		
i	Total number of options in force	1,99,590																		
j	Employee wise details of options granted to :																			
	i. Senior Managerial Personnel	<table border="1"> <thead> <tr> <th></th> <th>Name</th> <th>No. of Options</th> </tr> </thead> <tbody> <tr> <td>a)</td> <td>Mr. Devesh Kumar</td> <td>1,11,000</td> </tr> <tr> <td>b)</td> <td>Mr. Vishal Trehan</td> <td>77,660</td> </tr> <tr> <td>c)</td> <td>Mr. Pranav Kumar</td> <td>38,830</td> </tr> <tr> <td>d)</td> <td>Mr. B.B. Tantri</td> <td>15,000</td> </tr> <tr> <td>e)</td> <td>Mr. G. Muthu Kumar</td> <td>15,000</td> </tr> </tbody> </table>		Name	No. of Options	a)	Mr. Devesh Kumar	1,11,000	b)	Mr. Vishal Trehan	77,660	c)	Mr. Pranav Kumar	38,830	d)	Mr. B.B. Tantri	15,000	e)	Mr. G. Muthu Kumar	15,000
	Name	No. of Options																		
a)	Mr. Devesh Kumar	1,11,000																		
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c)	Mr. Pranav Kumar	38,830																		
d)	Mr. B.B. Tantri	15,000																		
e)	Mr. G. Muthu Kumar	15,000																		
	ii. any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year.	Nil																		
	iii. identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;	Mr. Devesh Kumar																		
k	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with [Accounting Standard (AS) 20 'Earnings Per Share']	Rs. 6.84																		

l	As the exercise is made at the market price prevailing on the date of the grant, the issuance of equity shares pursuant to exercise of ESOP Options does not affect the profit & loss account of the Company.	–
m	Weighted-average exercise prices and weighted-average fair values of options for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Not Applicable
n	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: <ul style="list-style-type: none"> <li>● risk-free interest rate,</li> <li>● expected life,</li> <li>● expected volatility,</li> <li>● expected dividends, and</li> <li>● the price of the underlying share in market at the time of option grant.</li> </ul>	Not Applicable

**Note :** The company had vested 43,700 options to Late Mr. Diptesh Shah, not exercised by any of his legal heirs, hence lapsed during the year.



## Annexure II to the Directors' Report

### STATEMENT PURSUANT TO SECTION 212 (3) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES:

1.	Name of the Subsidiary Companies	Fortune Equity Brokers (India) Limited	Fortune Commodities & Derivatives (India) Limited	Fortune Credit Capital Limited	Fortune Financial India Insurance Brokers Limited
2.	The financial years of the subsidiary companies	March 31 2010	March 31 2010	March 31 2010	March 31 2010
3.	Shares of the subsidiary companies held by Fortune Financial Services (India) Limited.				
	a) No. of shares & face value	1,66,50,000 equity shares of Rs.10/- each.  5,00,000 10% Redeemable Cumulative Preference Shares of Rs.10/- each.  9,00,000 12.50% Redeemable Cumulative Preference Shares of Rs.10/- each.	30,00,000 equity shares of Rs.10/- each  —  —	1,87,50,000 equity shares of Rs.10/- each  —  —	6,00,000 equity shares of Rs.10/- each  —  —
	b) extent of holding	100%	100%	100%	100%
4.	The net aggregate of Profit/(Loss) of the subsidiary companies so far as it concerns the members of Fortune Financial Services (India) Ltd. <b>(Amount Rupees in lacs)</b>				
	a) Not dealt in the accounts of Fortune Financial Services (India) Ltd for the year ended March 31 2010, amounted to-				
	• For the subsidiaries' financial year ended March 31 2010	872.61	78.56	192.30	44.74
	• For the previous financial years of the subsidiaries since they became the holding company's subsidiaries.	656.65	43.24	85.24	(33.22)
	b) Dealt in the accounts of Fortune Financial Services (India) Ltd for the year ended March 31 2010, amounted to -				
	• For the subsidiaries' financial year ended March 31 2010	Nil	Nil	Nil	Nil
	• For the previous financial years of the subsidiaries since they became the holding company's subsidiaries.	Nil	Nil	Nil	Nil

## Annexure III to the Directors' Report

Information under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31 2010

Sr.No.	Name & Designation	Remuneration (Rupees)	Qualification	Experience in years	Date of commencement of employment	Age	Last employment before joining the Company, Designation/ No. of years
<b>I. Employed throughout the year :</b>							
1.	Mr. J. T. Poonja Executive Chairman	52,56,208	M.A (Eco)	43	August 1 1992	69	Vijaya Bank Asst. General Manager 18 years
<b>II. Employed for part of the year :</b>							
1.	Mr. Yogendra Singh V P – Investment Banking	2,17,745	PGDM	9	March 2 2010	33	1 <sup>st</sup> Gulf Bank Portfolio Manager 7 years

### Notes :

- 1) The above employments are contractual.
- 2) The above employments are subject to the rules and regulations of the Company as in force from time to time.
- 3) None of the Employee is related to any Director of the Company except Mr. J. T. Poonja, who is the relative of Mrs. Sangeeta J. Poonja, a Director of the Company.
- 4) Remuneration shown above includes salary, dearness allowances, house rent allowances, bonus, medical reimbursements, incentive and Company's contribution to Provident Fund but does not include contribution to the gratuity fund, which is on the basis of the actuarial valuation and for which individual figures are not available.
- 5) The shareholding by the above employees as on March 31 2010 is as under :

Sr. No.	Name	No. of shares held	% of holding
1.	Mr. J. T. Poonja	16,00,140	13.21
2.	Mr. Yogendra Singh	–	–



## CORPORATE GOVERNANCE

### Report on Corporate Governance

#### A. Corporate Philosophy :

Your Company has been practicing the principles of good corporate governance and conduct the business in accordance with the highest ethical standards and sound corporate governance practice since inception. Clause 49 of the Listing Agreement, which relates to Corporate Governance, was revised in October 2004, making far reaching amendments in the code. Your Company has already complied, in all material aspects, with the revised clause 49 of the Listing Agreement.

The primary purpose of corporate leadership is to create wealth legally and ethically. This translates to bring a high level of satisfaction to five constituents - customers, employees, investors, vendors and the society-at-large. The raison d'être of every corporate body is to ensure predictability, sustainability and profitability and revenues of the Company year after year.

The Company always strives to achieve optimum performance at all levels by adhering to corporate governance practices, such as:

- Fair and transparent business practices.
- Effective Management control by the Board.
- Adequate representation of promoter and independent directors on the Board.
- Accountability for performance.
- Monitoring of executive performance by the Board.
- Compliance of laws.
- Transparent, voluntary and timely disclosure of financial and management information.

#### B. Board of Directors :

The Board is headed by an Executive Chairman and comprises eminent persons with considerable professional experience in various fields. The present strength of the Board as on March 31 2010 is ten Directors including one Alternate Director. More than half of the Board consists of Independent Directors, the size and composition of the Board therefore conforms with the requirements of Corporate Governance Report under the Listing Agreement with the Stock Exchange.

The Composition of the Board and the number of outside directorships held by each of the Directors, their attendance detail are given below :

Name	Category	Attendance		Other Directorships (other than Pvt. Ltd. Cos.)	Committees (as on March 31 2010)	
		Board meetings	Last AGM		Membership	Chairmanship
Mr. J. T. Poonja	Promoter & Executive Director Executive Chairman	4	No	4	–	4
Mr. Nimish C. Shah	Promoter & Managing Director	4	Yes	4	4	–
Mrs. Sangeeta J. Poonja	Promoter & Non-Executive Director	4	No	–	–	–
Mr. Sohan C. Mehta	Promoter & Non-Executive Director	2	No	1	–	–
Mr. C. R. Mehta	Independent Director	4	No	2	2	3
Mr. Gaurang A. Patel (1)	Independent Director	3	Yes	2	–	–
Mr. Ramesh Venkat	Independent Director	3	No	7	4	–
Mr. H. R. Prasad	Independent Director	4	Yes	4	3	3
Mr. Manoj G. Patel	Independent Director	–	No	–	–	–
Mr. Shailesh Haribhakti	Independent Director (Alternate Director to Mr. Manoj G. Patel)	3	No	15	5	5
Mr. Sanjay Kothari (2)	Additional Director	2	N A	4	2	1

( 1 ) Mr. Gaurang A. Patel resigned as a Director w.e.f. November 1 2009.

( 2 ) Mr. Sanjay Kothari appointed as an Additional Director w. e. f. September 25 2009.



**Board Meetings :**

The Board of Directors met four times during the year ended March 31 2010 on May 23 2009, July 30 2009, October 29 2009 & January 21 2010. The maximum gap between any two meetings was not more than four months and all meetings were well attended.

**Committees of the Board :**

The Board has four major Board level Committees a) Audit Committee b) Remuneration / Compensation Committee c) Shareholder Grievances Committee and d) Internal Finance Committee. The quorum for meeting is either two members or one-third of the members of the committee, whichever is higher. All decisions pertaining to the constitution of the Committees, appointment of members and fixing of terms of reference for the Committee is taken by the Board of Directors.

Details on the role and composition of these Committees, including number of meetings held during the financial year and the attendance of the members at these meetings, are provided below:

**Audit committee :****Terms of reference**

The scope includes references made under Clause 49 of the Listing Agreement as well as Section 292A of The Companies Act, 1956 besides the other terms that may be referred by the Board. The broad terms of reference are as follows:

- Review of the Company's financial reporting process and disclosures of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of statutory auditors and fixation of audit-fees and payment for other services.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to :
  - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - Changes in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgment by the Management.
  - Significant adjustments arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statement.
  - Disclosure of related party transactions, if any.
  - Qualifications in the draft audit report.
- Reviewing with the management, the unaudited quarterly financial statements before submission to the Board for approval.
- Reviewing with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
- Reviewing with the management, external and internal auditors, the adequacy of internal control system and internal audit functions.
- Discussion with Auditors, any significant findings and follow-up thereon.
- Reviewing any suspected fraud, irregularity or failure of Internal Control System of material nature and reporting the matter to the Board.
- Discussion with statutory auditors in respect of pre and post audit matters.
- Reviewing Company's financial and risk management policies.
- Look into reasons for substantial defaults in payments to shareholders and creditors, if any.



## Composition

The members of the Audit committee are Independent Directors & Executive Chairman of the Company.

Sr. No.	Name	Status	No. of meetings attended
1.	Mr. H. R. Prasad	Chairman	4
2.	Mr. J. T. Poonja (1)	Member	-
3.	Mr. Ramesh Venkat	Member	3
4.	Mr. C. R. Mehta	Member	4
5.	Mr. Gaurang A. Patel (2)	Member	3

- (1) Appointed as a member of the Audit committee w. e. f. January 21 2010.  
 (2) Ceased to be a member of the Audit Committee w. e. f. November 1 2009.

During the year four meetings of the Audit Committee were held on May 23 2009, July 30 2009, October 29 2009 and January 21 2010.

There is a participation of Statutory Auditors and other Senior Executives of the Company in the Committee meetings. Mr. Haroon Mansuri, Company Secretary acts as Secretary of the Committee.

## Remuneration/ Compensation Committee:

### Terms of Reference:

The purpose of Remuneration / Compensation committee is to look into the entire gamut of remuneration package for Executive Directors and Senior Management personnel, revise their remuneration in compliance with applicable provisions of the Companies Act, 1956 and Schedule XIII of the Companies Act, 1956, as may be applicable, decide on commission payable to the Directors within the prescribed limits and as approved by the shareholders of the Company, formulate compensation and incentive policy to be followed by the Company, formulate and administer employee welfare related schemes such as Employee Stock Options, Superannuation Fund, Gratuity Fund etc.

### Remuneration / Compensation Policy:

The remuneration / compensation committee determines and makes recommendations to the Board regarding compensation payable to the directors. The compensation in respect of Board members is approved by the shareholders and separately disclosed in the financial statement. The remuneration / compensation committee recommends / reviews remuneration / compensation to Executive Directors, based on performance and pre-determined criteria.

The remuneration / compensation policy of the Company is directed towards rewarding performance, based on periodic review of achievements by the employees at all levels. The remuneration / compensation policy is in consonance with the existing industry practice.

The non-executive directors on the Board are entitled to sitting fees as determined by the Board from time to time.

The directors may also be paid commission and other amounts as may be decided by the Board and approved by the members in accordance with the applicable provisions of the Companies Act, 1956.

The committee consists of two independent Directors and one promoter Director as on March 31 2010 :

Name	Status	No. of meeting(s) attended
Mr. Ramesh Venkat	Chairman	2
Mr. Nimish C. Shah	Member	2
Mr. C.R. Mehta	Member	2
Mr. Gaurang A. Patel (1)	Member	-

- (1) Mr. Gaurang A. Patel ceased to be a member w.e.f. November 1 2009.

During the year under review two meetings were held on February 9 2010 and March 12 2010.

**Details of Directors' remuneration for the year ended March 31 2010**

Name of Directors	Remuneration	Sitting fees of the Board & Committee meetings
		(Rupees)
Mr. J. T. Poonja	52,56,208	–
Mr. Nimish C. Shah	–	60,000
Mrs. Sangeeta J. Poonja	–	60,000
Mr. Sohan C. Mehta	–	30,000
Mr. C.R. Mehta	–	1,00,000
Mr. Gaurang A. Patel (1)	–	75,000
Mr. Ramesh Venkat	–	75,000
Mr. H R Prasad	–	1,00,000
Mr. Manoj Patel	–	–
Mr. Shailesh Haribhakti	–	45,000
Mr. Sanjay Kothari (2)	–	30,000

(1) Amount referred above is up to October 31 2009.

(2) Amount referred above is from September 25 2009.

The Company has not granted any stock options to any of its Non-Executive Directors.

**Shareholders Grievances Committee:****Terms of Reference:**

Company has a Board Level Shareholders / Investors Grievances Committee to examine and redress shareholders complaints. The status on complaints and share transfers is reported to the Board in quarterly meetings.

**Composition:**

The committee consist one promoter Director and two Senior Executives of the Company. During the year under review four meetings were held on May 23 2009; July 30 2009; October 29 2009 & January 21 2010.

Attendance of the members of the Committee at their meetings was as under:

Name	Status	No. of meeting(s) attended
Mr. Gaurang A. Patel (1)	Chairman	3
Mr. Nimish C. Shah (2)	Member	4
Mr. B.B. Tantri	Member	4
Mr. S. G. Muthu Kummar	Member	4

(1) Mr. Gaurang A. Patel ceased to be a member and Chairman of the Committee w .e. f. November 1 2009.

(2) Mr. Nimish C. Shah has been appointed as a Chairman of the Committee w. e. f. November 1 2009.

The Board has designated Mr. Haroon Mansuri, Company Secretary as the Compliance Officer.

During the year under review, 1 complaint was received from shareholder. The complaint has been replied to the satisfaction of the shareholder. There are no pending complaints as on March 31 2010.

The Board has delegated the power of share transfer to the Registrar and Share Transfer Agent viz. Purva Sharegistry (India) Private Limited, Shivshakti Industrial Estate, Unit No.9, 7-B, Sitaram Mill Compound, J.R. Boricha Marg, Lower Parel, Mumbai – 400 011 who process the share transfer applications.



### Internal Finance Committee:

#### Terms of Reference:

The broad terms of reference are as follows:

- Review of Company's financial policies, risk assessment and minimization procedures, strategies and capital structure, working capital and cash flow management and make such reports and recommendations to the Board with respect thereto as it may deem advisable.
- Review banking arrangements and cash management.
- Exercise all powers to borrow moneys (otherwise than by issue of debentures) and taking necessary actions connected therewith including refinancing for optimization of borrowing costs.
- Giving of guarantees, issuing of letter of comfort, providing securities within the limits approved by the Board, provide corporate guarantee, performance guarantee by the Company within the limits approved by the Board.
- Carry out any other function as is mandated by the Board from time to time and/or enforced by any statutory notifications, amendments or modifications as may be applicable.
- Other transactions or financial issues that the Board may desire to have them reviewed by the Finance Committee.
- Delegate authorities from time to time to the Executives/Authorised persons to implement the decisions of the Committee.
- Regularly review and make recommendations about changes to the charter of the Committee.

Internal Finance Committee consists of following members from the Board:-

- |                         |          |
|-------------------------|----------|
| i.) Mr. J.T. Poonja     | Chairman |
| ii.) Mr. Nimish C. Shah | Member   |

During the year three meetings were held which were attended by all of its members.

#### Subsidiary Companies:

The revised Clause 49 defines a "material non-listed Indian Subsidiary" as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding Company and its subsidiaries in the immediately preceding accounting year. Accordingly, Fortune Equity Brokers (India) Limited becomes a "material non-listed Indian subsidiary" of the Company.

#### General Body Meetings:

##### The details of the last three Annual General Meetings :

Year	Date & Time	Venue	Details of the Special Resolutions passed
2009	August 29 2009 at 11.00 a.m.	K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai - 400 001	No Special resolution passed.
2008	August 30 2008 at 11.00 a.m.	K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai - 400 001	No Special resolution passed.
2007	August 11 2007 at 11.00 a.m.	K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai - 400 001	1) Alteration of ESOP Scheme 2006 2) Grant, offer or issue of Options exercisable by employees under the Scheme ESOP 2007 3) Extend the benefits of ESOP 2007 Scheme to the permanent employees of the subsidiary Companies, Directors, whether Whole time or other wise of the subsidiary Companies.

During the year under review one resolution was passed through Postal Ballot detailed as under:

Sr. No.	Date of notice of the Postal Ballot	Date of passing of the resolutions	Particulars of resolution passed through Postal Ballot
1	November 27 2009	January 11 2010	Special Resolution for issue of equity shares and equity warrants on preferential basis under section 81 (1A) of the Companies Act, 1956.

In terms of the provisions of Rule 5 (b) of the Companies (Passing of Resolution by Postal Ballot) Rules 2001, Mr. Dinesh Kumar Deora, a practicing Company Secretary, was appointed as Scrutinizer for conducting Postal Ballot.

Notice of the Postal Ballot along with Explanatory Statement, Postal Ballot form and Self Addressed postage prepaid envelope were sent to the shareholders of the company and all other persons who were entitled to receive the same Under Certificate of Posting.

The Postal Ballot Forms received up to the closing hours on January 8 2010 were considered for determining the votes.

The result for the postal ballot was announced by the Executive Chairman of the Company at the registered office situated at K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai - 400 001 on January 11 2010 at 4.00 p.m.

Sr. No.	Particulars	Resolution declared as passed on January 11 2010
	Special Resolution for issue of equity shares and equity warrants on preferential basis under section 81 (1A) of the Companies Act, 1956.	
1	Total no. of PBF received	56
2	No. of shares	58,38,821
3	% to total equity shares	100.00
4	No. of invalid/rejected PBF	1
5	No. of shares	400
6	% of total no. of PBF received	0.01
7	Total no. of valid PBF received	55
8	Total no. of shares	58,38,421
9	% of total no. of PBF received	99.99
10	Total no. of PBF in favour	54
11	Total no. of votes casted in favour	58,38,071
12	% of shares to receipt	99.99
13	Total no. of PBF against	1
14	Total no. of votes casted in against	350
15	% of shares to receipt	0.01

#### Disclosures :

- 1) There were no transactions of material nature which have been entered into by the Company with its Promoters, Directors, Management or relatives etc. that may have potential conflict with the interest of the Company.
- 2) Transactions with the related parties are disclosed in Notes to Accounts in the Annual Report as required by Accounting Standards under "AS 18" issued by Institute of Chartered Accountants of India.
- 3) There were no non-compliances by the Company during the year. No penalties, strictures, imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- 4) The Company does not follow Whistle Blower Policy.



- 5) The Company follows the Accounting Standards issued by the Institute of Chartered Accountants of India and in the preparation of the financial statement, the Company has not adopted a treatment different from that prescribed by the Accounting Standards.
- 6) Risk assessment and minimization procedures are periodically reviewed by the Internal Finance Committee and the Board of Directors of the Company.
- 7) As required by sub clause V of the Clause 49 of the Listing Agreement with the Stock Exchange, Mr. J. T. Poonja, Executive Chairman and Mr. S. G. Muthu Kummar, Chief Financial Officer of the Company have certified to the Board that for the financial year ended March 31 2010 the Company has complied with the requirements of the said sub clause.
- 8) The Company has complied with all mandatory requirements under Clause 49 of the Listing Agreement with Stock Exchange.

#### **Management Discussion and Analysis :**

The annual report has a detailed chapter of Management Discussion and Analysis.

#### **Code of Conduct :**

The Company has adopted a 'Code of Conduct' for the members of the Board of Directors and the Senior Management. All Board members have affirmed compliance with the code. A declaration to this effect signed by the Executive Chairman is given in this report.

#### **Code of Insider Trading :**

In compliance with the SEBI regulations on prevention of insider trading, the Company has adopted a code of conduct for prevention of insider trading in the shares of the Company. The code inter-alia prohibits purchase/ sale, dealing of shares of the Company by the Directors, Senior Management Personnel and Officers of the Company while in possession of unpublished price sensitive information of the Company.

#### **Means of Communication :**

⇒ **Quarterly Results :**

Quarterly Consolidated Results are published in Free Press Journal and Navshakti newspapers and the same together with Stand-alone Results are posted on Company's website – [www.ffsil.com](http://www.ffsil.com) .

⇒ **Annual Report :**

Annual Report containing the audited Stand-alone & Consolidated accounts and accounts of the subsidiary companies together with Auditors' Reports, Directors Reports, Corporate Governance report and Management Discussion and Analysis is posted on the Company's website – [www.ffsil.com](http://www.ffsil.com) .

⇒ **Investor Relationship :**

The Company's website contains a separate section viz. "Investor Relationship" under which shareholders information is available in a user friendly and downloadable form.

⇒ **E-mail id for the shareholders :**

The Company has designated e-mail id viz. [cosecretary@ffsil.com](mailto:cosecretary@ffsil.com) exclusively for the shareholders grievances & complaints.

#### **Annual General Meeting: (Day, Date, Time & Place)**

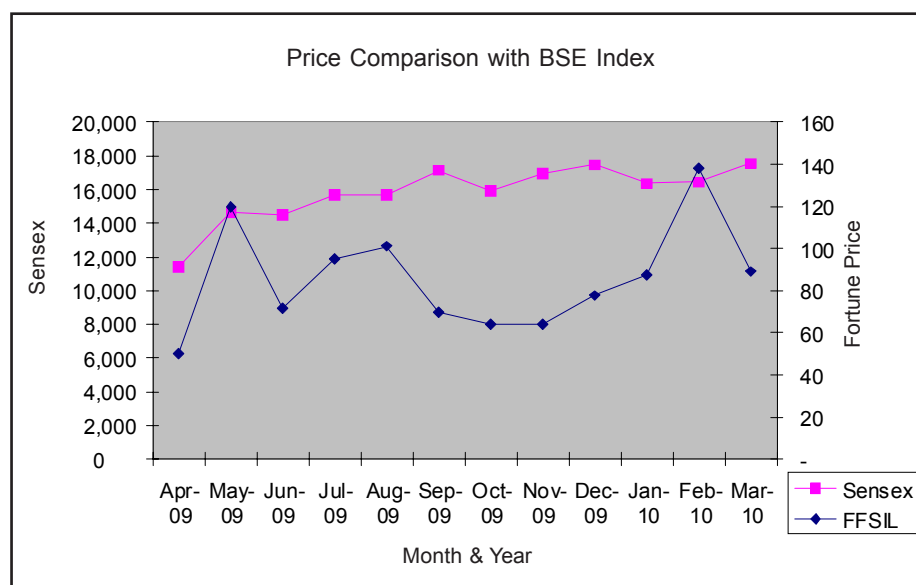
Saturday, August 28 2010 at 11.00 a.m. K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai - 400 001

#### **Financial Calendar :**

<b>Particulars</b>	<b>Dates</b>
Financial year	April 2010 – March 2011
First quarter results	Last week of July 2010
Second quarter results	Last week of October 2010
Third quarter results	Last week of January 2011
Audited results for the year ended March 31 2011	By end of May 2011
Book closure	August 23 2010 – August 28 2010
Dividend payment date	September 3 2010
Listing of shares	The Bombay Stock Exchange Ltd
Stock Code	530023
ISIN	INE924D01017

**Market Price Data (Monthly High & Low) April 2009 to March 2010 on BSE :**

Month	High	Low	No. of shares traded
	Price (Rupees)		
April 2009	49.95	26.70	4,053
May 2009	119.50	52.40	6,237
June 2009	157.75	71.50	5,718
July 2009	101.50	68.05	10,452
August 2009	102.90	86.00	5,321
September 2009	100.50	69.80	12,007
October 2009	81.00	58.45	65,529
November 2009	70.95	49.60	34,770
December 2009	80.00	57.65	21,401
January 2010	111.00	78.00	29,318
February 2010	145.50	83.30	22,113
March 2010	152.00	88.40	21,447

**Performance of share price of the Company in comparison to BSE Sensex :****Registrar and Transfer Agent :**

Purva Sharegistry (India) Private Limited, Shivshakti Industrial Estate, Unit No.9, Ground Floor, 7-B, Sitaram Mill Compound, J.R. Boricha Marg, Lower Parel, Mumbai – 400 011. Telephone: +91-22-23016761 / 8261 e-mail: busicomp@vsnl.com

**Share transfer system :**

The shares of the Company are traded compulsorily in the Demat mode on the Stock Exchange. All the transfers and demat / remat requests are processed within the stipulated time and are being handled by the Registrar and Share Transfer Agent. The Company periodically conducts audit of share transfers and security audit through competent professionals.



### Shareholding pattern as on March 31 2010:

Category	No. of shares	% of shareholding
<b>Promoters</b>		
Indian Promoters & Promoter Group	5,841,307	48.21
<b>Non Promoters</b>		
NRIs (including Foreign Corporate Bodies)	4,915,892	40.57
Corporate Bodies	559,108	4.62
Indian Public	800,093	6.60
<b>Total</b>	<b>12,116,400</b>	<b>100.00</b>

### Distribution of shareholding as on March 31 2010:

Category	No. of shareholders	% to total	Shareholding in Rs.	% to total
Up to 500	1,270	82.57	2,232,710	1.84
501 - 1000	113	7.35	896,450	0.74
1001 - 2000	55	3.58	851,010	0.70
2001 - 3000	23	1.50	591,670	0.49
3001 - 4000	10	0.65	355,200	0.29
4001 - 5000	2	0.13	96,290	0.08
5001 - 10,000	20	1.30	1,453,750	1.20
10001 and above	45	2.92	114,686,920	94.66
<b>Total</b>	<b>1,538</b>	<b>100.00</b>	<b>121,164,000</b>	<b>100.00</b>

### Dematerialization of shares:

The equity shares of the company are compulsorily traded in dematerialized form and the same are available for trading on both Depositories in India – Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL).

### Capital structure as on March 31 2010:

Particulars	No. of shares	Percentage
Held in Demat form		
- CDSL	7,671,064	63.31
- NSDL	3,025,681	24.97
Held in physical form	1,419,655	11.72
<b>Total issued capital</b>	<b>12,116,400</b>	<b>100.00</b>

### Outstanding GDRs /ADRs etc.:

The Company has not issued any GDRs or ADRs.

### Issue of equity warrants :

On July 4 2008, the Company had allotted 4,00,000 equity warrants of Rs. 10/- each at a premium of Rs. 210/- per warrant aggregating to Rs. 880.00 lacs on preferential basis to the promoters, relatives of promoters and to a Company in which relatives of a promoter are



interested. The allottees of these equity warrants have not exercised their options to convert the said equity warrants in the equity shares of the Company as per the terms of the allotment. Accordingly, an amount of Rs. 88.00 lacs collected on allotment of such equity warrants has been forfeited by the Company and credited to Capital Reserve.

The Company has obtained members approval on January 11 2010 through Postal Ballot for issue of 11,00,000 equity warrants of Rs. 10/- each at a premium of Rs. 70/- per warrant aggregating to Rs. 880.00 lacs on preferential basis to the promoters, relatives of promoters and to a Company in which relatives of a promoter are interested. The Internal Finance Committee of the Board of Directors of the Company on February 5 2010 allotted 6,00,000 equity warrants which are convertible in to one equity share of Rs. 10/- per equity warrant issued within a period of eighteen months from the date of allotment at the option of the allottees. As on March 31 2010, none of the allottees have exercised their options to convert equity warrants in to equity shares of the Company.

#### Plant locations :

The Company is engaged in merchant banking and financial services. The same are being operated through its various branches and associates located across the country. The Company does not have any plant, factories, industrial undertakings or workshops.

#### Address for investors correspondence :

<p><b>Registered Office :</b> K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai - 400 001 Tel Nos. : (022) 2207 7931 (5 lines) Fax No. : (022) 2207 2948 / 1776 Email : cosecretary@ffsil.com Web site : www.ffsil.com</p>	<p><b>Registrar and Transfer Agent :</b> Purva Sharegistry (India) Private Limited, Shivshakti Industrial Estate, Unit No.9, Gr. Flr., 7-B, Sitaram Mill Compound, J.R. Boricha Marg, Lower Parel, Mumbai – 400 011. Telephone : +91-22-23016761 / 8261 Email : busicomp@vsnl.com Web site : www.purvashare.com</p>
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Shareholders are requested to correspond with the share transfer agent for transfer / transmission of shares, change of address and for queries pertaining to their shareholding, dividend etc., at the address mentioned above. The shareholders may also send their suggestions, requests and complaints on email at cosecretary@ffsil.com

#### Dividend record of the Company for the last five financial years :

Financial year ended	Dividend per share (Rs.)
March 31 09	1.10
March 31 08	2.20
March 31 07	2.00
March 31 06	1.60
March 31 05	1.50

#### Transfer of amounts to Investor Education and Protection Fund :

No amount was due to be transferred to Investor Education and Protection Fund (IEPF) as required under section 205A (5) of the Companies Act, 1956.

### DECLARATION BY THE EXECUTIVE CHAIRMAN UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT

In accordance with clause 49 of the listing agreement with the stock exchange, I hereby confirm that, all the Directors and senior management personnel of the Company to whom the code of conduct is applicable, have affirmed the compliance of the said code during the financial year ended March 31 2010.

**J. T. Poonja**  
Executive Chairman

Mumbai, May 20 2010



## EXECUTIVE CHAIRMAN AND CHIEF FINANCIAL OFFICER CERTIFICATION

We, J. T. Poonja, Executive Chairman and S.G. Muthu Kummar, Chief Financial Officer of Fortune Financial Services (India) Limited, to the best of our knowledge and belief, certify that:

- a. We have reviewed financial statements and the cash flow statement for the year ended March 31 2010 and that to the best of our knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and
  - ii. these statements present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control system of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the Auditors and the Audit Committee:
  - i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year if any, and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over the financial reporting.

Mumbai, May 20 2010

**J. T. Poonja**  
Executive Chairman

**S. G. Muthu Kummar**  
Chief Financial Officer

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Fortune Financial Services (India) Limited

We have examined the compliance of conditions of Corporate Governance by Fortune Financial Services (India) Limited (the Company) for the year ended on 31 March 2010, as stipulated in Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to 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 in all material respects with the conditions of Corporate Governance as stipulated in the above-referred 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 **NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants

**Sudhir V. Nair**  
Partner  
(Membership No. 45893)

Mumbai, 20 May 2010

## MANAGEMENT DISCUSSION AND ANALYSIS

### Macroeconomic outlook

The financial turmoil caused after the collapse of Lehman brothers in Sep-08 led to a deceleration in the economic activity of our country. The GDP growth rate fell sharply from over 9% clocked during FY06-FY08 to just 6.7% in FY09. A semblance of recovery followed in the next year as the GDP grew 7.2% (CSO advance estimates) in FY10 aided by the government's emphasis on fiscal stimulus. The recovery was broad based with seven out of eight sectors showing an over 6.5% growth rate. Only the agricultural and allied activities sector fell with its growth rate pegged at -0.2%.

### GDP growth is more stable now

(Prices in Rupees)

GDP at factor cost at 2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Agriculture, Forestry & Fishing	5.2	3.7	4.7	1.6	-0.2
Mining & Quarrying	1.3	8.7	3.9	1.6	8.7
Manufacturing	9.6	14.9	10.3	3.2	8.9
Electricity, Gas & Water Supply	6.6	10	8.5	3.9	8.2
Construction	12.4	10.6	10	5.9	6.5
Trade, Hotels & Restaurants	12.4	11.2	9.5	5.3	8.3*
Transport, Storage & Communication	11.5	12.6	13	11.6	
Financing, Insurance, Real Estate & Business Services	12.8	14.5	13.2	10.1	9.9
Community, Social & Personal Services	7.6	2.6	6.7	13.9	8.2
<b>GDP at Factor Cost</b>	<b>9.5</b>	<b>9.7</b>	<b>9.2</b>	<b>6.7</b>	<b>7.2</b>
* Transport & communication included for 2009-10 in trade, hotels and restaurants.					

Source : CSO

Even so, the external trade environment remains volatile and the recovery appears frail and fragile. Consumer confidence is still low as can be gauged from the tendency to save more and consume less. For the industry, the external trade is shaky and grounds for recovery are yet to be formed.

### Exim trade shrunk rapidly in the face of global turmoil, but a V-shaped recovery is on the cards

(Nos. in %)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Exports	25.9	21.8	5.2	19.3	-15.8
Imports	32.5	22.0	10.0	23.0	-17.2

Source : CSO

The growth in per capita income and consumption slowed down despite the robust growth in the overall GDP of the country affected in part by the rising inflation and by the higher savings rate. The per capita income in the last five years has grown at a CAGR of 6.2% while consumption pattern grew slower at 5.7%.



**Rising income profile got arrested in FY09-10 and so did consumption pattern :**

Financial Year	Income		Consumption	
	Rupees	% YoY growth	Rupees	% YoY growth
2004-05	29,745		17,620	
2005-06	32,012	7.6	18,909	7.3
2006-07	34,533	7.9	20,168	6.7
2007-08	37,328	8.1	21,841	8.3
2008-09	38,695	3.7	23,012	5.4
2009-10	40,745	5.3	23,626	2.7

Source: CSO

The government’s fiscal stimulus led recovery in GDP growth has put a strain on the economy. The government has traditional invested more than its savings. The gap between the government’s savings and investment widened to 8% in FY09 while the private sector reigned in its finances and saved more. We would witness a period of gradual withdrawal of the fiscal stimulus as the government hopes to get its fiscal discipline in shape and control rising inflation. Ahead, the economy will have to withstand these withdrawal symptoms. The hope now rests upon a favourable monsoon and the ability of the agricultural sector to influence the overall growth momentum.

**Challenges & Outlook**

The Indian economy looks poised for another bout of rapid growth challenged only by difficult external situations. The government has presented a budget with the FY11 fiscal deficit targeted at 5.5% of the GDP. Moreover, the government has set ambitious rolling targets for fiscal deficit pegged at 4.8% In FY12 and 4.1% for FY13. As the finance minister himself said, “The *first* challenge before us is to quickly revert to the high GDP growth path of 9 per cent and then find the means to cross the ‘double digit growth barrier’.....the *second* challenge is to harness economic growth to consolidate the recent gains in making development more inclusive.....the *third* challenge relates to the weaknesses in government systems, structures and institutions at different levels of governance”. The first challenge is easier said than done as it hinges upon such extraneous events as good monsoons, world trade and global capital flows.

The European Sovereign crisis has unfolded with Greece’s debt default looming large. The European Union has stitched a corrective course and has seeded a near USD1 trillion debt relief fund. A third of the money will actually come from the IMF. EU officials hope that the sheer size of the rescue package would send a shock wave among financial market speculators and reign in their positions. This will keep the Euro zone from sliding into a debt crisis by monetizing the budget deficits of such countries as Spain, Portugal and Greece.

Even in the midst of this crisis, Indian economy is still thriving with progress all around. The question is to consolidate these and seek higher goals.

**Business review and analysis for the financial year ended March 2010**

At ‘Fortune’ we had our eyes focused on our enterprising theme to *INNOVATE & INNITATE*. We devoted a great share of our energies and resources to thoroughly revamp every vertical of our business by innovating numerous concepts, plans, strategies & tactics and simultaneously initiating the same into action. This translated into a better future and our businesses grew by leaps and bounds. ‘Fortune’ has delivered superior performance by way of increased revenues, enhanced profits, heightened new clients empanelment, spreading geographical presence and maturing product range with improvements across all key parameters as compared to the last fiscal.

The consolidated revenue increased by 72% from Rs.4,208 Lacs to Rs.7,226 Lacs. During the year under review, the Company reported consolidated profit of Rs.1,606 Lacs as against consolidated net-loss of Rs.65 Lacs during the previous year.

More important amongst our primary objectives with immediate focus are:

- Create and sustain industry leadership by continually driving the frontiers of operational excellence;

- Enhance customer experience and solution delivery;
- Improve resource utilization;
- Upgrade support processes.

### **Risk and Concern**

Risk is inevitable in business and risk management is all about risk reduction and avoidance. There are various risks associated with the Company - portfolio risk, industry risk, credit risk, internal control risk, technology risk, regulatory risk, human resources risk, competition risk and perception risk. The Company has established systems and procedures for risk management associated with the business while simultaneously creating an environment conducive for its growth. It has comprehensive integrated risk management framework that comprise of clear understanding of company's strategy, policies, initiatives, norms, reporting and control at various level. The Company believes that the risk management process would strengthen the decision-making, planning and implementation process.

### **Internal control and their adequacy**

The Company has in place adequate systems of internal control that are commensurate with its size and nature of the business and documented procedures covering all financial and operating functions. The Company being a service industry, it has in place clear processes and well-defined roles and responsibilities for its employees at various levels. The Management has a defined reporting system, which facilitates monitoring and adherence to the process and systems in place. Also the Management evaluates these reports, internal controls and ensures that its employees adhere not only to internal processes and procedures set by the Company from time to time but also to the various statutory compliances. These have been designed to provide reasonable assurance with regard to maintaining proper accounting controls, monitoring economy and efficiency of operations, protecting assets from unauthorized use or losses, and ensuring reliability of financial and operational information published from time to time. As Audit Committee of the Board of Directors, comprising of independent directors, regularly reviews the audit plans, significant audit findings, adequacy of internal controls, compliance with Accounting Standards as well as reasons for changes in accounting policies and practices, if any.

### **Human Resources**

This financial was a challenging year for the industry, more so for the HR departments across organisations. The economic turbulences & their social consequences dominated the HR landscape for quite some time. However despite all the limitations posed by the macroeconomic transformations, we managed to differentiate ourselves with the rest by leveraging upon the inherent strengths of the talent pool and improvising the same to suit the new circumstances.

Thus this year was a time for rationalizing the structures and streamlining the processes not only 'of' the people, but also 'for' the people and their functioning. Enterprise wise success was facilitated by virtue of our firm belief in the principles of 'empowerment' of the capable and the deserving.

Not resting upon our tremendous successes, we decided to enhance our faculties by further challenging ourselves. To this light, we declared the year 2010 as the year to 'Innovation & Initiate' conventional and out of the box methodologies thereby expanding the horizons of our conventional wisdom. Our effort has been uncompromisingly successful. The result has been the launch of a series of programs and processes never before experienced in the company, all being met with thundering applause from all and sundry.

We aim to continue on the continual path of pursuing excellence through unorthodox means and orthodox theology. The coming year will see us harnessing the maximum benefits from these initiatives, unleashing the power of human capital that Fortune represents.

### **Cautionary Statement**

Statements in this Management Discussion and Analysis report describing the Company's objectives, projections, estimates and expectations may be forward looking statements within the meaning of applicable laws and regulations. Actual results might differ materially from those expressed or implied.

The Company is not under any obligation to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events. ■



**Fortune Financial Services (India) Limited**

Consolidated Financial Statements  
for the year ended March 31, 2010  
together with Auditors' Report

## AUDITORS' REPORT

To The Board of Directors of Fortune Financial Services (India) Limited

We have examined the attached Consolidated Balance Sheet of Fortune Financial Services (India) Limited (the Company) and its subsidiaries (the Company and its subsidiaries constitute the "Fortune Group") as at 31 March 2010 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Fortune Group 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 consolidated 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements notified by Companies (Accounting Standards) Rules, 2006 and on the basis of the separate audited financial statements of the Fortune Group included in the consolidated financial statements.

Further to our comments above, we report that:

On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of the Fortune Group, we are of the opinion that the consolidated financial statements read together with significant accounting policies in Schedule 'R' and notes appearing thereon, give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the consolidated Balance Sheet, of the state of affairs of the Fortune Group as at 31 March 2010;
- b) in the case of the consolidated Profit and Loss Account, of the consolidated results of operations of the Fortune Group for the year ended on that date; and,
- c) in the case of consolidated Cash Flow Statements, of the consolidated cash flows of the Fortune Group for the year ended on that date.

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants  
Registration Number: 0126168W

Mumbai, 20 May 2010

**Sudhir V. Nair**  
Partner  
(Membership Number 45893)



# CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

(Rupees in Lacs)

	Schedules	As at 31-Mar-10	As at 31-Mar-09
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A	1,211.64	1,110.00
Equity Warrants		120.00	88.00
Reserves and Surplus	B	9,044.54	7,025.31
		<b>10,376.18</b>	8,223.31
<b>Loan Funds</b>			
Secured Loans	C	7,456.88	5,478.14
Unsecured Loans	D	2,064.71	568.69
		<b>9,521.59</b>	6,046.83
<b>TOTAL</b>		<b>19,897.77</b>	<b>14,270.14</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	E	1,556.92	1,383.52
Less : Depreciation and Amortisation		988.56	741.20
Add : Capital Work-in-Progress		13.48	-
Net Block		<b>581.84</b>	642.32
<b>Investments</b>	F	<b>491.87</b>	9.46
<b>Deferred Tax Asset (Net)</b>		<b>55.32</b>	9.68
<b>Current Assets, Loans and Advances</b>			
Current Assets	G	17,834.28	13,412.96
Loans and Advances	H	8,044.04	3,105.17
		<b>25,878.32</b>	16,518.13
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	I	6,811.43	2,838.31
Provisions	J	406.09	190.97
		<b>7,217.52</b>	3,029.28
Net Current Assets		<b>18,660.80</b>	13,488.85
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	K	<b>107.94</b>	119.83
<b>TOTAL</b>		<b>19,897.77</b>	<b>14,270.14</b>
<b>Notes to Accounts</b>	R		

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants

**Sudhir V. Nair**  
Partner  
Membership No.45893

Mumbai, May 20, 2010

**J.T. Poonja**  
Executive Chairman

**S.G.Muthu Kummar**  
Chief Financial Officer

**Nimish C. Shah**  
Managing Director

**Haroon Mansuri**  
Company Secretary



**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rupees in Lacs)

	Schedules	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>INCOME</b>			
Income from Operations	L	6,948.89	4,107.30
Other Income	M	277.54	101.02
<b>TOTAL</b>		<b>7,226.43</b>	<b>4,208.32</b>
<b>EXPENDITURE</b>			
Operational Expenses	N	1,382.60	1,093.36
Personnel Expenses	O	1,455.07	1,188.41
Administrative and Other Expenses	P	1,142.48	776.07
Financial Expenses	Q	615.16	760.33
Depreciation		291.04	278.77
<b>TOTAL</b>		<b>4,886.35</b>	<b>4,096.94</b>
<b>PROFIT BEFORE TAX</b>		<b>2,340.08</b>	<b>111.38</b>
Provision for Taxation			
Current Tax		779.38	120.78
Deferred Tax		(45.64)	38.31
Fringe Benefit Tax		—	17.35
<b>PROFIT / ( LOSS ) AFTER TAX</b>		<b>1,606.34</b>	<b>(65.06)</b>
Balance brought forward from previous year		2,115.70	2,373.90
Tax in-respect of earlier years (Net)		17.21	2.74
<b>BALANCE AVAILABLE FOR APPROPRIATIONS</b>		<b>3,704.83</b>	<b>2,306.10</b>
<b>APPROPRIATIONS</b>			
Transfer to Statutory Reserve		38.46	16.26
Transfer to General Reserve		183.24	31.00
Proposed Dividend		302.91	122.10
Dividend Distribution Tax		62.37	21.04
Balance Carried to Balance Sheet		3,117.85	2,115.70
<b>TOTAL</b>		<b>3,704.83</b>	<b>2,306.10</b>
<b>EARNINGS PER SHARE</b>			
Profit/(Loss) after Tax		1,606.34	(65.06)
Weighted Average number of Equity Shares			
Basic		11,248,799	10,816,712
Diluted		11,470,992	11,050,110
Nominal Value per share (in rupees)		10.00	10.00
Earnings per share (in rupees)			
Basic		14.28	(0.60)
Diluted		14.00	(0.59)

**Notes to Accounts****R**

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**J.T. Poonja**  
Executive Chairman**Nimish C. Shah**  
Managing Director**Sudhir V. Nair**Partner  
Membership No.45893**S.G.Muthu Kummar**  
Chief Financial Officer**Haroon Mansuri**  
Company Secretary

Mumbai, May 20, 2010



## SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in Lacs)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "A" SHARE CAPITAL</b>		
<b>Authorised</b>		
15,000,000 (Previous Year 15,000,000) equity shares of Rs. 10/- each	1,500.00	1,500.00
<b>TOTAL</b>	<b>1,500.00</b>	<b>1,500.00</b>
<b>Issued, Subscribed and Fully Paid-up</b>		
12,116,400 (Previous Year 11,100,000) equity shares of Rs. 10/- each (Refer Notes below)	1,211.64	1,110.00
<b>TOTAL</b>	<b>1,211.64</b>	<b>1,110.00</b>
<b>Note 1 :</b> Of the above, 199,400 equity shares were allotted as fully paid-up bonus shares by capitalisation of General Reserve		
<b>Note 2 :</b> The Company has bought back till March 31 2002 16,09,900 equity shares of Rs. 10/- each under Section 77A of the Companies Act, 1956		
<b>Note 3 :</b> Of the above, 38,83,004 equity shares of Rs.10/- each were allotted as fully paid up shares on March 31 2006 by capitalisation of Share Premium.		
<b>Note 4 :</b> Of the above, 16,400 (Previous Year Nil) equity shares of Rs. 10/- each were allotted as fully paid up shares on March 12 2010 under FFSIL ESOP Scheme 2006.		
<b>SCHEDULE "B" RESERVES AND SURPLUS</b>		
<b>General Reserve</b>		
As per last Balance Sheet	407.07	376.07
Add: Transferred during the year	183.24	31.00
	590.31	407.07
<b>Capital Reserve</b>		
As per last Balance Sheet	-	-
Add: Addition during the year on forfeiture of Equity Warrants	88.00	-
	88.00	-
<b>Statutory Reserve (U/s 45-1C of the RBI Act, 1934)</b>		
As per last Balance Sheet	16.26	-
Add: Transferred during the year	38.46	16.26
	54.72	16.26
<b>Share Premium Account</b>		
As per last Balance Sheet	4,486.28	2,176.28
Add: Addition during the year	707.38	2,310.00
	5,193.66	4,486.28
<b>Profit and Loss Account</b>		
	3,117.85	2,115.70
<b>TOTAL</b>	<b>9,044.54</b>	<b>7,025.31</b>
<b>SCHEDULE "C" SECURED LOANS</b>		
<b>From Banks :</b>		
Working Capital Loans (Secured against pledge of fixed deposits, book debts, personal guarantee of two directors and certain shares)	7,405.92	5,463.01
Vehicle Loans (Secured against hypothecation of vehicles, net of deferred interest of Rs.4.53 Lacs (Previous year 1.70 Lacs)) (Repayable with in one year Rs. 28.41Lacs (Previous year Rs. 3.01 Lacs))	50.96	15.13
<b>TOTAL</b>	<b>7,456.88</b>	<b>5,478.14</b>

## SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in Lacs)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "D" UNSECURED LOANS</b>		
Inter Corporate Loans	2,064.71	475.05
Loan from Associate	-	93.64
<b>TOTAL</b>	<b>2,064.71</b>	<b>568.69</b>

### SCHEDULE "E" FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2009	Additions/ Adjustments during the year	Deductions / Adjustments during the year	As at 31.03.2010	As at 01.04.2009	For the year/ Adjustments	On deduc- tions / Adjustments	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
<b>Tangible Assets</b>										
Electrical Installations	2.84	-	-	2.84	2.44	0.05	-	2.49	0.35	0.40
Office Equipments	162.19	63.86	3.96	222.09	41.65	23.23	0.92	63.96	158.13	120.54
Furniture and Fixtures	107.96	12.29	9.76	110.49	45.91	16.18	3.49	58.60	51.89	62.05
Computers	316.35	56.68	2.62	370.41	185.44	60.74	1.76	244.42	125.99	130.91
Vehicles	79.93	70.02	38.11	111.84	44.91	16.67	28.83	32.75	79.09	35.02
Leasehold Improvement	239.72	33.63	19.48	253.87	77.18	75.73	8.68	144.23	109.64	162.54
<b>Intangible Assets</b>										
Goodwill on Business Acquisition	261.00	-	-	261.00	231.28	29.72	-	261.00	-	29.72
Computer Software	213.53	10.85	-	224.38	112.39	68.72	-	181.11	43.27	101.14
<b>TOTAL</b>	<b>1,383.52</b>	<b>247.33</b>	<b>73.93</b>	<b>1,556.92</b>	<b>741.20</b>	<b>291.04</b>	<b>43.68</b>	<b>988.56</b>	<b>568.36</b>	<b>642.32</b>
Previous year	1,164.09	219.43	-	1,383.52	462.43	278.77	-	741.20	642.32	701.66
<b>Capital Work-in-progress</b>	-	<b>13.48</b>	-	<b>13.48</b>	-	-	-	-	<b>13.48</b>	-
Previous year	-	-	-	-	-	-	-	-	-	-

### SCHEDULE "F" INVESTMENTS (At cost unless otherwise specified)

(Fully Paid up unless otherwise stated)

#### LONG TERM INVESTMENTS (TRADE)

A) Equity Shares (unquoted)	0.05	0.05
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#### CURRENT INVESTMENTS (NON TRADE)

A) Equity Shares (quoted)	466.82	1.09
B) Equity Shares (unquoted)	-	0.10
C) Mutual Fund Units (unquoted)	25.00	8.22

#### TOTAL

<b>491.87</b>	<b>9.46</b>
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#### LONG TERM INVESTMENTS (TRADE)

Name of the Company	Number	Amount	Number	Amount
<b>A) EQUITY SHARES (UNQUOTED)</b>				
Bombay Stock Exchange Limited (Under lien with a bank)	70,694	0.05	70,694	0.05
<b>TOTAL</b>		<b>0.05</b>		<b>0.05</b>



## SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in Lacs)

	As at 31-Mar-10		As at 31-Mar-09	
<b>CURRENT INVESTMENTS (NON TRADE)</b>				
<b>Name of the Company</b>	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
<b>A) EQUITY SHARES (QUOTED)</b>				
Aditya Forge Limited	–	–	3,000	0.96
Arshiya International Limited	4,000	5.96	–	–
Aurionpro Solutions Limited	10,000	29.65	–	–
Ess Dee Aluminium Limited	20,000	79.01	–	–
Graphite India Limited	39,000	35.04	–	–
JBF Industries Limited	12,000	13.21	–	–
JSW Energy Limited	10,000	11.32	–	–
Kalyani Steels Limited	12,000	23.45	–	–
Kirloskar Oil Engines Limited	34,000	56.49	–	–
Kpit Cummins Infosystems Limited	16,000	19.07	–	–
Madhucon Projects Limited	10,000	18.07	–	–
Marg Construction Limited	67,000	117.51	–	–
Ruchi Soya Industries Limited	9,000	7.80	–	–
Strides Arcolab Limited	22,000	40.91	–	–
Sujana Tower Limited	17,000	9.33	–	–
Panyam Cement & Mineral Industries Limited	–	–	50	0.09
Sandur Manganese And Iron Ores Limited	–	–	50	0.04
<b>TOTAL</b>		<b>466.82</b>		<b>1.09</b>
(Market Value of Current Investments Rs.511.59 Lacs (Previous year Rs.0.85 Lacs))				
<b>B) EQUITY SHARES (UNQUOTED)</b>				
REI Six Ten Retail Limited	–	–	169	0.10
<b>TOTAL</b>		<b>–</b>		<b>0.10</b>
<b>C) MUTUAL FUND UNITS (UNQUOTED)</b>				
Axis Equity Fund	250,000	25.00	–	–
Fidelity Ultra Short Term Debt Fund	–	–	26,243	2.63
Birla Sunlife Saving Fund	–	–	458,932	4.59
ICICI Prudential Fusion Fund	–	–	10,000	1.00
<b>TOTAL</b>		<b>25.00</b>		<b>8.22</b>
(Net Asset Value of Mutual Fund Units Rs.26.00 Lacs (Previous year Rs.7.21 Lacs))				

## SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in Lacs)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "G" CURRENT ASSETS</b>		
<b>Stock of Shares (at Cost)</b>	<b>25.33</b>	480.38
(Market Value Rs.26.40 Lacs (Previous year Rs.462.98 Lacs))		
<b>Debtors</b>		
<b>(Unsecured)</b>		
Outstanding for a period exceeding six months :		
Considered Good	73.42	193.06
Considered Doubtful	37.78	45.68
Others :		
Considered Good	6,516.04	4,654.97
	<u>6,627.24</u>	<u>4,893.71</u>
Less : Provision for Doubtful Debts	<u>37.78</u>	<u>45.68</u>
	<b>6,589.46</b>	4,848.03
(Debtors include Rs.Nil (Previous year Rs. 896.87 Lacs) due from Director/Companies in which Directors are interested)		
(Maximum amount outstanding from Directors at any time during the year Rs.623.97 Lacs (Previous year Rs.869.93 Lacs))		
<b>Cash and Bank Balances</b>		
Cash and Cheques on hand	1.24	0.84
Balance with Scheduled Banks		
In Current Accounts	1,548.54	370.52
In Deposit Accounts	5,440.26	5,101.49
(Of the above Rs.4,005.47 Lacs (Previous year Rs.5,101.49 Lacs) under lien with banks for overdraft facility)		
Margin Money Deposit Accounts	3,867.44	2,054.19
(Under lien with Bombay Stock Exchange Limited National Securities Clearing Corporation Limited and certain banks)		
	<u>10,857.48</u>	<u>7,527.04</u>
<b>Other Assets</b>		
Interest Accrued but not due	362.01	557.51
<b>TOTAL</b>	<b><u>17,834.28</u></b>	<b><u>13,412.96</u></b>
<b>SCHEDULE "H" LOANS AND ADVANCES</b>		
Advances recoverable in cash or in kind or for value to be received	238.20	132.33
Loans		
Staff Loans	142.20	85.58
Other Loans		
Secured	6,216.01	1,018.43
Unsecured	<u>628.65</u>	<u>1,096.40</u>
	<b>6,844.66</b>	2,114.83



## SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in Lacs)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "H" LOANS AND ADVANCES (Contd...)</b>		
Deposits		
Exchange/Clearing Member Deposits	405.99	291.00
(Includes margin paid for proprietary trades)		
Others	198.20	173.20
	<u>604.19</u>	<u>464.20</u>
(Includes deposits for premises of Rs. 84.70 Lacs (Previous year Rs.84.70 Lacs) paid to a Firm in which Directors are interested. Maximum amount due at any time during the year Rs. 84.70 Lacs (Previous year Rs.84.70 Lacs)).		
Mark to market Margin-Equity Index/Stock Future	9.74	
Less: Provision for loss on Equity Index/Stock Futures	9.74	–
Advance Tax and Tax Deducted at Source	214.79	308.23
(Net of provision for taxation Rs. 1,944.03 Lacs (Previous year Rs.1,241.94 Lacs))		
<b>TOTAL</b>	<b><u>8,044.04</u></b>	<b><u>3,105.17</u></b>
<b>SCHEDULE "I" CURRENT LIABILITIES</b>		
Sundry Creditors	4,841.55	2,571.80
Unclaimed Dividends	11.76	10.15
(As at March 31 2010, no amount was due and outstanding for transfer to investor Education and Protection Fund)		
Book Overdraft	1,183.50	11.31
Other Liabilities	774.62	245.05
<b>TOTAL</b>	<b><u>6,811.43</u></b>	<b><u>2,838.31</u></b>
<b>SCHEDULE "J" PROVISIONS</b>		
Provision for Proposed Equity Dividend	302.91	122.10
Provision for Dividend Distribution Tax	62.32	21.02
Provision for Employee Benefits	34.58	25.63
Provision for Diminution in Value of Current Investments/ Stock/ Derivatives	6.28	22.22
<b>TOTAL</b>	<b><u>406.09</u></b>	<b><u>190.97</u></b>
<b>SCHEDULE "K" MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off or adjusted)		
Opening Balance	119.83	23.03
Add: Additions during the year	1.78	110.31
Less: Written off during the year	13.67	13.51
<b>TOTAL</b>	<b><u>107.94</u></b>	<b><u>119.83</u></b>

## SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in Lacs)

	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>SCHEDULE "L" INCOME FROM OPERATIONS</b>		
Brokerage and related operational income	<b>4,013.48</b>	2,426.52
Investment and Merchant Banking Income	<b>614.28</b>	481.22
Interest on Loans (Tax deducted at source Rs. 118.61 Lacs (Previous year Rs.23.15 Lacs))	<b>1,001.26</b>	119.74
Interest on Fixed Deposits (Tax deducted at source Rs. 85.31 Lacs (Previous year Rs.148.17 Lacs))	<b>686.86</b>	740.32
Provision for Diminution in value of Current Investments / Stocks / Derivatives Written Back (Net)	<b>5.80</b>	208.66
Profit on sale of Current Investments / Stock / Derivatives (Net)	<b>572.46</b>	–
Provision for Doubtful Debts Written Back	<b>7.90</b>	–
Distribution and Professional Income	<b>46.85</b>	130.84
<b>TOTAL</b>	<b><u>6,948.89</u></b>	<b><u>4,107.30</u></b>
<b>SCHEDULE "M" OTHER INCOME</b>		
Income from Dividend	<b>9.89</b>	23.86
Bad Debts Recovered / Sundry Balances Written Back(Net)	–	53.54
Service Income	<b>53.00</b>	–
Interest (others)	<b>8.13</b>	–
Exchange Gain	–	1.97
Miscellaneous Income	<b>206.52</b>	21.65
<b>TOTAL</b>	<b><u>277.54</u></b>	<b><u>101.02</u></b>
<b>SCHEDULE "N" OPERATIONAL EXPENSES</b>		
Brokerage / Sub brokerage (Net)	<b>90.11</b>	39.48
Service Charges	<b>437.37</b>	136.26
Other Operating Expenses (Net)	<b>855.12</b>	317.12
Loss on sale of Current Investments/Stock/Derivatives (Net)	–	600.50
<b>TOTAL</b>	<b><u>1,382.60</u></b>	<b><u>1,093.36</u></b>
<b>SCHEDULE "O" PERSONNEL EXPENSES</b>		
Salaries, Bonus and Allowances	<b>1,242.05</b>	1,004.80
Contribution to Provident and Other Funds	<b>61.49</b>	55.18
Managerial Remuneration	<b>125.65</b>	104.11
Staff Welfare and Other Expenses	<b>25.88</b>	24.32
<b>TOTAL</b>	<b><u>1,455.07</u></b>	<b><u>1,188.41</u></b>



## SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in Lacs)

	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>SCHEDULE "P" ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent	231.17	206.29
Rates and Taxes	3.10	2.42
Printing and Stationery	95.81	75.38
Travelling Expenses		
Domestic Travelling	33.33	24.50
Foreign Travelling	8.45	14.31
Conveyance Expenses	38.12	12.85
Motor Vehicle Expenses	23.97	6.06
Electricity Charges	59.41	47.43
Postage and Courier	35.82	23.05
Telephone Expenses	70.74	75.32
Advertisement Expenses	5.03	4.50
Legal and Professional Fees	128.62	56.40
Auditors' Remuneration	14.18	11.65
Repairs and Maintenance		
Office Premises	4.35	20.01
Others	118.78	94.44
Insurance	12.55	10.30
Membership and Subscriptions	11.85	15.02
Donations	–	0.25
Directors' Sitting Fees	5.75	5.60
Newspapers, Books and Periodicals	6.32	0.82
Business Promotion Expenses	46.69	10.13
Loss on sale of assets (Net)	18.05	–
Bad Debts / Sundry Balances Written Off (Net)	147.96	–
Provision for Doubtful Debts	–	37.05
Exchange Loss	2.36	–
Miscellaneous Expenses	20.07	22.29
<b>TOTAL</b>	<b>1,142.48</b>	<b>776.07</b>
<b>SCHEDULE "Q" FINANCIAL EXPENSES</b>		
Interest	547.70	707.17
Bank Charges and Others	67.46	53.16
<b>TOTAL</b>	<b>615.16</b>	<b>760.33</b>



## NOTES TO CONSOLIDATED ACCOUNTS

### SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS

#### I. BASIS OF CONSOLIDATION

The Consolidated Financial Statements relate to Fortune Financial Services (India) Limited (the Company) and its subsidiaries (collectively referred to as "the Fortune Group").

##### a) Basis of Preparation

- i) The Consolidated Financial Statements are prepared in accordance with the Accounting Standards 21 (AS 21) "Consolidated Financial Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- ii) The notes and significant accounting policies to the Consolidated Financial Statements are intended to serve as a guide for better understanding of the Groups position. In this respect, the Company has disclosed such notes and policies which represent the required disclosure.

##### b) Principles of consolidation

The consolidated financial statements have been prepared on the following basis:

- i) The financial statements of the Company and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, income and expense after eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses and are presented to the extent possible, in the same manner as the Company's independent financial statements.
- ii) The details of subsidiaries and the interest of the Company therein, included in the Consolidated Financial Statements are as under :

Name of the subsidiary Companies	% of voting power held	
	As at March 31, 2010	As at March 31, 2009
Fortune Equity Brokers (India) Limited	100.00%	100.00%
Fortune Commodities & Derivatives (India) Limited	100.00%	100.00%
Fortune Credit Capital Limited	100.00%	100.00%
Fortune Financial India Insurance Brokers Limited	100.00%	100.00%

#### II. OTHER SIGNIFICANT ACCOUNTING POLICIES

##### 1. Accounting Convention

The accompanying financial statements have been prepared under the historical cost convention on an accrual basis, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 in compliance with the accounting standards prescribed in the Companies (Accounting Standards) Rules 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

##### 2. Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

##### 3. Revenue Recognition

Revenue is recognised when there is reasonable certainty of its ultimate realisation / collection.

###### a. Investment and Merchant Banking Income

- i. Underwriting Commission is accounted on the closure of the issue underwritten on the basis of the terms of agreement with the clients.



## SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

- ii. Issue Management fee is accounted on the basis of the terms of agreement with the clients.
- iii. Placement fees, Professional fees and other service charges are accounted when there is reasonable certainty of its ultimate realisation / collection.
- b. Income on broking activities is recognised on the trade date of the transaction.
- c. Income from distribution is accounted when there is reasonable certainty of its ultimate realisation/ collection.
- d. Interest income is recognised on time proportion basis. In a subsidiary which a non banking financial company, interest on Non Performing Assets (NPAs), if any, is recognised on receipt basis, as per Reserve Bank of India guidelines.
- e. Brokerage income on first year premium on insurance policies is recognised, when an insurance policy sold by the Company is accepted by the principal insurance company. Renewal commission is accounted for on receipt basis.
- f. Professional fees is accounted when there is a reasonable certainty of its ultimate realisation / collection.
- g. Income from Depository operations is recognised on accrual basis
- h. Dividend Income is recognised when the right to receive dividend is established.

### 4. Employee Benefits

#### Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. These benefits include compensated absences such as paid annual leave and sickness leave. The employees can carry forward a portion of the unutilized accrued leave balance and utilize it in future periods. The Company records an obligation in respect of compensated absences in the period in which the employee renders the service that increases the entitlement. The Company measures the cost of compensated absence as the amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the Balance Sheet date.

#### Long Term Employee Benefits

##### a. Defined Benefit Plans

The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as projected Unit Credit Method), which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities at the Balance Sheet date.

Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

##### b. Defined contribution Plans

The Company contributes to the employees provident fund and pension fund schemes for all its employees who are eligible for the benefit. All such contributions are recognized as an expense and charged to revenue each year.

### 5. Employee Stock Option Scheme

The stock options granted by the Company are accounted for as per the accounting treatment prescribed by Securities Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and the guidance note on Accounting for Stock Options issued by The Institute of Chartered Accountants of India, whereby the intrinsic value of the options are recognised as deferred employee compensation. The deferred employee compensation, if any, is charged to the Profit and Loss Account on a straight line basis over the vesting period of the options. The Employee Stock Options Outstanding Account, net of unamortised Deferred Employee Compensation, if any is shown separately as part of Reserve.

### 6. Tangible Fixed Assets

Tangible Fixed Assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any. Costs include all expenses incidental to the acquisition of fixed assets.

**SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)****7. Intangible Assets**

Intangible Assets are stated at cost of acquisition less amortisation.

**8. Depreciation and Amortisation**

The Company provides for depreciation and amortisation as under:

- a. On written down value basis in accordance with the rates prescribed in Schedule XIV to the Companies Act, 1956
- b. Intangible Assets are amortised over a period of three years from the date of acquisition.
- c. On a pro-rata basis on assets purchased / sold during the year.
- d. Asset costing less than Rs. 5,000/- per item is fully depreciated in the year of purchase.
- e. Leasehold improvements are depreciated over the primary period of the lease.

**9. Impairment Loss**

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in a prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**10. Taxation**

Provision for Tax comprises current tax and deferred tax charge or benefit.

Current Taxes are measured on the basis of the taxes expected to be paid on the taxable income determined in accordance with the prevailing tax rates and laws.

Deferred Tax is the tax effect of the timing differences between the accounting income and taxable income. Deferred Tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the rates that have been enacted or substantially enacted as at the balance sheet date.

Deferred Tax Assets are recognised only to the extent there is a reasonable certainty that there will be sufficient taxable income against which it can be realised; however, where there is unabsorbed depreciation or carried forward losses under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of assets. Deferred Tax Assets, if any, are re-assessed periodically.

**11. Investments**

All Investments are stated at cost. Investments are classified into long term investments and current investments. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary. Provision for diminution in the value of current investments as at the end of the year is charged to the Profit and Loss Account.

**12. Stock of Shares**

Trading stock is valued at cost, provision being made for all diminution in value of shares.

**13. Derivative Instruments**

Daily mark-to-market margins on the derivative trades are accounted separately as against the initial margin payments under Current Assets. The profit/loss on the final settlement of the derivative contracts, calculated as the difference between the final settlement price and the contract prices of all the contracts in the series, is recognised on the expiry/square-up of the series of equity index/stock futures by transfer from the mark-to-market margin account.

As on the date of the Balance Sheet, provision for anticipated loss is made for the debit balance, if any, in the mark-to-market margin account (maintained scripwise/indexwise) on open futures contracts, credit balances if any, in the account attributable to anticipated income being ignored keeping in view the consideration of prudence.

**14. Earnings Per Share**

Basic earnings per share is computed and disclosed by dividing the net profit after tax by the weighted average number of shares outstanding during the year.

Diluted earnings per share is computed and disclosed using the weighted average number of shares outstanding during the year, adjusted for the effects of all dilutive potential equity shares, if any.



## SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

### 15. Miscellaneous Expenditure

Preliminary expenditure and expenditure in connection with the raising of capital / additional capital are amortised over a period of ten years from the year of commencement of business operation or from the year of raising of capital / additional capital.

### 16. Provisions, Contingent Liabilities and Contingent Assets

A Provision is recognized when there is a present obligation as a result of past events for which a probable outflow of resources is expected to settle the obligation and the amount of the obligation can be reliably estimated.

Contingent Liabilities are not recognised but are disclosed in the notes in case of:

- a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation,
- a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognised, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

### 17. Leases

Lease payments for assets taken under operating leases are charged off to the Profit and Loss Account as and when incurred.

## III. OTHER NOTES

### 1. Deferred Tax Asset (Net) comprises:

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
<b>Deferred Tax Asset</b>		
Provision for Diminution in Value of Current Investments/Stocks/Derivatives	5.44	6.88
Provision for Doubtful Debts	12.84	14.23
Provision for Employee Benefits	11.59	8.00
Accumulated Depreciation	26.32	-
Sub Total	56.19	29.11
<b>Deferred Tax Liability</b>		
Accumulated Depreciation	0.87	19.43
Sub Total	0.87	19.43
<b>Deferred Tax Asset (Net)</b>	<b>55.32</b>	<b>9.68</b>

### 2. Segment wise reporting

#### Primary segment

Segments have been identified in accordance with Accounting Standard 17 (AS 17) 'Segment Reporting', issued by the Institute of Chartered Accountants of India considering the organisation structure and return/risk profile of the businesses. The Management recognises and monitors these segments on a continuous basis.

#### Secondary segment

The group operates in only one geographical segment.

## SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

The primary basis of segmental information as required by Accounting Standard 17 is set out hereunder:

(Rupees in Lacs)

Particulars	Capital Market Activities		Investment & Merchant Banking Activities		Financing Activities		Total	
	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009	2009-2010	2008-2009
<b>Segment Revenue</b>								
- External Revenue	5278.93	3,501.43	1,442.37	638.12	1,043.28	246.47	7,764.58	4,386.02
Less Inter Segment Revenue	22.98	42.66	495.45	36.21	19.72	98.83	538.15	177.70
Total Revenue	5,255.95	3,458.77	946.92	601.91	1,023.56	147.64	7,226.43	4,208.32
<b>Segment Result</b>								
<b>Profit before tax</b>	1,470.01	(64.75)	496.03	143.35	374.04	32.78	2,340.08	111.38
Provision for Tax								
- Current Tax	458.47	19.04	221.86	63.00	99.05	38.74	779.38	120.78
- Deferred Tax	(29.89)	36.40	(15.71)	1.85	(0.04)	0.06	(45.64)	38.31
- Fringe Benefit Tax	-	13.58	-	3.35	-	0.42	-	17.35
<b>Total Result</b>	1,041.43	(133.77)	289.88	75.15	275.03	(6.44)	1,606.34	(65.06)
Segment Assets	17,605.77	13,571.29	1,599.40	2,537.79	7,905.05	2,435.45	27,110.22	18,544.53
Segment Liabilities	11,816.23	8,874.07	370.71	904.27	4,547.10	542.88	16,734.04	10,321.22
<b>Net Segment Assets</b>	5,789.54	4,697.22	1,228.69	1,633.52	3,357.95	1,892.57	10,376.18	8,223.31
<b>Other Information</b>								
a) Capital Expenditure	221.12	185.81	24.09	31.49	2.12	2.13	247.33	219.43
b) Depreciation and amortisation	270.41	257.30	19.91	21.23	0.72	0.24	291.04	278.77

### 3. Related party transactions

Disclosures in respect of Related Parties

a) Name of the Related Parties

i) Enterprises having significant influence:

Mehra Capital Services Private Limited  
 Umrigar Investment Pvt. Ltd  
 Fortune Capital Services  
 J T Poonja (HUF)  
 Nimish C. Shah (HUF)

ii) Key management personnel and their relatives:

Mr. J.T. Poonja, Executive Chairman  
 Mr. Nimish C. Shah, Managing Director  
 Ms. Sangeeta Poonja, Director  
 Mr. Abhinay Poonja, Relative of a Director  
 Ms. Aparna Poonja, Relative of a Director  
 Ms. Jalpa N. Shah, Relative of a Director  
 Ms. Vidhi Shah, Relative of a Director  
 Mr. Chandulal Shah, Relative of a Director  
 Ms. Indumati Shah, Relative of a Director



**SCHEDULE “R” NOTES TO CONSOLIDATED ACCOUNTS (Contd.)**

b) Details of transactions with related parties referred to above:

(Rupees in Lacs)

Nature of Transactions	Enterprises having significant influence	Key management personnel and their relatives	Total
Capital/ Commodities market transactions.			
– Purchase	<b>56.69</b> (3,651.41)	<b>3,111.26</b> (10,256.50)	<b>3,167.95</b> (13,907.91)
– Sale	<b>57.42</b> (3,827.31)	<b>3,751.83</b> (8,407.79)	<b>3,809.25</b> (12,235.10)
Rent	<b>51.00</b> (45.00)	– (–)	<b>51.00</b> (45.00)
Interest	<b>1.19</b> (9.63)	– (–)	<b>1.19</b> (9.63)
Remuneration	– (–)	<b>110.83</b> (104.41)	<b>110.83</b> (104.41)
Dividend Paid	<b>1.88</b> (3.76)	<b>59.27</b> (118.30)	<b>61.15</b> (122.06)
Loans Given	<b>50.00</b> (42.00)	– (–)	<b>50.00</b> (42.00)
Loans Taken	<b>229.00</b> (580.00)	– (–)	<b>229.00</b> (580.00)
Reimbursement	<b>0.06</b> (–)	– (–)	<b>0.06</b> (–)
Outstanding as on March 31			
a) Loans Payable	– (93.64)	– (–)	– (93.64)
b) Deposits receivable	<b>84.70</b> (84.70)	– (–)	<b>84.70</b> (84.70)
c) Sundry Debtors	– (241.00)	<b>2.00</b> (649.53)	<b>2.00</b> (890.53)
d) Sundry Creditors	– (–)	<b>146.40</b> (190.83)	<b>146.40</b> (190.83)

Note: Figures in brackets represent previous year’s amounts.

**4. Auditors’ Remuneration**

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Statutory Audit	<b>9.79</b>	7.83
Tax Audit	<b>2.20</b>	0.40
Certification and other matters	<b>2.19</b>	3.42
<b>Total</b>	<b>14.18</b>	11.65

## SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

## 5. a) Details of stock of shares - quoted equity shares

(Rupees in Lacs)

Name of the Company	As at March 31, 2010		As at March 31, 2009	
	Number	Amount	Number	Amount
Aban Offshore Limited	-	-	800	3.29
Adhunik Metaliks Limited	1522	1.85	1522	0.52
Aegis Logistics Limited	955	1.87	955	0.55
ANG Auto Limited	-	-	219	0.06
Apar Industries Limited	-	-	200	0.17
Ashapura Minechem Limited	-	-	450	0.21
Atul Limited	1000	0.95	1000	0.71
Autoline Industries Limited	-	-	135	0.20
Bajaj Holding & Investment Limited	-	-	50	0.31
Bharat Petroleum Corporation Limited	-	-	6600	23.67
Cholamandalam DBS Finance Limited	-	-	400	0.10
DCM Shriram Consolidated Limited	1001	0.65	1001	0.35
Deccan Chronicle Holdings Limited	-	-	75	0.03
DQ Entertainment (International) Limited	200	0.22	-	-
Elecon Engineering Company Limited	-	-	201	0.07
Fedders Lloyd Corporation Limited	1000	0.88	999	0.18
Fiem Industries Limited	998	0.97	1000	0.49
Firstsource Solutions Limited	1003	0.37	1003	0.41
Gateway Distriparks Limited	-	-	1	0*
Gillette India Limited	-	-	50	0.31
Gitanjali Gems Limited	-	-	5	0.02
Global Vectra Helicorp Limited	550	0.28	550	0.14
Gruh Finance Limited	-	-	501	0.42
Gujarat Investa Limited	100	0.01	-	-
HB Stockholdings Limited	1000	0.25	1000	0.09
HBL Power Systems Limited	756	0.29	84	0.09
HDFC Bank Limited	-	-	900	14.63
Himachal Futuristic Communications Limited	1000	0.16	1000	0.57
Himadri Chemicals & Industries Limited	-	-	100	0.09
Hindalco Industries Limited	-	-	7036	3.66
Hindustan Dorr Oliver Limited	-	-	10	0.01
Hindustan Machine Tools Limited	-	-	1	0*
Hindustan Petroleum Corporation Limited	-	-	9100	23.60
Honda Siel Power Products Limited	-	-	550	0.83



SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

(Rupees in Lacs)

Name of the Company	As at March 31, 2010		As at March 31, 2009	
	Number	Amount	Number	Amount
Igarashi Motor India Limited	-	-	507	0.07
Indian Oil Corporation Limited	-	-	45	0.25
Indo Asian Fusegear Limited	-	-	500	0.14
Infotech Enterprises Limited	-	-	499	0.42
Jaibalaji Industries Limited	-	-	200	0.36
Jayant Agro Organics Limited	-	-	1287	0.43
Jayaswal Neco Industries Limited	-	-	996	0.09
JBF Industries Limited	-	-	285000	91.04
Jindal South West Holdings Limited	-	-	21	0.05
Jindal Steel & Power Limited	-	-	2880	35.62
J K Cement Limited	-	-	218	0.10
K S Oils Limited	-	-	110	0.09
Lakshmi Energy And Foods Limited	-	-	50	0.06
Lloyd Electric & Engineering Limited	-	-	500	0.11
Lumax Industries Limited	-	-	200	0.28
Macmillan India Limited	-	-	201	0.08
Malu Paper Mills Limited	1001	0.21	1001	0.21
McDowell Holdings Limited	-	-	38	0.10
Mangalore Refinery & Petrochemicals Limited	-	-	30	0.03
Mercator Lines Limited	-	-	200	0.06
Nalwa Sons Investments Limited	-	-	10	0.25
Navneet Publications India Limited	1701	0.69	1199	0.53
Nelcast Limited	-	-	3	0*
Noida Toll Bridge Company Limited	-	-	100	0.07
National Thermal Power Corporation Limited	-	-	3250	5.96
OCL India Limited	-	-	200	0.09
Omaxe Limited	1275	1.56	1275	3.40
Parekh Aluminex Limited	-	-	250	0.13
Plethico Pharmaceuticals Limited	-	-	40	0.04
Prakash Industries Limited	-	-	300	0.14
Rajesh Exports Limited	-	-	530	0.50
Ramco Systems Limited	-	-	400	0.19
Rane Madras Limited	5	0*	500	0.13
Rei Agro Limited	2250	1.09	2250	1.31
Reliance Natural Resources Limited	-	-	78772	34.68
Reliance Infrastructure Limited	-	-	2760	14.56
Reliance Capital Limited	-	-	3864	14.38



## SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

(Rupees in Lacs)

Name of the Company	As at March 31, 2010		As at March 31, 2009	
	Number	Amount	Number	Amount
Reliance Communications Limited	-	-	5600	10.35
Reliance Industries Limited	-	-	600	9.34
Reliance Petroleum Limited	-	-	13400	12.50
Reliance Power Limited	-	-	12000	13.20
Rolta India Limited	-	-	37800	21.39
Sanghvi Movers Limited	-	-	100	0.28
Shri Lakshmi Cotsyn Limited	1049	1.19	1049	0.36
Shriram City Union Finance Limited	-	-	200	0.65
Sicagen India Limited	-	-	350	0*
Sical Logistics Limited	-	-	551	0.34
SKF India Limited	250	0.88	250	0.34
SREI Infrastructure Finance Limited	-	-	431	0.82
Sun Pharma Advanced Research Company Limited	-	-	1125	12.20
Sundram Fasteners Limited	-	-	1200	0.47
Supreme Industries Limited	2315	10.30	2315	2.43
Surya Roshni Limited	1300	0.66	1300	0.37
Suzlon Energy Limited	-	-	102000	46.71
Talbros Automotive Components Limited	-	-	600	0.10
Tata Motors Limited	-	-	1700	3.22
Tata Power Company Limited	-	-	2000	15.47
Titagarh Wagons Limited	-	-	150	0.22
Transport Corporation Of India Limited	-	-	500	0.16
TTK Prestige Limited	-	-	10	0.02
United Spirits Limited	-	-	1000	6.71
Unity Infraprojects Limited	-	-	50	0.29
Vijay Shanthi Builders Limited	-	-	501	0.06
Vimta Labs Limited	-	-	302	0.07
Vindhya Telelinks Limited	-	-	200	0.17
Visaka Industries Limited	-	-	120	0.07
Welspun Gujarat Stahl Rohren Limited	-	-	51200	39.75
XL Telecom & Energy Limited	-	-	500	0.48
Yes Bank Limited	-	-	50	0.11
<b>Total</b>		<b>25.33</b>		<b>480.38</b>

Market value of quoted equity shares as at March 31, 2010 is Rs.26.40 Lacs (Previous year Rs. 462.98 Lacs).

\* Amount less than rupees one thousand



**SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)**

**b) Details of Opening Stock, Purchases, Sales and Closing Stock of Shares**

(Rupees in Lacs)

Particulars	For the year ended March 31, 2010		For the year ended March 31, 2009	
	Quantity	Amount	Quantity	Amount
Opening stock of equity shares	666,838	480.38	92,902	70.82
Add: Purchases of equity shares *	27,828,491	45,789.46	42,945,666	5,4069.38
Sub-Total	28,495,329	46,269.84	43,038,568	54,140.20
Less: Sale of equity shares *	28,473,098	46,244.51	42,371,730	53,659.82
<b>Closing stock of equity shares</b>	<b>22,231</b>	<b>25.33</b>	666,838	480.38

\*Includes shares purchased/sold on arbitrage basis

**c) Derivative Instruments**

- Initial Margin on Equity Derivative Instruments contracts has been paid in cash only.
- Open future contracts outstanding as on March 31 2010

Name of the Equity Index / Stock Future	No. of contracts	No of Units	
		Long	Short
Bharti Airtel Limited	54	27000	–
Bombay Rayon Fashions Limited	32	36800	–
Cairn India Limited	3	3750	–
Hindalco Industries Limited	5	17590	–
Infrastructure Development Finance Company Limited	4	79650	–
Praj Industries Limited	2	4400	–
Reliance Communications Limited	130	91000	–
Reliance Infrastructure Limited	70	19320	–
Shree Renuka Sugars Limited	6	30000	–
Suzlon Energy Limited	29	87000	–

**6. (a) Earnings in Foreign currency**

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Investment and Merchant Banking Income	230.73	85.82

**(b) Expenditure incurred in foreign currency**

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Travelling and Business Promotion Expenses	3.83	6.66
Software /Subscription	1.49	4.45

## SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

## (c) Details of dividend remitted in foreign currency :

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Type of Dividend	<b>Dividend for FY 2008-2009</b>	Dividend for FY 2007-2008
Number of non-resident shareholders	<b>3</b>	2
Number of Shares held	<b>33,33,992</b>	2,233,992
Gross amount of dividend	<b>36.67</b>	49.15

## 7. Managerial Remuneration :

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Salary, Bonus and Allowances	<b>117.56</b>	95.80
Contribution to Provident and Other Funds	<b>8.09</b>	8.31
Sub Total	<b>125.65</b>	104.11
Directors' Sitting Fees	<b>5.75</b>	5.60
<b>Total</b>	<b>131.40</b>	109.71

**Note:** The contribution to the Gratuity Fund has been made on a group basis and separate figures applicable to an individual employee are not available and therefore, contribution to Gratuity Funds has not been considered in the above computation.

As no commission is payable to Directors, the computation of net profit in accordance with Section 309(5) read with Section 349 of the Companies Act, 1956 has not been provided.

## 8. Employee Benefits:

## (a) Defined Benefits Plan for Gratuity as per Actuarial Valuation as at March 31, 2010:

## (i) Change in Present Value of Defined Benefit Obligation

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Liability at the beginning of the year	<b>28.61</b>	19.14
Interest Cost	<b>3.26</b>	2.04
Current Service Cost	<b>13.39</b>	11.20
Benefit paid	<b>-</b>	(9.35)
Actuarial (gain)/loss on obligations	<b>(3.62)</b>	5.57
Liability at the end of the year	<b>41.64</b>	28.61

## (ii) Change in Fair Value of Plan Assets

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Fair Value of Plan Assets at the beginning of the year	<b>24.84</b>	21.73
Expected Return on Plan Assets	<b>2.97</b>	2.19
Contributions	<b>12.32</b>	10.28
Benefit paid	<b>-</b>	(9.35)
Actuarial gain/(loss) on Plan Assets	<b>0.39</b>	-
Fair Value of Plan Assets at the end of the year	<b>40.52</b>	24.85
Total Actuarial Gain/(Loss) to be recognised	<b>4.01</b>	(6.09)



SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

(iii) Amount Recognised in the Balance Sheet

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Liability at the end of the year	41.64	28.61
Fair Value of Plan Assets at the end of the year	40.53	24.85
Difference	(1.11)	(3.76)
Amount Recognised in the Balance Sheet	(1.11)	(3.76)

(iv) Expenses recognised in the Profit and Loss Account

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Current Service Cost	13.39	11.20
Interest Cost	3.26	2.04
Expected Return on Plan Assets	(2.97)	(2.19)
Actuarial Gain / (Loss)	(4.01)	5.57
Expense Recognised in Profit and Loss Account	9.67	16.62

(v) Actuarial Assumptions

Particulars	March 31, 2010	March 31, 2009
Discount Rate (per annum)	7.75%	7.75.%
Rate of Return on Plan Assets (per annum)	8.00%	8.00%
Salary Escalation (per annum)	5.00%	5.00%

(b) Defined Contribution Plans

The amount recognised as expense and included in Schedule "O" under the head "Contribution to Provident and Other Funds" of the Profit and Loss Account is Rs. 50.11 Lacs (previous year Rs. 41.56 Lacs).

(c) Amount recognised as expense in respect of compensated leave absences is Rs. 7.86 Lacs (Previous year Rs.9.19 Lacs)

The estimates of salary escalation is in line with the industry practice considering promotion and demand and supply of the employees

**General description of significant defined benefit plans**

- a) **Gratuity Plan:** Gratuity is payable to all eligible employees of the Company in terms of the provisions of the Payment of Gratuity Act 1972.
  - b) **Leave Plan:** All eligible employees can carry forward and avail leave, subject to a maximum accumulation of 180 days as per Company's rules. Any leave exceeding 180 days will be compulsorily encashed. Leave encashment is permitted for a minimum of 15 days per annum on the basis of the latest basic salary of the employee.
9. a. The Company and its subsidiaries have taken office premises under operating lease at various locations. These agreements provide an option to renew the lease period on mutually agreeable terms. The lessors have been given refundable interest free security deposits in accordance with the agreed terms.
- b. The rental expense in respect of the operating leases, recognised in the Profit and Loss Account as "Rent" in Schedule "P" is Rs. 231.17 Lacs (previous year Rs. 206.29 Lacs)

## SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)

- c. Details of the minimum lease payments for the operating leases are provided hereunder:

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Not later than one year	229.02	229.74
Later than one year but not later than five years	575.75	345.52
Later than five years	13.97	58.27

**10. Earnings Per Share**

Basic and Diluted Earnings per share computed in accordance with Accounting Standard 20 (AS-20) "Earning Per Share"

	Particulars	2009-2010	2008-2009
A	Basic		
	Calculation of weighted average number of equity shares		
	Number of shares at the beginning of the year	11,100,000	10,000,000
	Addition during the year	10,16,400	1,100,000
	Number of shares at the end of the year	12,116,400	11,100,000
	Weighted average number of equity shares	11,248,799	10,816,712
	Net profit / (Loss) after tax ( Rupees in Lacs)	1,606.34	(65.06)
	Basic earning per share of Rs.10 each (Rupees)	14.28	(0.60)
B	Diluted		
	Calculation of weighted average number of equity shares		
	Number of shares at the beginning of the year	11,100,000	10,000,000
	Addition during the year	10,16,400	1,100,000
	Number of shares at the end of the year	12,116,400	11,100,000
	Addition for shares (convertible from equity warrants) (Refer note 11)	22,603	40,000
	Addition for ESOP vested	199,590	266,690
	Weighted average number of equity shares	11,470,992	11,050,110
	Net profit / (loss) after tax ( Rupees in Lacs)	1,606.34	(65.06)
	Diluted earning per share of Rs.10 each (Rupees)	14.00	(0.59)

11. The Holding Company has allotted 600,000 equity warrants at Rs.80 per warrant (previous year 4,00,000 equity warrants at Rs. 220 per warrant) on a preferential basis to its promoters during the year. In accordance with the terms of the issue, the holders of such warrants shall have the option to apply for one equity share of Rs.10 each at any time within a period of eighteen months from the date of allotment. (i.e. not later than August 04, 2011). No options have been exercised till, March 31 2010.
12. 400,000 Equity Warrants issued on preferential basis to its Promoters on July 05 2008, lapsed during the year due to non-exercise of options by the warrant holders. The amount received on the above equity warrants amounting to Rs.88 lacs has been forfeited by the Company and credited to Capital Reserve.
13. **Employees Stock Option Plan ("ESOP")**

The Employee Stock Option Plan provides that the Company's employees and those of its subsidiaries are granted an option to acquire equity shares of the Company. The options may be exercised within a specified period.

The Company follows the intrinsic value method to account for its stock based compensation plans. Compensation cost is measured as the excess, if any of the fair market value of the underlying share over the exercise price.



**SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)**

**Details of options granted**

<b>Particulars</b>	<b>2009-2010</b>	2008-2009
Options outstanding at the beginning of the year	<b>266,690</b>	275,290
Options granted during the year	<b>111,000</b>	–
Lapsed during the year	<b>50,700</b>	8,600
Options exercised during the year	<b>16,400</b>	–
Options outstanding at the end of the year	<b>310,590</b>	266,690
Options vested	<b>199,590</b>	266,690
Options yet to vest	<b>111,000</b>	–

As the exercise is made at the market price prevailing on the date of the grant, the issuance of equity shares pursuant to exercise of options does not affect the profit and loss account of the Company

**14. Contingent Liabilities**

(Rupees in Lacs)

<b>Particulars</b>	<b>2009-2010</b>	2008-2009
Guarantees given by banks on behalf of the Fortune Group in respect of capital adequacy, daily margin and other contractual commitments for capital market operations of the Company and its subsidiaries.	<b>3,708.75</b>	2,428.75

15. Estimated amount of Contracts remaining to be executed on Capital Account Rs. 41.50 Lacs (Previous year Rs. Nil).
  16. Section 115-O of the Income Tax Act, 1961 provides for calculation of dividend distribution tax liability of the Holding Company after permitting reduction of dividend received from its subsidiaries. In view of this, there is no tax on the proposed dividend distribution by the Holding Company.
  17. Under Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2 2006, certain disclosures are required to be made relating to Micro, Small & Medium Enterprises. The Company has not yet commenced the process of compiling the relevant information from its suppliers about their coverage under the said Act and hence the relevant disclosures have not been made in the accounts. However, in the view of the Management, there is no possibility of any interest being payable to any suppliers as the Company is prompt in making payments to its suppliers
  18. In the opinion of Management, the value of all Current Assets, Loans and Advances and other receivables is not less than their realisable value in the ordinary course of business.
  19. Balances standing in debtors, creditors and loan and advances are subject to confirmations.
  20. Previous year's figures are reworked, regrouped, rearranged and reclassified wherever necessary, to conform to the current year's classification.
- IV.** Statement of significant accounting policies and the notes numbered I, II & III form an integral part of the consolidated accounts for the year ended March 31 2010.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED**

(Rupees in Lacs)

	March 31, 2010	March 31, 2009
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax and extraordinary items	2,340.08	111.38
<b>Adjustments for :</b>		
Depreciation and Amortisation	291.04	278.77
Miscellaneous expenses written off	13.67	13.51
Loss on sale of Assets (Net)	18.05	–
Provision for diminution in value of Current Investment / Stock / Derivatives written back (Net)	(5.80)	(208.66)
Profit / (Loss) on sale of Current Investment / Stock / Derivatives (Net)	(572.46)	600.50
Provision for Doubtful Debts	(7.90)	37.05
Bad Debts / Sundry Balances written off (Net)	147.96	–
Provision for Employee Benefits	8.95	9.02
Interest Income	(1,696.25)	(860.06)
Interest Expense	547.70	707.17
Dividend Income	(9.89)	(23.86)
<b>Operating Profit before Working Capital Change</b>	<b>1,075.15</b>	<b>664.82</b>
<b>Adjustments for :</b>		
(Increase )/ Decrease in Trade and Other Receivables	(6,720.11)	(3,897.44)
(Increase )/ Decrease in Investments/Stock	545.10	(371.10)
(Increase)/Decrease in Margin Money Deposit and Fixed Deposit	(2,152.02)	1,080.64
(Increase)/Decrease in Operating Liabilities	3,939.90	480.05
Increase/ (Decrease) in Trade and Other Payables	2,789.18	(231.66)
	(522.80)	(2,274.69)
Interest Income	1,696.25	860.06
Dividend Income	9.89	23.86
Direct Taxes paid (net of refunds)	(703.14)	(381.29)
	<b>480.20</b>	<b>(1,772.06)</b>
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>480.20</b>	<b>(1,772.06)</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(260.80)	(217.55)
Sale of Fixed Assets	12.20	–
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>(248.60)</b>	<b>(217.55)</b>



## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED (Contd...)

(Rupees in Lacs)

	March 31, 2010	March 31, 2009
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Shares	<b>809.02</b>	2,420.00
Proceeds form Issue of Equity Warrants	<b>120.00</b>	88.00
Net borrowing from Banks	<b>1,978.74</b>	381.60
Other Borrowing	<b>(1,271.69)</b>	(161.38)
Interest Expense	<b>(547.70)</b>	(707.17)
Dividend and distribution tax paid	<b>(141.55)</b>	(258.94)
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>946.82</b>	1,762.11
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>1,178.42</b>	(227.50)
<b>CASH AND CASH EQUIVALENTS</b>		
Balance at the beginning of the year	<b>371.36</b>	598.86
Balance at the end of the year	<b>1,549.78</b>	371.36
	<b>1,178.42</b>	(227.50)

Notes:

1. Consolidated Cash Flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
2. Previous year's figures are reworked, regrouped, rearranged and reclassified wherever necessary, to conform to the current year's classification.

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**J.T. Poonja**  
Executive Chairman

**Nimish C. Shah**  
Managing Director

**Sudhir V. Nair**

Partner

Membership No.45893

**S.G.Muthu Kummar**  
Chief Financial Officer

**Haroon Mansuri**  
Company Secretary

Mumbai, May 20, 2010



**STATEMENT RELATING TO SUBSIDIARY COMPANIES PURSUANT TO APPROVAL GRANTED UNDER SECTION 212(8) OF THE COMPANIES ACT, 1956**

(Rupees in Lacs)

Particulars	Fortune Equity Brokers (India) Limited	Fortune Commodities & Derivatives (India) Limited	Fortune Credit Capital Limited	Fortune Financial India Insurance Brokers Limited
Capital	1,805.00	300.00	1,875.00	60.00
Reserves	2,954.72	83.19	407.32	11.51
Total Assets	16,300.35	740.65	8,110.45	82.97
Total Liabilities	12,032.45	357.46	5,828.13	11.46
Investments	491.82	–	–	–
Turnover	4,909.27	301.97	1,043.29	69.02
Profit/(Loss) before Tax	1,252.21	119.43	291.31	52.85
Provision for Tax (including deferred tax)	379.60	40.87	99.01	8.11
Profit/(Loss) after Tax	872.61	78.56	192.30	44.74
Proposed Dividend	233.10	24.00	93.75	–



**Fortune Financial Services (India) Limited**

Standalone Financial Statements  
for the year ended March 31, 2010  
together with Auditors' Report

## AUDITORS' REPORT

To The Members of Fortune Financial Services (India) Limited

We have audited the accompanying Balance Sheet of Fortune Financial Services (India) Limited ("the Company") as at 31 March 2010, the Profit and 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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1) As required by the Companies (Auditor's Report) Order, 2003, and amendments thereto (together referred to as the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ("the Act"), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
- 2) Further to our comments in the Annexure referred to above, we report that:
  - 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. The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - iii. 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 Act.
  - iv. On the basis of written representations received from the directors, as at 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.
  - v. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
    - b) in the case of the 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 NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants  
Registration Number: 0126168W

Mumbai, 20 May 2010

**Sudhir V. Nair**  
Partner  
(Membership Number 45893)



## Annexure referred to in Paragraph (1) of the Auditors' Report to the Members of Fortune Financial Services (India) Limited for the year ended 31 March 2010

1. a. The Company's records showing particulars including quantitative details and situations of fixed assets are required to be updated.
- b. The Management has not physically verified its fixed assets during the year.
- c. Based on the information and explanations given by the Management and on the basis of audit procedures performed by us, we are of the opinion that the assets and the undertaking sold by the Company during the year have not affected its going concern.
2. a. In our opinion and according to the explanations given to us, the Company has granted unsecured loans to its subsidiary companies covered in the register maintained under Section 301 of the Act. The maximum amount outstanding in respect of these loans given during the year was Rs.3,192.36 Lacs (2 parties) and the amount outstanding in respect of these loans at the year end was Rs1,281.00 Lacs (1 party).
- b. In our opinion, the rate of interest and other terms and conditions of the loans given by the Company to the companies listed in the Register maintained under Section 301 of the Act are not prima facie prejudicial to the interests of the Company.
- c. All loans (repayable on demand) granted to the companies listed in the register maintained under Section 301 have been repaid, as per stipulations, if any, during the year. Accordingly, there is no amount overdue in respect of the loans granted to the companies/firm listed in the register maintained under Section 301.
- d. As the Company has not taken any loan during the year from Companies /firm /parties listed in the register maintained under Section 301 of the Act, clauses 4(iii)(d),4(iii)(e) and 4(iii)(f) are not applicable.
3. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and for the sale of its services. Further on the basis of our examination and according to the information and explanations given to us, neither have we noticed nor have we been informed of any major weaknesses in the internal control system.
4. a. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of the Act have been so entered.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 does not exceed Rupees Five Lacs.
5. In our opinion and according to the information and explanations given to us the Company has not accepted any deposits from the public. As per the information and explanations given to us, the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not passed any order relating to public deposits on the Company.
6. The Company has an internal audit system commensurate with the size of the Company and the nature of its business.
7. In our opinion and according to the explanations given to us, the Company is not required to maintain cost records prescribed by the Central Government under Section 209 (1) (d) of the Act.
8. a. According to the records of the Company and the information and explanations given to us, the Company has been generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, cess and other statutory dues, if applicable to it.
- b. According to the information and explanations given to us, there are no undisputed statutory dues as referred to above as on 31 March 2010 outstanding for a period of more than six months from the date they became payable.
9. The Company does not have any accumulated loss as at 31 March 2010. The Company has not incurred any cash loss during the financial year covered by our audit and in the immediately preceding financial year.
10. Based on our audit procedures and on the information and explanations given by the Management, we are of the opinion that the Company has not defaulted in repayment of dues to banks.
11. Based on our examination of documents and records, and as confirmed by the Management, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts in respect of its dealing in shares and timely entries have been made in

those records. We also report that the Company has held the shares, in its own name except those that are intended to be contracted or sold immediately.

13. The Company has given guarantee for a loan taken by its subsidiary from a bank, the terms of which are not prima facie prejudicial to the interests of the Company.
14. Based on our examinations of the records and information and explanations given to us, the Company has not taken any term loans.
15. According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we are of the opinion that as at the close of the year, no funds raised on a short term basis has been used for long term investments and vice versa.
16. The Company has made a preferential allotment of equity shares and equity warrants to parties covered in the register maintained under section 301 of the Act, the terms of which are not prima facie prejudicial to the interest of the Company
17. The Company has not issued any debentures during the year.
18. The Company has not made any public issue of any of its securities during the year.
19. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the period nor have we been informed of such case by the Management.

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

Registration Number: 0126168W

**Sudhir V. Nair**

Partner

(Membership Number 45893)

Mumbai, 20 May 2010



## BALANCE SHEET AS AT MARCH 31, 2010

(Rupees in Lacs)

	Schedules	As at 31-Mar-10	As at 31-Mar-09
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A	1,211.64	1,110.00
Equity Warrants		120.00	88.00
Reserves and Surplus	B	7,992.44	6,732.01
		<b>9,324.08</b>	7,930.01
<b>Loan Funds</b>			
Secured Loans	C	10.03	–
Unsecured Loans	D	–	66.23
		<b>10.03</b>	66.23
<b>Deferred Tax Liability</b>		–	4.55
<b>TOTAL</b>		<b>9,334.11</b>	<b>8,000.79</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	E	123.96	118.18
Less : Depreciation and Amortisation		79.72	73.60
Add : Capital Work-in-Progress		1.00	–
Net Block		<b>45.24</b>	44.58
<b>Investments</b>	F	<b>6,444.75</b>	5,586.38
<b>Deferred Tax Assets (Net)</b>		<b>11.16</b>	–
<b>Current Assets, Loans and Advances</b>			
Current Assets	G	1,854.49	1,730.43
Loans and Advances	H	1,336.31	781.72
		<b>3,190.80</b>	2,512.15
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	I	54.11	19.97
Provisions	J	306.57	124.61
		<b>360.68</b>	144.58
Net Current Assets		<b>2,830.12</b>	2,367.57
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	K	<b>2.84</b>	2.26
<b>TOTAL</b>		<b>9,334.11</b>	<b>8,000.79</b>
<b>Notes to Accounts</b>	R		

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants

**J.T. Poonja**  
Executive Chairman

**Nimish C. Shah**  
Managing Director

**Sudhir V. Nair**  
Partner  
Membership No.45893  
Mumbai, May 20, 2010

**S. G. Muthu Kummar**  
Chief Financial Officer

**Haroon Mansuri**  
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rupees in Lacs)

	Schedules	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>INCOME</b>			
Income from Operations	L	741.01	578.72
Other Income	M	702.65	187.30
<b>TOTAL</b>		<b>1,443.66</b>	<b>766.02</b>
<b>EXPENDITURE</b>			
Operational Expenses	N	60.54	58.63
Personnel Expenses	O	182.24	203.10
Administrative and Other Expenses	P	186.13	168.75
Financial Expenses	Q	3.54	13.77
Depreciation		19.91	21.24
<b>TOTAL</b>		<b>452.36</b>	<b>465.49</b>
<b>PROFIT BEFORE TAX</b>			
Provision for Taxation		991.30	300.53
Current Tax		221.86	63.00
Deferred Tax		(15.71)	1.85
Fringe Benefit Tax		–	3.35
<b>PROFIT AFTER TAX</b>		<b>785.15</b>	<b>232.33</b>
Balance brought forward from previous year		1,946.39	1,859.80
Tax in-respect of earlier years (Net)		17.19	0.41
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>		<b>2,714.35</b>	<b>2,091.72</b>
<b>APPROPRIATIONS</b>			
Transfer to General Reserve		78.51	23.23
Proposed Dividend (Refer Note II.16 Schedule 'R')		302.91	122.10
Balance Carried to Balance Sheet		2,332.93	1,946.39
<b>TOTAL</b>		<b>2,714.35</b>	<b>2,091.72</b>
<b>EARNINGS PER SHARE</b>			
Profit after Tax		785.15	232.33
Weighted Average number of Equity Shares			
Basic		11,248,799	10,816,712
Diluted		11,470,992	11,050,110
Nominal value per Share (in rupees)		10.00	10.00
Earning Per Share (in rupees)			
Basic		6.98	2.15
Diluted		6.84	2.10
<b>Notes to Accounts</b>	<b>R</b>		

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**J.T. Poonja**  
Executive Chairman**Nimish C. Shah**  
Managing Director**Sudhir V. Nair**

Partner

Membership No.45893

Mumbai, May 20, 2010

**S. G. Muthu Kummar**  
Chief Financial Officer**Haroon Mansuri**  
Company Secretary



## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in Lacs)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "A" SHARE CAPITAL</b>		
<b>Authorized</b>		
15,000,000 (Previous Year 15,000,000) Equity Shares of Rs. 10/- each	<u>1,500.00</u>	1,500.00
	<u>1,500.00</u>	<u>1,500.00</u>
<b>Issued, Subscribed and Fully Paid Up</b>		
12,116,400 (Previous Year 11,100,000) Equity Shares of Rs.10/- each (Refer Notes below)	<u>1,211.64</u>	1,110.00
<b>TOTAL</b>	<u><u>1,211.64</u></u>	<u><u>1,110.00</u></u>
<b>Note 1 :</b> Of the above, 199,400 equity shares were allotted as fully paid-up bonus shares by capitalisation of General Reserve.		
<b>Note 2:</b> The Company has bought back till March 31 2002 16,09,900 Equity shares of Rs. 10/- each under Section 77A of the Companies Act, 1956		
<b>Note 3:</b> Of the above, 38,83,004 equity shares of Rs.10/- each were allotted as fully paid up shares on March 31 2006 by capitalisation of Share Premium.		
<b>Note 4:</b> Of the above, 16,400 (Previous year Nil) equity shares of Rs. 10/- each were allotted as fully paid up shares on March 12 2010 under FFSIL ESOP Scheme 2006.		
<b>SCHEDULE "B" RESERVES AND SURPLUS</b>		
<b>General Reserve</b>		
As per last Balance Sheet	299.34	276.11
Add: Transferred from Profit and Loss Account	<u>78.51</u>	<u>23.23</u>
	377.85	299.34
<b>Capital Reserve</b>		
As per last Balance Sheet	-	-
Add: Addition during the year on forfeiture of Equity Warrants	<u>88.00</u>	<u>-</u>
	88.00	-
<b>Share Premium Account</b>		
As per last Balance Sheet	4,486.28	2,176.28
Add: Addition during the year	<u>707.38</u>	<u>2,310.00</u>
	5,193.66	4,486.28
<b>Profit and Loss Account</b>		
	2,332.93	1,946.39
<b>TOTAL</b>	<u><u>7,992.44</u></u>	<u><u>6,732.01</u></u>
<b>SCHEDULE "C" SECURED LOANS</b>		
<b>From Banks :</b>		
Vehicle Loan	10.03	-
(Secured against hypothecation of vehicles, net of deferred interest of Rs.2.55 Lacs (Previous year Rs.Nil))		
Repayable within one year Rs.4.16 Lacs (Previous year (Rs.Nil))		
<b>TOTAL</b>	<u><u>10.03</u></u>	<u><u>-</u></u>
<b>SCHEDULE "D" UNSECURED LOANS</b>		
Loan from Subsidiary	-	66.23
<b>TOTAL</b>	<u><u>-</u></u>	<u><u>66.23</u></u>



## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in Lacs)

As at  
31-Mar-10

As at  
31-Mar-09

## SCHEDULE "E" FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2009	Additions during the year	Deductions/ Adjustments during the year	As at 31.03.2010	As at 01.04.2009	For the year	On deductions/ Adjustments	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
<b>Tangible Assets</b>										
Computers	18.53	1.58	1.15	18.96	10.99	3.01	0.78	13.22	5.74	7.54
Office Equipments	14.00	0.79	-	14.79	8.58	0.99	-	9.57	5.22	5.42
Furniture and Fixtures	36.31	-	-	36.31	26.00	1.87	-	27.87	8.44	10.31
Leasehold Improvements	20.19	-	-	20.19	7.67	7.39	-	15.06	5.13	12.52
Electrical Installation	0.80	-	-	0.80	0.71	0.01	-	0.72	0.08	0.09
Vehicles	17.18	21.72	17.16	21.74	12.23	4.73	13.01	3.95	17.79	4.95
<b>Intangible Assets</b>										
Computer Software	11.17	-	-	11.17	7.42	1.91	-	9.33	1.84	3.75
<b>TOTAL</b>	<b>118.18</b>	<b>24.09</b>	<b>18.31</b>	<b>123.96</b>	<b>73.60</b>	<b>19.91</b>	<b>13.79</b>	<b>79.72</b>	<b>44.24</b>	<b>44.58</b>
Previous year	86.68	31.50	-	118.18	52.36	21.24	-	73.60	44.58	34.33
<b>Capital Work-in-progress</b>	<b>-</b>	<b>1.00</b>	<b>-</b>	<b>1.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.00</b>	<b>-</b>

## SCHEDULE "F" INVESTMENTS (At cost unless otherwise specified)

(Fully Paid up unless otherwise stated)

## LONG TERM INVESTMENTS (TRADE)

A) Equity Shares (unquoted) 0.05 0.05

## LONG TERM INVESTMENTS (NON TRADE)

A) Equity Shares (unquoted) 6,304.70 5,442.70  
 B) Preference Shares (unquoted) 140.00 140.00

## CURRENT INVESTMENTS (NON TRADE)

A) Mutual Fund Units (unquoted) - 3.63

## TOTAL

6,444.75 5,586.38

Number      Amount      Number      Amount

## LONG TERM INVESTMENTS (NON TRADE)

(Fully Paid up unless otherwise stated)

## A) EQUITY SHARES (UNQUOTED)

Bombay Stock Exchange Limited 70,694 0.05 70,694 0.05  
 (Lien with a bank for overdraft facility to a subsidiary)

## TOTAL

0.05 0.05



## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in Lacs)

	As at 31-Mar-10		As at 31-Mar-09	
	Number	Amount	Number	Amount
<b>LONG TERM INVESTMENTS (NON TRADE)</b>				
<b>A) EQUITY SHARES (UNQUOTED)</b>				
<b>Subsidiary Companies</b>				
Fortune Equity Brokers (India) Limited	16,650,000	3,769.70	16,135,000	3,357.70
Fortune Credit Capital Limited	18,750,000	2,175.00	17,250,000	1,725.00
Fortune Commodities & Derivatives (India) Limited	3,000,000	300.00	3,000,000	300.00
Fortune Financial India Insurance Brokers Limited	600,000	60.00	600,000	60.00
<b>TOTAL</b>		<b>6,304.70</b>		<b>5,442.70</b>
<b>B) PREFERENCE SHARES (UNQUOTED)</b>				
<b>Subsidiary Company</b>				
Fortune Equity Brokers (India) Limited				
10% Redeemable Cumulative Preference Shares of Rs.10/- each	500,000	50.00	800,000	80.00
12.50% Redeemable Cumulative Preference Shares of Rs.10/- each	900,000	90.00	600,000	60.00
<b>TOTAL</b>		<b>140.00</b>		<b>140.00</b>
<b>CURRENT INVESTMENTS (NON TRADE)</b>				
<b>MUTUAL FUND UNITS (UNQUOTED)</b>				
Fidelity Ultra Short Term Debt Fund	-	-	26,243	2.63
ICICI Prudential Fusion Fund	-	-	10,000	1.00
(Net Asset Value Rs.Nil(Previous year Rs.3.21 Lacs))				
<b>TOTAL</b>		<b>-</b>		<b>3.63</b>
<b>SCHEDULE "G" CURRENT ASSETS</b>				
<b>Debtors</b>				
<b>(Unsecured)</b>				
Outstanding for a period exceeding six months :				
Considered Good	2.36		-	
Considered Doubtful	3.85		3.85	
Others :				
Considered Good	1.79		173.10	
	<b>8.00</b>		176.95	
Less: Provision for Doubtful Debts	<b>3.85</b>		3.85	
		<b>4.15</b>		173.10
<b>Cash and Bank Balances</b>				
Cash and Cheques on hand	0.22		0.20	
Balance with Scheduled Banks				
In Current Accounts	83.98		127.48	
In Deposit Accounts	1,352.03		1,232.04	
(of the above Rs.891.84 Lacs (previous year Rs.1232.04 Lacs) pledged with bank for overdraft facility for subsidiary company)				
		<b>1,436.23</b>		1,359.72

## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in Lacs)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "G" CURRENT ASSETS (Contd...)</b>		
<b>Other Assets</b>		
Interest accrued but not due	47.42	73.91
Dividend Receivable	366.69	123.70
<b>TOTAL</b>	<b>1,854.49</b>	<b>1,730.43</b>
<b>SCHEDULE "H" LOANS AND ADVANCES</b>		
Advances recoverable in cash or in kind or for value to be received	27.80	33.08
Staff Loans	12.40	2.12
Loan to Subsidiary	1,281.00	656.37
Deposits (Includes deposits for premises of Rs. 14.70 Lacs (Previous year Rs. 14.70 Lacs) paid to a Firm in which Directors are interested. Maximum amount due at any time during the year Rs. 14.70 Lacs (Previous year Rs. 14.70 Lacs)).	15.11	15.02
Advance Tax and Tax Deducted at Source (Net of provision for taxation (Previous year Rs.755.17 Lacs))	-	75.13
<b>TOTAL</b>	<b>1,336.31</b>	<b>781.72</b>
<b>SCHEDULE "I" CURRENT LIABILITIES</b>		
Sundry Creditors	14.65	2.18
Unclaimed Dividends	11.76	10.15
(As at March 31, 2010, no amount was due and outstanding for transfer to Investor Education and Protection Fund)		
Other Liabilities	27.70	7.64
<b>TOTAL</b>	<b>54.11</b>	<b>19.97</b>
<b>SCHEDULE "J" PROVISIONS</b>		
Provision for Taxation (Net of advance tax and tax deducted at source Rs.684.18 Lacs)	0.56	-
Provision for Proposed Equity Dividend	302.91	122.10
Provision for Employee Benefits	3.10	2.10
Provision for Diminution in value of Current Investments	-	0.41
<b>TOTAL</b>	<b>306.57</b>	<b>124.61</b>
<b>SCHEDULE "K" MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off or adjusted)		
As per last Balance Sheet	2.26	-
Add: Addition during the year	0.92	2.51
Less: Written Off during the year	0.34	0.25
<b>TOTAL</b>	<b>2.84</b>	<b>2.26</b>



## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in Lacs)

	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>SCHEDULE : "L" INCOME FROM OPERATIONS</b>		
Investment and Merchant Banking Income	614.28	481.22
Interest on Fixed Deposits	116.24	97.50
(Tax deducted at source Rs.16.17 Lacs (Previous year Rs.19.17 Lacs))		
Profit on Sale of Assets	0.78	-
Profit on Sale of Current Investments/ Derivatives (Net)	9.71	-
<b>TOTAL</b>	<b>741.01</b>	<b>578.72</b>
<b>SCHEDULE : "M" OTHER INCOME</b>		
Income from Dividend		
Subsidiaries	367.02	123.77
Others	3.00	10.36
Sundry Balances Written Back (Net)	0.51	-
Exchange gain	-	1.97
Interest on Loan	128.44	36.21
(Tax deducted at source Rs.12.84 Lacs (Previous year Rs.7.46 Lacs))		
Miscellaneous Income	203.68	14.99
<b>TOTAL</b>	<b>702.65</b>	<b>187.30</b>
<b>SCHEDULE : "N" OPERATIONAL EXPENSES</b>		
Service Charges	45.75	28.50
Other Operating Expenses	14.79	12.43
Loss on Sale of Current Investments/ Derivatives (Net)	-	17.29
Provision for Diminution in value of Current Investments	-	0.41
<b>TOTAL</b>	<b>60.54</b>	<b>58.63</b>
<b>SCHEDULE : "O" PERSONNEL EXPENSES</b>		
Salaries, Bonus and Allowances	123.03	122.11
Contribution to Provident and Other Funds	3.48	9.69
Directors' Remuneration	52.56	68.24
Staff Welfare and Other Expenses	3.17	3.06
<b>TOTAL</b>	<b>182.24</b>	<b>203.10</b>

**SCHEDULES FORMING PART OF ACCOUNTS**

(Rupees in Lacs)

	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>SCHEDULE : "P" ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent	54.15	48.65
Rates and Taxes	0.60	0.18
Printing and Stationery	12.70	9.06
Travelling Expenses		
Domestic Travelling	1.02	4.75
Foreign Travelling	6.86	14.31
Conveyance Expenses	5.29	1.68
Motor Vehicle Expenses	4.52	3.61
Electricity Charges	16.19	11.25
Postage and Courier	2.61	2.32
Telephone Expenses	4.89	8.82
Advertisement Expenses	1.60	1.11
Legal and Professional Fees	26.52	12.71
Auditors' Remuneration	4.21	3.90
Repairs and Maintenance		
Office Premises	1.76	2.11
Others	13.74	11.29
Insurance	0.62	1.59
Membership and Subscription	10.93	9.24
Donations	-	0.15
Directors' Sitting Fees	5.75	5.60
Newspapers, Books and Periodicals	1.03	0.26
Business Promotion Expenses	6.67	4.31
Bad Debts / Sundry Balances written off	-	4.12
Provision for Doubtful Debts	-	3.85
Exchange Loss	2.36	-
Miscellaneous Expenses	2.11	3.88
<b>TOTAL</b>	<b>186.13</b>	<b>168.75</b>
<b>SCHEDULE : "Q" FINANCIAL EXPENSES</b>		
Interest	3.26	13.43
Bank Charges and Others	0.28	0.34
<b>TOTAL</b>	<b>3.54</b>	<b>13.77</b>



# NOTES TO ACCOUNTS

## SCHEDULE "R" NOTES TO ACCOUNTS

### I. SIGNIFICANT ACCOUNTING POLICIES

#### 1. Accounting Convention

The accompanying financial statements have been prepared under the historical cost convention on an accrual basis, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 in compliance with the accounting standards prescribed in the Companies (Accounting Standards) Rules 2006, issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

#### 2. Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### 3. Revenue Recognition

Revenue is recognised when there is reasonable certainty of its ultimate realisation / collection.

##### a. Investment Banking and Merchant Banking Income

- i. Underwriting Commission is accounted on the closure of the issue underwritten on the basis of the terms of agreement with the clients.
- ii. Issue Management fee is accounted on the basis of the terms of agreement with the clients.
- iii. Placement Fees and other Service Charges are accounted when there is reasonable certainty of its ultimate realisation / collection.

##### b. Interest income is recognised on a time proportion basis

##### c. Dividend Income is recognised when the right to receive dividend is established.

#### 4. Employee Benefits

##### Short Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. These benefits include compensated absences such as paid annual leave and sickness leave. The employees can carry forward a portion of the unutilised accrued leave balance and utilise it in future periods. The Company records an obligation in respect of compensated absences in the period in which the employee renders the service that increases the entitlement. The Company measures the cost of compensated absence as the amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the Balance Sheet date.

##### Long Term Employee Benefits

##### a. Defined Benefit Plans

The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as projected Unit Credit Method), which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities at the Balance Sheet date.

Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

##### b. Defined contribution Plans

The Company contributes to the employees provident fund and pension fund schemes for all its employees who are eligible for the benefit. All such contributions are recognised as an expense and charged to revenue each year.

**SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)****5. Employee Stock Option Scheme.**

The stock options granted by the Company are accounted for as per the accounting treatment prescribed by Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) and the guidance note on Accounting for Stock Options issued by The Institute of Chartered Accountants of India, whereby the intrinsic value of the options are recognised as deferred employee compensation. The deferred employee compensation, if any, is charged to the Profit and Loss Account on a straight line basis over the vesting period of the options. The Employee Stock Options Outstanding Account, net of unamortised Deferred Employee Compensation, if any is shown separately as part of Reserves.

**6. Tangible Fixed Assets**

Tangible fixed assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any. Costs include all expenses incidental to the acquisition of fixed assets.

**7. Intangible Assets**

Intangible assets are stated at cost of acquisition less amortisation.

**8. Depreciation and Amortisation**

The Company provides for depreciation and amortisation as under:

- a. On written down value basis in accordance with the rates prescribed in Schedule XIV to the Companies Act, 1956.
- b. Intangible assets are amortised over a period of three years from the date of acquisition on written down value basis.
- c. On a pro-rata basis on assets purchased / sold during the year.
- d. Asset costing less than Rs. 5,000/- per item is fully depreciated in the year of purchase.
- e. Leasehold improvements are depreciated over the primary period of the lease.

**9. Impairment Loss**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in a prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**10. Taxation**

Provision for tax comprises current tax, deferred tax charge or benefit.

Current taxes are measured on the basis of the taxes expected to be paid on the taxable income determined in accordance with the prevailing tax rates and laws.

Deferred tax is the tax effect of the timing differences between the accounting income and taxable income. Deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the rates that have been enacted or substantially enacted as at the balance sheet date.

Deferred tax assets are recognised only to the extent there is a reasonable certainty that there will be sufficient taxable income against which it can be realised; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of assets. Deferred Tax Assets, if any, are re-assessed periodically.

**11. Investments**

All Investments are stated at cost. Investments are classified into long term investments and current investments. Provision for diminution in the value of long term investment is made only if such a decline is other than temporary. Provision for diminution in the value of Current Investment as at the end of the year is charged to the Profit and Loss Account.

**12. Derivative Instruments**

Daily mark-to-market margins on the derivative trades are accounted separately as against the initial margin payments under Current Assets. The profit/loss on the final settlement of the derivative contracts, calculated as the difference between the final settlement price and the contract prices of all the contracts in the series, is recognised on the expiry/ square-up of the series of equity index/stock futures by transfer from the mark-to-market margin account.

As on the date of the Balance Sheet, provision for anticipated loss is made for the debit balance if any in the mark-to market margin account (maintained scripwise/indexwise) on open futures contracts, credit balances if any, in the account attributable to anticipated income being ignored keeping in view the consideration of prudence.



## SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

### 13. Earnings per Share

Basic earnings per share is computed and disclosed by dividing the net profit after tax by the weighted average number of shares outstanding during the year.

Diluted earnings per share is computed and disclosed using the weighted average number of shares outstanding during the year, adjusted for the effects of all dilutive potential equity shares, if any.

### 14. Miscellaneous Expenditure

Preliminary expenditure and expenditure in connection with the raising of capital / additional capital are amortised over a period of ten years from the year of commencement of business operations or from the year of raising of capital / additional capital.

### 15. Provisions, Contingent Liabilities and Contingent Assets

A Provision is recognised when there is a present obligation as a result of past events for which a probable outflow of resources is expected to settle the obligation and the amount of the obligation can be reliably estimated.

Contingent Liabilities are not recognised but are disclosed in the notes in case of:

- a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation,
- a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognised, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

### 16. Leases

Lease payments for assets taken under operating leases are charged off to the Profit and Loss Account as and when incurred.

## II. OTHER NOTES

### 1. Deferred Tax Asset (Net) comprises :

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
<b>Deferred Tax Asset</b>		
Accumulated Depreciation	8.79	-
Provision for Diminution in Value of Investments	-	0.14
Provision for Doubtful Debts	1.31	1.31
Provision for Employee Benefits	1.06	0.71
Sub Total	11.16	2.16
<b>Deferred Tax Liability</b>		
Accumulated Depreciation	-	6.71
Sub Total	-	6.71
<b>Deferred Tax Asset (Net)</b>	11.16	(4.55)

### 2. Segment wise reporting

The Company is primarily engaged in the business of Investment and Merchant Banking activities. All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per Accounting Standard 17 on "Segment Reporting" (AS-17) issued by the Institute of Chartered Accountants of India.

- As per Accounting Standard 18 issued by The Institute of Chartered Accountants of India, the related parties with whom the Company has entered into transactions during the year in the ordinary course of business, as certified by the Management are disclosed below:



## SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

- I) Disclosures in respect of Related Parties :
- a) Related parties where control exists :
- Subsidiary Companies
- Fortune Equity Brokers (India) Limited  
Fortune Commodities & Derivatives (India) Limited  
Fortune Credit Capital Limited  
Fortune Financial India Insurance Brokers Limited
- b) Other related parties
- i) Enterprises having significant influence :
- Mehra Capital Services Private Limited  
Umrigar Investment Pvt. Ltd  
Fortune Capital Services  
J T Poonja ( HUF)  
Nimish C . Shah ( HUF)
- ii) Key management personnel and their relatives:
- Mr. J.T. Poonja, Executive Chairman  
Mr. Nimish C. Shah, Managing Director  
Ms. Sangeeta Poonja, Director  
Mr. Abhinay Poonja, Relative of a Director  
Ms. Aparna Poonja, Relative of a Director  
Mrs. Jalpa N. Shah, Relative of a Director  
Ms. Vidhi Shah, Relative of a Director  
Mr. Chandulal Shah, Relative of a Director  
Mrs. Indumati Shah, Relative of a Director

## II) Details of transactions with related parties referred to above:

(Rupees in Lacs)

Nature of Transactions	Subsidiaries	Enterprises having significant influence	Key management personnel and their relatives	Total
Capital market transactions				
– Purchase	<b>15.87</b> (1,344.92)	– (–)	– (–)	<b>15.87</b> (1,344.92)
– Sale	<b>63.48</b> (1,285.25)	– (–)	– (–)	<b>63.48</b> (1,285.25)
Rent	– (–)	<b>51.00</b> (45.00)	– (–)	<b>51.00</b> (45.00)
Remuneration	– (–)	– (–)	<b>52.56</b> (68.24)	<b>52.56</b> (68.24)
Interest Paid	<b>0.20</b> (2.81)	– (–)	– (–)	<b>0.20</b> (2.81)
Interest Received	<b>128.44</b> (36.21)	– (–)	– (–)	<b>128.44</b> (36.21)
Dividend Paid	– (–)	<b>1.88</b> (3.76)	<b>59.27</b> (118.30)	<b>61.15</b> (122.06)
Dividend Income	<b>367.02</b> (123.77)	– (–)	– (–)	<b>367.02</b> (123.77)



SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

(Rupees in Lacs)

Nature of Transactions	Subsidiaries	Enterprises having significant influence	Key management personnel and their relatives	Total
Investment in Equity shares of Subsidiaries	<b>862.00</b> (1,700.00)	– (–)	– (–)	<b>862.00</b> (1,700.00)
Investment in Preference Shares	<b>30.00</b> (2.00)	– (–)	– (–)	<b>30.00</b> (2.00)
Redemption of Preference Shares	<b>30.00</b> (2.00)	– (–)	– (–)	<b>30.00</b> (2.00)
Loans Given	<b>5,094.56</b> (2,317.00)	– (–)	– (–)	<b>5,094.56</b> (2,317.00)
Loans Taken	– (1,482.00)	– (–)	– (–)	– (1,482.00)
Reimbursement	<b>362.39</b> (99.04)	<b>0.06</b> (–)	– (–)	<b>362.45</b> (99.04)
Outstanding as on March 31				
a) Guarantees given	<b>3,708.75</b> (2,428.75)	– (–)	– (–)	<b>3,708.75</b> (2,428.75)
b) Loan Receivables	<b>1,281.00</b> (656.37)	– (–)	– (–)	<b>1,281.00</b> (656.37)
c) Loan Payable	– (66.23)	– (–)	– (–)	– (66.23)
d) Deposit Receivable	– (–)	<b>14.70</b> (14.70)	– (–)	<b>14.70</b> (14.70)
e) Dividend Receivable	<b>366.69</b> (123.70)	– (–)	– (–)	<b>366.69</b> (123.70)

Note: Figures in brackets represent previous year's amounts

4. Auditors' Remuneration

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Statutory Audit	<b>2.25</b>	2.00
Tax Audit	<b>0.60</b>	0.10
Certification and other matters	<b>1.36</b>	1.80
<b>Total</b>	<b>4.21</b>	3.90

5. (a) Earnings in Foreign currency

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Investment and Merchant Banking Income	<b>230.73</b>	85.82

## SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

## (b) Expenditure incurred in foreign currency

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Travelling and Business Promotion	2.32	6.66
Subscription	–	4.45

## (c) Details of dividend remitted in foreign Currency

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Type of Dividend	<b>Dividend for FY 2008-2009</b>	Dividend for FY 2007-2008
Number of non-resident shareholders	3	2
Number of Shares held	33,33,992	22,33,992
Gross amount of dividend	36.67	49.15

## 6. Director's Remuneration

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Salary, Bonus and Allowances	48.82	62.74
Contribution to Provident and Other Funds	3.74	5.50
Sub Total	52.56	68.24
Directors' Sitting Fees	5.75	5.60
Total	58.31	73.84

**Note:** The contribution to the Gratuity Fund has been made on a group basis and separate figures applicable to an individual employee are not available and therefore, contribution to Gratuity Funds has not been considered in the above computation.

As no commission is payable to Directors, the computation of net profit in accordance with Section 309(5) read with Section 349 of the Companies Act, 1956 has not been provided.

## 7. Employee Benefits:

## (a) Defined Benefit Plans for Gratuity as per Actuarial Valuation as at March 31, 2010:

## (i) Change in Present Value of Defined Benefit Obligation:

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Liability at the beginning of the year	7.64	9.86
Interest Cost	0.80	0.70
Current Service Cost	2.64	3.59
Liability Transfer in	–	(7.68)
Benefit paid	–	(9.35)
Actuarial (gain)/loss on obligations	(1.65)	10.52
Liability at the end of the year	9.43	7.64



**SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)**

**(ii) Change in Fair Value of Plan Assets:**

(Rupees in Lacs)

<b>Particulars</b>	<b>2009-2010</b>	2008-2009
Fair Value of Plan Assets at the beginning of the year	<b>13.59</b>	19.37
Expected Return on Plan Assets	<b>1.29</b>	1.31
Contributions	<b>2.52</b>	1.69
Benefit paid	<b>-</b>	(9.35)
Actuarial gain/(loss) on Plan Assets	<b>0.16</b>	0.57
Fair Value of Plan Assets at the end of the year	<b>17.56</b>	13.59
Total Actuarial Gain/(Loss) To Be Recognised	<b>1.82</b>	(9.95)

**(iii) Amount Recognised in the Balance Sheet:**

(Rupees in Lacs)

<b>Particulars</b>	<b>2009-10</b>	2008-2009
Fair Value of Plan Assets at the end of the year	<b>17.56</b>	13.59
Liability at the end of the year	<b>9.43</b>	7.64
Difference	<b>8.13</b>	5.95
Amount Recognised in the Balance Sheet	<b>8.13</b>	5.95

**(iv) Expenses recognised in the Profit and Loss Account:**

(Rupees in Lacs)

<b>Particulars</b>	<b>2009-2010</b>	2008-2009
Current Service Cost	<b>2.64</b>	3.58
Interest Cost	<b>0.80</b>	0.70
Expected Return on Plan Assets	<b>(1.29)</b>	(1.30)
Actuarial Gain / (Loss)	<b>(1.81)</b>	9.95
Expense Recognised in Profit and Loss Account	<b>0.34</b>	12.93

**(v) Actuarial Assumptions:**

<b>Particulars</b>	<b>March 31, 2010</b>	March 31, 2009
Discount Rate (per annum)	<b>7.75%</b>	7.75%
Rate of Return on Plan Assets (per annum)	<b>8.00%</b>	8.00%
Salary Escalation (per annum)	<b>5.00%</b>	5.00%

**(b) Defined Contribution Plans:**

"The amount recognised as expense and included in Schedule 'O' under the head "Contribution to Provident and Other Funds" of the Profit and Loss Account is Rs.3.06 Lacs (Previous year Rs. 4.17 Lacs).

## SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

- (c) Amount recognised as expense in respect of compensated leave absences is Rs.1.59 Lacs (Previous year Rs.1.54 Lacs). The estimates of salary escalation is in line with the industry practice considering promotion and demand and supply of the employees

**General Description of significant defined benefit plans**

- a) **Gratuity Plan:** Gratuity is payable to all eligible employees of the Company in terms of the provisions of the Payment of Gratuity Act 1972.
- b) **Leave Plan:** All eligible employees can carry forward and avail leave, subject to a maximum accumulation of 180 days as per Company's rules. Any leave exceeding 180 days will be compulsorily encashed. Leave encashment is permitted for a minimum of 15 days on the basis of the latest basic salary of the employee.
8. a. The Company has taken office premises under operating lease at various locations. These agreements provide an option to the Company to renew the lease period on mutually agreeable terms. The Company has given refundable interest free security deposits in accordance with the agreed terms.
- b. The rental expense in respect of the operating lease, recognised in the Profit and Loss Account as "Rent" in Schedule "P" is Rs.54.15 Lacs (previous year Rs.48.65 Lacs)

Details of the minimum lease payments for the operating leases are provided hereunder.

Particulars	(Rupees in Lacs)	
	2009-2010	2008-2009
Not later than one year	51.00	59.28
Later than one year but not later than five years	89.25	64.48
Later than five years	—	—

**9. Earnings Per Share**

Basic and Diluted Earnings per share computed in accordance with Accounting Standard 20 (AS -20) "Earnings Per Share"

	Particulars	2009-2010	2008-2009
A	Basic		
	Calculation of weighted average number of equity shares		
	Number of equity shares at the beginning of the year	11,100,000	10,000,000
	Addition during the year	10,16,400	1,100,000
	Number of equity shares at the end of the year	12,116,400	11,100,000
	Weighted average number of equity shares	11,248,799	10,816,712
	Net profit after tax ( Rupees in Lacs)	785.15	232.33
	Basic earning per equity share of Rs.10 /-each (Rupees)	6.98	2.15
B	Diluted		
	Calculation of weighted average number of equity shares		
	Number of equity shares at the beginning of the year	11,100,000	10,000,000
	Addition during the year	10,16,400	1,100,000
	Number of equity shares at the end of the year	12,116,400	11,100,000
	Addition for shares (convertible from equity warrants) (Refer note 10)	22,603	40,000
	Addition for ESOP vested	199,590	266,690
	Weighted average number of equity shares	11,470,992	11,050,110
	Net profit after tax ( Rupees in Lacs)	785.15	232.33
	Diluted earning per share of Rs.10/- each (Rupees)	6.84	2.10



**SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)**

- 10.** The Company has allotted 600,000 equity warrants of Rs.10 each at Rs. 80 per warrant (previous year 4,00,000 equity warrants at Rs. 220/- per warrant) on a preferential basis to its promoters during the year. In accordance with the terms of the issue, the holders of such warrants shall have an option to apply for one equity share of Rs.10 each at any time within a period of eighteen months from the date of allotment. (i.e. not later than August 4 2011). No options have been exercised till, March 31 2010.
- 11.** 400,000 equity warrants of Rs.10 each issued on preferential basis to its promoters on July 5 2008 , lapsed during the year due to non-exercise of options by the warrant holders. The amount received on the above equity warrants amounting to Rs. 88 Lacs, has been forfeited by the Company and credited to Capital Reserve.
- 12. Employees Stock Option Plan ("ESOP")**

The Employee Stock Option Plan provides that the Company's employees and those of its subsidiaries are granted an option to acquire equity shares of the Company. The options may be exercised within a specified period.

The Company follows the intrinsic value method to account for its stock based compensation plans. Compensation cost is measured as the excess, if any of the fair market value of the underlying share over the exercise price.

**Details of options granted**

Particulars	2009-2010	2008-2009
Options outstanding at the beginning of the year	266,690	275,290
Options granted during the year	111,000	-
Lapsed during the year	50,700	8,600
Options exercised during the year	16,400	-
Options outstanding at the end of the year	310,590	266,690
Options vested	199,590	266,690
Options yet to vest	111,000	-

As the exercise is made at the market price prevailing on the date of the grant, the issuance of equity shares pursuant to exercise of options does not affect the profit and loss of the Company.

**13. Contingent Liabilities**

Particulars	(Rupees in Lacs)	
	2009-2010	2008-2009
Corporate counter guarantee given by the Company for the credit facilities availed by Subsidiary Companies	3,708.75	2,428.75

**14. Disclosure as per clause 32 of the Listing Agreement**

Loans and Advances in the nature of loans given to subsidiary companies:

Name of subsidiary companies	(Rupees in Lacs)	
	Outstanding as at March 31, 2010	Maximum outstanding during the year
Fortune Equity Brokers (India) Limited	-	999.36
Fortune Credit Capital Limited	1,281.00	2,193.00

- 15.** Estimated amount of Contracts remaining to be executed on Capital Account Rs. 23.98 Lacs (Previous Year Rs. Nil)

**SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)**

- 16.** Section 115-O of the Income Tax, 1961 Act provides for calculation of dividend distribution tax liability of the holding company after permitting reduction of dividend received from its subsidiaries. In view of this, there is no tax on dividend distribution by the Company.
  - 17.** Under Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small & Medium Enterprises. The Company has not yet commenced the process of compiling the relevant information from its suppliers about their coverage under the said Act and hence the relevant disclosures have not been made in the accounts. However, in the view of the Management, there is no possibility of any interest being payable to any supplier as the Company is prompt in making payments to its suppliers.
  - 18.** In the opinion of Management, the value of all Current Assets, Loans and Advances and other receivables is not less than their realisable value in the ordinary course of business.
  - 19.** Balances standing in debtors, creditors and loans and advances are subject to confirmation.
  - 20.** Previous year's figures are reworked, regrouped, rearranged and reclassified wherever necessary, to conform to the current year's classification.
- III.** Statement of significant accounting policies and the notes numbered I & II form an integral part of the accounts for the year ended March 31, 2010.



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No.	62067	State Code	11
Balance Sheet Date	31/03/2010		

### II. Capital Raised During the year (Amount rupees in thousands)

Public Issue	NIL	Rights Issue/Pref. Issue	10,164
Bonus Issue	NIL	Private Placement	NIL

### III. Position of Mobilisation and Deployment of Funds (Amount rupees in thousands)

Total Liabilities	933,411	Total Assets	933,411
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#### Sources of Funds

Paid-up Capital	121,164	Reserves and Surplus	799,244
Equity Warrants	12,000	Unsecured Loans	1,003

#### Application of Funds

Net Fixed Assets	4,524	Investments	644,475
Deferred Tax Assets (Net)	1,116	Net Current Assets	283,012
Miscellaneous Expenditure	284		

### IV. Performance of Company (Amount rupees in thousands)

Turnover	144,366	Total Expenditure	45,236
Profit/(Loss) Before Tax	99,130	Profit/(Loss) After Tax	78,515
Basic Earning Per Share (in rupees)	6.98	Dividend rate %	25%

### V. Generic Names of Principal Services of Company

1. Investment and Merchant Banking Activities



## CASH FLOW STATEMENT FOR THE YEAR ENDED

(Rupees in Lacs)

	March 31, 2010	March 31, 2009
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items	991.30	300.53
<b>Adjustments for :</b>		
Depreciation and Amortisation	19.91	21.24
Miscellaneous Expenses Written Off	0.34	0.25
Profit on sale on Assets (Net)	(0.78)	–
Profit/(Loss) on sale of Current Investments / Derivatives (Net)	(9.71)	17.29
Provision for Diminution in value of Investments/ Derivatives (Net)	–	0.41
Provision for Employee Benefits	1.00	1.40
Bad Debts / Sundry Balances Written off	–	4.12
Provision For Doubtful Debts	–	3.85
Interest Income	(244.68)	(133.71)
Interest Expense	3.26	13.43
Dividend Income	(370.02)	(134.13)
<b>Operating Profit before Working Capital Change</b>	<b>390.62</b>	<b>94.68</b>
<b>Adjustments for :</b>		
(Increase) / Decrease in Trade and Other Receivables	(679.19)	(508.55)
(Increase) / Decrease in Margin money and Fixed Deposits	(119.99)	(406.11)
Increase / (Decrease) in Trade Payables	33.12	(143.18)
	(375.44)	(963.16)
Interest Income	244.68	133.71
Dividend Income	370.02	134.13
Direct Tax paid (net of refunds)	(163.36)	0.71
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>75.90</b>	<b>(694.61)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(25.09)	(31.49)
Sale of Fixed Assets	5.30	–
(Increase) / Decrease in Investments	(848.66)	(1,719.92)
<b>NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>(868.45)</b>	<b>(1,751.41)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Shares	809.02	2,420.00
Proceeds from Issue of Equity Warrants	120.00	88.00
Net Borrowing from Banks	(56.20)	66.23



## CASH FLOW STATEMENT FOR THE YEAR ENDED (Contd...)

(Rupees in Lacs)

	March 31, 2010	March 31, 2009
Dividend paid	(120.49)	(216.78)
Interest Expense	(3.26)	(13.43)
<b>NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>749.07</b>	2,344.02
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>(43.48)</b>	<b>(102.00)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Balance at the beginning of the year	127.68	229.68
Balance at the end of the year	84.20	127.68
	<b>(43.48)</b>	<b>(102.00)</b>

Notes:

1. Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
2. Previous year's figures are reworked, regrouped, rearranged and reclassified wherever necessary, to conform to the current year's classification.

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**J.T. Poonja**  
Executive Chairman

**Nimish C. Shah**  
Managing Director

**Sudhir V. Nair**

Partner

Membership No.45893

Mumbai, May 20, 2010

**S. G. Muthu Kummar**  
Chief Financial Officer

**Haroon Mansuri**  
Company Secretary

## NOTICE

**Notice** is hereby given that the Nineteenth Annual General Meeting of the members of Fortune Financial Services (India) Limited will be held on Saturday, the 28<sup>th</sup> day of August, 2010 at 11.00 a.m. at the Registered Office of the Company at K.K. Chambers, 2<sup>nd</sup> Floor, Sir P. T. Marg, Fort, Mumbai – 400 001 to transact the following business:

### ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at March 31 2010 and the Profit and Loss Account for the year ended on that date along with the Schedules and the Reports of the Directors and Auditors thereon.
2. To declare dividend on the equity share capital of the Company.
3. To appoint a Director in place of Mr. Ramesh Venkat, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mrs. Sangeeta Poonja, who retires by rotation and being eligible, offers herself for re-appointment.
5. To re-appoint M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai as the Statutory Auditors of the Company and to fix their remuneration.

### SPECIAL BUSINESS :

6. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an **Ordinary Resolution** :

**“RESOLVED THAT** Mr. Sanjay Kothari, who was appointed as an Additional Director of the Company by the Board of Directors through circular resolution dated September 25 2009, pursuant to Sections 257, 260 and all other applicable provisions, if any, of the Companies Act, 1956 and Article 96 of the Articles of Association of the Company, who holds office only up to the date of this Annual General Meeting, be and is hereby appointed as a Director of the Company liable to retire by rotation.”

7. To consider and if thought fit, to pass with or without modifications, the following Resolution as a **Special Resolution** :

**“RESOLVED THAT** pursuant to Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment thereto or re-enactment thereof) and in accordance with the provisions of Memorandum and Articles of Association of the Company and the Rules, Regulations, Guidelines, Notifications, Circulars and Clarifications issued thereon from time to time by Government of India, Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and / or prescribed by the Listing Agreement entered into by the Company with the Stock Exchange(s) on which the Company's shares are listed, or other relevant authority(ies) from time to time, to the extent applicable and subject to such approvals, consents, permissions and sanctions as might be required and subject to such conditions as may be prescribed while granting such approvals, consents, permissions and sanctions, the Board of Directors of the Company (hereinafter referred to as the `Board' which term shall be deemed to include any Committee(s) constituted / to be constituted by the Board to exercise its powers including the powers conferred by this resolution) be and is hereby authorised to create, offer, issue and allot upto 4,00,000 (Four Lacs) equity warrants of Rs. 10/- each (having option to apply for and be allotted up to 4,00,000 (Four Lacs) equity shares of Rs. 10/- each) to be subscribed by any person whether he/she be a shareholder or not including but not limited to individuals, Firms, HUFs, Companies, Bodies Corporate, Indian Financial Institutions, Banks, Foreign Institutional Investors, Non Resident Indians, Mutual Funds, Promoters, Promoters' Group, Strategic Investors and / or other entities on preferential basis, in one or more modes or in combination thereof and in one or more tranches and on such terms and conditions, as are stipulated in the explanatory statement attached, as the Board may deem fit.”

**“RESOLVED FURTHER THAT** the relevant date for calculating the issue price of the shares shall be July 28 2010, being the date 30 days prior to the date of passing of this resolution.”

**“RESOLVED FURTHER THAT** all such shares issued and allotted by the Board pursuant to the authority on exercise of the options by the allottees for conversion of their holding of equity warrants shall rank pari-passu inter-se and with the then existing equity shares of the Company in all respects.”

**“RESOLVED FURTHER THAT** for the purpose of giving effect to the resolution, authority be and is hereby given for the issue and allotment of equity warrants on private / preferential placement basis, the Board of Directors be and are hereby authorised, jointly as well as severally, to do, execute and certify all acts, deeds, documents, matters and things, including, but not limited to signing / execution of agreement(s), making application(s) for listing of such equity shares on conversion of equity warrants with Stock Exchange and Depositories, hiring of agents and paying of their remuneration, commission, fees etc., settling of any questions, difficulties and doubts that may arise in connection with the issue and allotment of such equity warrants as it may, in its absolute discretion, deem fit.”

**“RESOLVED FURTHER THAT** the Board be and is hereby authorised to delegate all or any of the powers herein conferred, to any committee or one or more Directors of the Company alongwith the authority to these entities to further delegate all or any of such powers to any one or more Executives of the Company in order to give effect to this resolution.”



8. To consider and if thought fit, to pass with or without modifications, the following Resolution as a **Special Resolution** :

**“RESOLVED THAT** pursuant to the Article 13(B) of the Articles of Association of the Company and terms & conditions prescribed in FFSIL Employees Stock Option Scheme 2006 (hereinafter referred to as the ESOP Scheme) which was approved by the members at their fifteenth Annual General Meeting held on September 23 2006 as amended to date, consent of the members be and is hereby accorded to the Board of Directors of the Company (which term shall include any of the Board of Directors) to offer, issue and allot to Mr. Devesh Kumar, Group CEO of the Company 1,14,000 stock options, at such price, on such terms and in one or more tranche(s) as may be decided by the Board of Directors from time to time, in addition to 1,11,000 options already granted, aggregating to 2,25,000 options, which constitutes 1.85% of the paid-up share capital of the Company as on date, on such terms and conditions as may be fixed or determined by the Board from time to time.”

**“RESOLVED FURTHER THAT** equity share to be issued and allotted on exercise of options as aforesaid shall rank pari-passu with the then existing equity shares of the Company in all respects.”

**“RESOLVED FURTHER THAT** the Board be and is hereby authorized to take necessary steps for listing of the securities allotted under the Scheme on the Stock Exchanges where the securities of the Company are listed as per the provisions of the Listing Agreements with the Stock Exchange(s) concerned, the Guidelines and other applicable laws and regulations.”

**“RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary, expedient or proper with the offer, issue and allotment of the aforesaid options including but not limited to the listing of the equity shares issued and allotted on exercise of options granted herein, with an express authority to further delegate the authority herein provided to any officers of employees of the Company and to settle any questions, difficulties or doubt that may arise in connection with the offer of the said options and/or issue and allotment of the equity arising out of the exercise of the said options at any stage, without any requirement to secure further consent or approval of the members to the intent that the members shall be deemed to have given their approval thereto expressly by authority of this resolution.”

By Order of the Board

Mumbai, May 20 2010

**Haroon Mansuri**  
Company Secretary

**NOTES :**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective must be lodged with the company not less than 48 hours before the time of the meeting.
3. Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956, with respect to item nos. 6, 7 & 8 of the Notice are annexed herewith and form part of the Notice.
4. Members are requested to:
  - immediately, intimate change of address, if any, to the Company, quoting reference of their registered folio number or client DP ID No.;
  - produce the attendance slip at the entrance of the meeting hall;
  - bring the copy of the Annual Report to the venue of the meeting; and
  - write to the Company at least 10 days in advance of the Annual General Meeting for any information about accounts.
5. The register of members and the share transfer books of the Company will remain closed from August 23 2010 to August 28 2010, (both days inclusive) to comply with requirement of Clause 16 and other applicable clauses of the Listing Agreement and to determine the eligible holders of the shares of the Company in physical and demat mode for the purpose of payment of the dividend, subject to approval of the members at the ensuing Annual General Meeting.
6. Please note that pursuant to Section 205A (5) of the Companies Act, 1956 all unclaimed/unpaid dividends up to the year ended 1995-96 have been transferred to the General Revenue Account of the Central Government. Share holders who have not encashed their dividend warrants for the said period(s) are requested to claim the amounts from the Registrar of Companies, Maharashtra, 100, Everest Building, Marine Lines, Mumbai - 400 020. Kindly note that in terms of Section 205C of the Companies Act, 1956, the unclaimed dividend for the financial years 1996-97 and 1997-98 which had remained unclaimed for a period of seven years from the date of its transfer to the Unpaid Dividend Account have been transferred to Investor Education and Protection Fund ("the fund"). It may also be noted that once the unclaimed dividend is transferred to the Fund, no claim shall lie against the Fund or the Company in respect of the individual amounts which were unclaimed. The following are the details of the interim and final dividends declared and remaining unencashed for the years ended March 31 2005 to March 31 2009 :

Financial year ended	Type of Dividend	Date of declaration	Dividend Amount	Unclaimed Dividend	Due date for transfer to the Fund
			(Rupees in lacs)		
March 31 2009	Final	August 29 2009	122.10	1.83	October 4 2016
March 31 2008	Final	August 30 2008	220.00	3.13	October 1 2015
March 31 2007	Final	August 11 2007	100.00	1.73	September 12 2014
March 31 2007	Interim	February 13 2007	77.66	1.70	March 14 2014
March 31 2006	Final	September 23 2006	38.83	0.97	October 24 2013
March 31 2006	Interim	October 29 2005	42.71	0.85	November 28 2012
March 31 2005	Final	August 13 2005	19.42	0.68	September 12 2012
March 31 2005	Interim	February 8 2005	38.83	0.82	March 10 2012

In order to provide protection against fraudulent encashment of dividend warrants, members who hold shares in physical form are requested to intimate the Company's Registrar and Transfer Agent, Purva Sharegistry (India) Private Limited, under the signature of the Sole/First joint holder, the following information to be incorporated on dividend warrants:

- Name of the Sole/First joint holder and Folio number
- Particulars of Bank account viz.
  - Name of the Bank,
  - Name of the Branch,
  - Complete address of the branch with Pin code,
  - Account type, whether Saving Account (SB) or Current Account(CA) and
  - Bank Account number.



7. All the documents referred to in the Notice and Explanatory Statements, are available for inspection at the Registered Office of the Company during office hours on all working days, except Saturdays, between 11.00 a.m. to 1.00 p.m. up to the date of the Annual General Meeting.

### **Explanatory statements pursuant to section 173(2) of the Companies Act, 1956:**

#### **Item No. 6 of the Notice :**

Pursuant to provisions of Sections 257, 260 and other applicable provisions, if any, of the Companies Act, 1956, and Article 96 of the Articles of Association of the Company, Mr. Sanjay Kothari was appointed as an Additional Director of the Company by the Board of Directors of the Company by passing circular resolution on September 25 2009 & further his appointment confirmed by the Board in their meeting held on October 29 2009. Being an Additional Director of the Company, he holds office only up to the date of this Annual General Meeting. The Company has received a notice together with a Deposit of Rs. 500/- from one of the members of the Company signifying his intention to propose candidature of Mr. Sanjay Kothari as a Director of the Company, liable to retire by rotation.

Mr. Sanjay Kothari is a fellow member of Institute of Chartered Accountants of India, Institute of Company Secretaries of India and Associate Member of Institute of Cost & Works Accountants of India. He also holds a Diploma in Business Finance from The Institute of Chartered Financial Analysts of India.

Mr. Sanjay Kothari is a Practicing Chartered Accountant specializing in corporate communications, loan syndications, equity placements, and financial restructuring exercises.

Earlier he has served in various capacities heading the finance & accounts Dept. of public companies and also served as Head of the Family Wealth Management Office of the promoter of Gujarat Ambuja during the period August 2006 to December 2008.

He served as Director of many public and private limited companies. He has served on the panel of the Stock Exchange, Mumbai for arbitration between members and non-members.

Mr. Kothari was on the committee of Indian Merchants Chamber on capital markets and on Finance, Banking & Insurance.

Mr. Kothari is also a Guest Faculty at Welingkar Institute and Sydneham College for PGDBM course on project appraisals and financial markets.

The Board recommends the Ordinary Resolution for approval of the members.

None of the Directors other than Mr. Sanjay Kothari may deemed to be concerned or interested in passing of the resolution at item no. 6 of the Notice.

#### **Item No. 7 of the Notice :**

As the members are aware that in February 2010, pursuant to our Business Plan, the Company had raised Rs.9.20 crores on preferential basis by placement of fresh equity shares & equity warrants with existing foreign investors and promoters of the Company respectively.

Timely infusion of funds assisted us in implementing first phase of our business plan. We have grown from 168 locations to 292 locations and having combined staff strength of 663.

The funds raised were judiciously utilized in the best interest of the business with a continuing focus on balancing entrepreneurial risks with prudent financial common sense. Funds were broadly used for brand building, capitalizing commodity & NBFC operations and to some extent inorganic growth as estimated.

#### **Business Plans :**

With the revival in the primary market activities, secondary market also registering a positive trend. Our broking, distribution and commodity operations are spread across 13 states in 292 locations, of which 28 are our own set-ups. In the process we have added new products and increased market share focusing on the scope of the business, meeting customer expectations, exploring and creating new opportunities. The segmented contribution of 75% revenue generation for the first half year of the current fiscal is testimony to the growth of this business module.

NBFC activities delivered excellent numbers during the first six months of the current fiscal due to its main product, loan-against-share, which is linked to vibrancy of the capital market.

We have obtained SEBI approval for PMS services and in the process of identifying teams and intend to start the operations by the end of this fiscal.

#### **Fund Requirements :**

Given the prevailing opportunities and to complement the business plans, we envisage need of funds for the meeting brand building, funding for commodities operations, NBFC operations and inorganic growth.

The information prescribed under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 is furnished below :

**(i) The objects of the issue through preferential offer :**

The funds raised through issue of equity warrants will be utilized to strengthen high end research team cater to all business verticals and to meet additional working capital requirements, both fund and non-fund based line of credit to scale-up both domestic and international institutional business and related capital expenditure thereon.

**(ii) Pricing of equity warrants :**

The issue of equity warrants on preferential basis shall be made at a price not less than higher of the following:

- (i) The average of the weekly high and low of the closing price of the related shares quoted on the stock exchange during the six months preceding the relevant date ;

OR

- (ii) The average of the weekly high and low of the closing price of the related shares quoted on the stock exchange during the two weeks preceding the relevant date ;

OR

- (iii) Nominal value i.e. Rs.10/- per share.

**Explanation :**

- (a) 'Relevant date' for this purpose means the date thirty days prior to the date on which the special resolution is passed by the members.
- (b) 'Stock Exchange' for this purpose shall mean any of the recognized stock exchanges on which the shares of the Company are listed and on which the highest trading volume in respect of the shares of the Company has been recorded during the preceding six months prior to the relevant date.

**(iii) Time of Allotment :**

Allotment pursuant to this resolution passed by the members granting the consent for preferential issue of equity warrants, shall be completed within a period of fifteen days from the date of passing of this resolution. If the Company is required to take any approval from any regulatory authority, it is required to be obtained within the currency of this resolution and needs to comply with all necessary requirements within the prescribed time limit as stated in the approval letter, provided that this time limit shall not exceed validity period of special resolution. Provided further that, where the allotment of equity warrants on preferential basis is pending on account of pendency of any approval of such allotment by any regulatory authority, or the Central Government, the allotment shall be completed within 15 days from the date of such approval.

**(iv) Terms of issue of equity warrants :**

- a) An amount, being not less than 25% of the total issue size of the equity warrants shall become payable by the holders of the equity warrants within 5 days of service of the notice;
- b) The holders of the equity warrants shall have an option to apply for and be allotted one equity share of Rs.10/- each of the Company per equity warrant at any time after the date of allotment but not later than Eighteen months (18 months) from date of allotment of such warrants;
- c) The holders of the equity warrants shall give advance notice of not less than 10 days prior to exercising an option to apply for equity shares and shall pay the remaining amount payable on such warrants along with such notice;
- d) Upon receipt of the aforesaid notice, the Board will allot one equity share per equity warrant by appropriating Rs.10/- towards equity capital and balance towards share premium;
- e) If the holders do not exercise their option to convert equity warrants into equity shares of the Company within the prescribed period then such right to apply for equity shares of the Company along with other rights attached thereto shall expire and any amount paid on such equity warrants shall stand forfeited.
- f) The equity warrants will neither give any voting rights to its holder(s) nor will entitle them to any dividend during its currency.
- g) The new equity shares issued on conversion of equity warrants shall rank pari-passu with the then existing equity shares of the Company.

**(v) Intention of Promoters / Directors / Key Management Persons to subscribe to the offer :**

The details of the equity warrants out of the total preferential offer, to be subscribed by Promoters / Directors / Key Management Persons are as follows :





Sr.No.	Name	Category	No. of equity warrants to be subscribed out of the Preferential Offer
1.	Mr. J. T. Poonja	Indian Promoter & Director	200,000
2.	Mr. Nimish C. Shah	Indian Promoter & Director	100,000
3.	Jamish Investment Pvt. Ltd.	A Company in which relatives of a Director are interested	100,000

(vi) Shareholding pattern before and after the Preferential Issue :

Sr. No.	Category	Pre-Issue		Post -Issue	
		No. of shares held	% of share holding	No. of shares held	% of share holding
1.	<b>Promoters</b>				
	Indian	58,48,207	48.06	68,48,207	49.20
	Foreign	---	---	---	---
2.	<b>Non-promoters</b>				
	NRIs/FIIs/ Foreign Corporate Bodies	49,23,340	40.46	49,23,340	35.37
	Govt/Banks/Mutual Funds/Fin. Institutions	---	---	---	---
	General Public				
	a. Bodies Corporate	5,74,462	4.72	5,74,462	4.13
	b. Individuals	8,22,391	6.76	15,72,291	11.30
	<b>TOTAL</b>	<b>121,68,400</b>	<b>100.00</b>	<b>139,18,300</b>	<b>100.00</b>

Note: While preparing the above shareholding pattern, assumptions have been made that the holders of 6,00,000 equity warrants issued earlier and 4,00,000 equity warrants to be issued now have exercised their options to convert their holdings of equity warrants into equity shares and also the balance of equity shares covered under FFSIL ESOP Schemes have been issued.

(vii) The Identity of the proposed allottees and the percentage of post-preferential issue capital that may be held by them :

The proposed allottees include promoters of the Company, who intend to infuse funds in the Company by way of fresh capital for expansion project of the Company.

Sr. No.	Name of the allottees	Category of the allottees	Pre Issue – equity holding of the allottees		Post conversion of equity warrants holdings of the allottees	
			No.	%	No.	%
1.	Mr. J. T. Poonja	Indian Promoter & Director	16,07,040	13.21	18,07,040	12.98
2.	Mr. Nimish C. Shah	Indian Promoter & Director	19,14,004	15.73	21,64,004	15.55
3.	Jamish Investment Pvt. Ltd.	A Company in which relatives of a Director are interested	---	---	2,00,000	1.44

No proposed allottees have sold their shares during six months period prior to the relevant date, and hence are eligible for allotment of equity warrants on preferential basis.



**(viii) Lock – in :**

The warrants to be allotted to the Promoters, Promoters' Group will be locked-in for a period of three years from the date of allotment, to the extent they do not exceed 20% of the total capital of the Company including the equity warrants under consideration. Provided that the lock-in on the equity shares on conversion of the equity warrants shall be reduced to the extent that the equity warrants have already been locked-in.

**(ix) Auditors' Certificate :**

A Certificate from the Statutory Auditors of the Company certifying that the preferential issue of equity warrants covered by this notice is in accordance with the requirements of Chapter XIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended to date is open for inspection of members at the Registered Office of the Company between 10.00 a.m. to 2.00 p.m. on all working days except Saturdays.

**(x) Change in Management :**

The issue of equity warrants under consideration will not result in any change in management or control of the Company.

The Board of Directors recommend the passing of Special Resolution at item no. 7 of the Notice.

Directors of the Company may be deemed to be concerned or interested in the passing of Special Resolution at item no. 7 of the Notice to the extent of equity warrants that may be issued / allotted to them or to the Company in which the Directors and/or their relatives are Directors or Members.

**Item No. 8 of the Notice :**

The Company has Employees Stock Option Scheme titled as "FFSIL ESOP Scheme - 2006" for the benefit of the employees of the Company & its subsidiaries. The Company has granted the options under the said scheme to various employees on regular basis. The scheme was approved by the members at the fifteenth Annual General Meeting held on September 23 2006.

Mr. Devesh Kumar was appointed as the Group CEO on February 8 2010. The Company on February 9 2010 granted 1,11,000 options at Rs.98 per option to Mr. Devesh Kumar under the FFSIL ESOP Scheme – 2006.

As agreed with Mr. Devesh Kumar, as a part of the remuneration package of Mr. Devesh Kumar, it is proposed to further grant 1,14,000 options to him under the ESOP Scheme.

Upon grant of the additional 1,14,000 options mentioned hereinabove, the aggregate of options granted to him will exceed 1% of the paid up capital of the Company. Accordingly, for the grant of the additional options under consideration, it is necessary to obtain members approval under clause 6.3 of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and hence the resolution under item no. 8 of the Notice.

None of the Directors may deemed to be concerned or interested in passing of the resolution at item no. 8 of the Notice.



## ANNEXURE TO NOTICE

Details of Directors seeking appointment / re- appointment at the ensuing Annual General Meeting (pursuant to Clause 49 of the listing agreement) :

1.	Name	<b>Mr. Ramesh Venkat</b>	<b>Mrs. Sangeeta Poonja</b>	<b>Mr. Sanjay Kothari</b>
2.	Date of Birth	March 14 1964	August 20 1944	November 4 1963
3.	Profession	Corporate Executive	Business	Practising CA
4.	Qualifications	C.A., C.S., ICWAI	M.A.(Economics)	C.A., C.S., ICWAI, ICFAI
5.	List of other Directorship held (excluding Private companies).	<ol style="list-style-type: none"> <li>1. Fortune Equity Brokers (India) Limited</li> <li>2. Fortune Credit Capital Limited</li> <li>3. Matrix Innovations Limited</li> <li>4. Reliance Gilts Limited</li> <li>5. Reliance Equity Advisors (India) Limited</li> <li>6. Reliance Communications Investment and Leasing Limited</li> <li>7. Reliance Asset Reconstruction Company Limited</li> </ol>	Nil	<ol style="list-style-type: none"> <li>1. Chartered Finance &amp; Leasing Limited</li> <li>2. Sound Capital Markets Limited</li> </ol>
6.	Chairman / Member of the Committee of Board of Directors of the Company.	Chairman – Remuneration Committee Member – Audit Committee	Nil	Nil
7.	Chairman / Member of the Committee of Board of Directors of other Companies.	<b>Fortune Equity Brokers (India) Limited</b> Member – Remuneration Committee Member – Audit Committee  <b>Fortune Credit Capital Limited</b> Member – Remuneration Committee Member – Audit Committee	Nil	Nil
8.	Expertise in functional areas	Mr. Ramesh Venkat has more than 23 years of work experience in the fields of Banking, Corporate Finance and Treasury Management. Mr. Venkat is currently President of Finance at Anil Dhirubhai Ambani Enterprises (ADAE Group).	Mrs. Sangeeta Poonja is M.A. in Economics and has good acumen in finance field. She is actively involved in various socio-cultural activities and is one of the promoter directors of the Company.	Mr. Sanjay Kothari specializes in corporate communications, loan syndications, equity placements, and financial restructuring exercises.
9.	No. of shares held			
	a) Own	Nil	496,944	Nil
	b) In Trust for other persons having beneficial interest.	Nil	Nil	Nil

**Fortune Equity Brokers (India) Limited**

Financial Statements for the  
year ended March 31, 2010  
together with Auditors' Report



## BOARD OF DIRECTORS

**Mr. J.T. Poonja**

Chairman

**Mr. Nimish C. Shah**

Managing Director

**Mr. Ramesh Venkat**

Director

## GROUP INFORMATION

### FORTUNE'S LEADERSHIP TEAM

<b>Mr. Devesh Kumar</b>	Group CEO
<b>Mr. Kamlesh Gandhi</b>	Group Advisor
<b>Mr. Vishal Trehan</b>	Country Head – Retail & Broking
<b>Mr. Pankaj Wadhawan</b>	Head – Financial Advisory Group
<b>Mr. Arun Kumar Bhangadia</b>	Sr. Vice President – Hyderabad Region
<b>Mr. B. B. Tantri</b>	Head – Operations
<b>Mr. S. G. Muthu Kummar</b>	Head – Corporate Affairs
<b>Mr. S. Kalyanasundaram</b>	Head – Treasury
<b>Mr. Pranav Kumar</b>	Head – Corporate Sales
<b>Mr. Naveen Sharma</b>	Head – Northern Region
<b>Mr. Govindaraj</b>	Head – Southern Region
<b>Mr. Mahantesh Sabarad</b>	Sr. Vice President – Equity Research
<b>Mr. Niraj Shah</b>	Sr. Vice President – Equity Research
<b>Mr. Abhijit Chakraborty</b>	Sr. Vice President – Institutional Equity Sales

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**COMPANY SECRETARY** Mr. Sanjay Kumar Shah

**AUDITORS** M/s. Nipun Sudhir & Associates  
Chartered Accountants

**BANKERS** Axis Bank Ltd.  
HDFC Bank Ltd.  
Karur Vysya Bank Ltd.  
Union Bank of India  
Vijaya Bank

**REGISTERED OFFICE** K. K. Chambers, 2<sup>nd</sup> Floor  
Sir P. T. Marg  
Fort, Mumbai - 400 001  
Website : [www.ffsil.com](http://www.ffsil.com)



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Sixteenth Annual Report and Audited Accounts on the business and operations of the Company for the year ended March 31 2010.

### Financial Highlights :

(Rupees in Lacs)

	2009-10	2008-09
<b>Total Income</b>	<b>4909.27</b>	3306.95
Profit before depreciation, amortisation and tax	<b>1518.99</b>	44.06
Depreciation & amortisation	<b>266.78</b>	253.30
Profit / (Loss) before tax	<b>1252.21</b>	(209.24)
Provision for tax		
- Current tax	<b>408.98</b>	2.58
- Deferred tax	<b>(29.38)</b>	35.65
- Fringe benefits tax	—	12.75
Profit / (Loss) after tax	<b>872.61</b>	(260.22)
Balance brought forward from previous year	<b>217.62</b>	553.91
Tax in respect of earlier years (Net)	<b>0.02</b>	2.33
Balance available for appropriations	<b>1090.21</b>	291.36
Transfer to General Reserve	<b>87.26</b>	—
Equity Dividend	<b>233.10</b>	48.41
Preference Dividend	<b>16.17</b>	14.62
Dividend Distribution Tax	<b>42.36</b>	10.71
Balance carried to Balance Sheet	<b>711.32</b>	217.62
Weighted average number of equity shares	<b>15,150,726</b>	16,135,000
Nominal value per share (in rupees)	<b>10.00</b>	10.00
Basic and diluted earnings per share (in rupees)	<b>5.63</b>	(1.72)

### Results of operations

During the year under review the company has earned income of Rs. 4909.27 lacs as compared to Rs. 3,306.95 lacs in the previous year. The company has earned a profit of Rs. 872.61 lacs as compared to loss of Rs. 260.22 lacs after tax in the previous year.

### Dividend

A dividend of Rs. 1.40 per share on 16,650,000 equity shares of Rs. 10/- each has been recommended for payment aggregating to Rs. 233.10 lacs, subject to approval of the members of the Company.

Your Directors also recommend a Dividend on Redeemable Cumulative Preference Shares as per the contracted rates aggregating to Rs. 16.17 lacs subject to members' approval at the Annual General Meeting.

### Future prospects

After the market debacle of FY09 where the Sensex crashed below the 10,000 mark, FY10 signalled a substantial recovery. After the first day Sensex close of 9,902, the index recovered substantially and ended the year at 17,528 on 31<sup>st</sup> Mar 2010. Most of this increase happened early into the year and reached a peak by mid October. From there on the sensex has remained in a narrow band awaiting cues from global trends for any change for the upwards or downwards. This rise was accompanied by increase in the turnover at the bourses. On NSE the average daily Turnover increased 49.3% to Rs169.1bn while the BSE registered a growth of 25.3% to Rs56.4bn in the cash segment.

The year gone by was characterized by a return in confidence among investors and a sturdier set of corporate earnings. A look at the corporate earnings of BSE500 reveals that the reported PAT for 469 (of BSE500) companies were higher by 40.2% YOY for Q2FY10. The earnings continued a good showing even into the next quarter expanding 34.7% YOY. If one factors in the consolidated earnings for some of the corporate, the growth in profits looks even more substantial.

### Fixed Deposits

The Company has not accepted any fixed deposits from the public during the year under review within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

### Capital

During the year under review the Company has issued 515,000 equity shares of Rs. 10/- each fully paid at a premium of Rs. 70/- per share aggregating to Rs. 412.00 lacs to the holding Company. The fresh equity shares issued rank pari-passu with the existing equity shares of the Company with respect to the voting rights and dividend entitlement. Consequent to issue of these equity shares, the paid up equity capital of the Company has been raised to Rs. 1665.00 lacs.

### Directors

Mr. Nimish C. Shah retires by rotation as a Director at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

### Auditors

M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai, the Statutory Auditors of the Company hold office up to the conclusion of this Annual General Meeting and are recommended for re-appointment. The Company has received a certificate under Section 224 (1B) of the Companies Act, 1956, stating that the appointment, if made, will be within the limits specified in that section.

### Audit Committee

In terms of Section 292A of the Companies Act, 1956, the Company has Audit Committee of the Board of Directors in its place.

The Audit Committee consists of three members viz. Mr. J. T. Poonja, Mr. Nimish C. Shah and Mr. Ramesh Venkat. Mr. J. T. Poonja is the Chairman of the Audit Committee.

### Remuneration Committee

In terms of provisions of Schedule XIII of the Companies Act, 1956, the Company has Remuneration Committee of the Board of Directors, which consists of three members viz. Mr. J. T. Poonja, Mr. Nimish C. Shah and Mr. Ramesh Venkat. Mr. J. T. Poonja is the Chairman of the Remuneration Committee.

### Conservation of Energy, Technology Absorption

The provision of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to your Company since your company is not covered under the scheduled industry pursuant to the said rules.

### Foreign Exchange Earning and Outgo

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Earning	–	–
Outgo	3.00	0.44

### Particulars of Employees

A statement under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particular of Employees) Rules 1975, as amended by the Companies Amendment Act, 1988 is annexed as Annexure I and forms part of this report.

### Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- appropriate accounting policies had been selected and applied consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts had been prepared on a going concern basis.



## Acknowledgement

Your Directors are pleased to place on record their deep appreciation towards the sincere services and co-operation extended by employees of the organization at all levels. They also wish to place on record their gratitude for the confidence placed in them by the banks they are associated with. Further, your Directors wish to thank the various departments of the Securities and Exchange Board of India (SEBI) and National Stock Exchange of India Ltd. (NSE), Bombay Stock Exchange Ltd. (BSE), business associates and clients for their valued co-operation.

On behalf of the Board

**J. T. Poonja**  
Chairman

Mumbai, May 20 2010

## Annexure I to Directors' Report

Information under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2010.

Sr. No.	Name & Designation	Remuneration (Rupees)	Qualification	Experience in years	Date of commencement of employment	Age	Last employment before joining the Company, Designation / No. of years
<b>I. Employed throughout the year :</b>							
1.	Mr. Nimish C. Shah Managing Director	58,27,372	MBA(USA)	23	01-07-2008	46	Fortune Financial Services (India) Limited Vice Chairman and Managing Director 16 years
2.	Mr. Vishal Trehan Country Head - Retail & Broking	81,81,750	MBA	13	01-04-2008	37	Fortune Financial Services (India) Limited Country Head - Retail and Broking 1 year
3.	Mr. Pranav Kumar Head – Corporate Sales	53,37,444	B. Com., MBA (Finance)	11	01-04-2008	33	Fortune Financial Services (India) Limited V P – Northern Region 1 year
<b>II. Employed for part of the year :</b>							
1.	Mr. Devesh Kumar Group CEO	5,64,663	P G - Economics	25	08-02-2010	48	Centrum Broking Pvt. Ltd. Managing Director 4 years
2.	Mr. Abhijit Chakraborty Sr. Vice President - Institutional Equity Sales	3,03,234	MBA	12	02-03-2010	38	Tata Securities Ltd. AVP 1 year

### Notes :

- The above employments are contractual.
- The above employments are subject to the rules and regulations of the Company as in force from time to time.
- Remuneration shown above includes salary, dearness allowances, house rent allowances, other allowances, bonus, medical reimbursements, incentive and Company's contribution to Provident Fund but does not include contribution to the gratuity fund, which is on the basis of the actuarial valuation and for which individual figures are not available.
- None of the above employees hold any equity shares of the Company except Mr. Nimish C. Shah, who holds 1 equity share of Rs. 10/- as a nominee of Fortune Financial Services (India) Limited.
- The remuneration is exclusive of the amount of perquisite arising on account of exercise of ESOP options during the year.

On behalf of the Board

**J. T. Poonja**  
Chairman

Mumbai, May 20 2010



## AUDITORS' REPORT

To The Members of Fortune Equity Brokers (India) Limited

We have audited the accompanying Balance Sheet of Fortune Equity Brokers (India) Limited ("the Company") as at 31 March 2010, the Profit and Loss Account and 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1) As required by the Companies (Auditor's Report) Order, 2003, and amendments thereto (together referred to as the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956("the Act"), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
- 2) Further to our comments in the Annexure referred to above, we report that:
  - 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. The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - iii. 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 Act.
  - iv. On the basis of written representations received from the directors, as at 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
  - v. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
    - b) in the case of the 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 NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants  
Registration Number: 0126168W

Mumbai, May 20 2010

**Sudhir V. Nair**  
Partner  
(Membership Number 45893)



## **Annexure referred to in Paragraph (1) of the Auditors' Report to the Members of Fortune Equity Brokers (India) Limited for the year ended 31 March 2010**

1. a. The Company's records showing particulars including quantitative details and situations of fixed assets are required to be updated.
- b. The Management has not physically verified its fixed assets during the year.
- c. Based on the information and explanations given by the Management and on the basis of audit procedures performed by us, we are of the opinion that the assets sold by the company during the year have not affected its going concern.
2. a. In our opinion and according to the explanations given to us, the Company has taken/granted unsecured loans from / to a firm and companies, covered in the register maintained under Section 301 of the Act. The maximum amount outstanding in respect of these loans given during the year was Rs.537 lacs (2 parties) and no amount was outstanding in respect of these loans at the year end. The maximum amount outstanding in respect of the loans taken during the year was Rs.4,064.39 lacs (3 parties) and the amount outstanding in respect of such loan at the end of the year was Rs.205.37 lacs (1 party).
- b. In our opinion, the rate of interest, if any, and other terms and conditions of loans given/taken by the Company to / from the firm/ companies listed in the Register maintained under Section 301 of the Act are not prima facie prejudicial to the interests of the Company.
- c. The Company has been regular in repayment of the principal and interest, if stipulated, in respect of the loans.
- d. All loans (repayable on demand) granted to the companies listed in the register maintained under Section 301 have been repaid, as per stipulations if any, during the year. Accordingly, there is no amount overdue in respect of the loans granted to the company/firm listed in the register maintained under Section 301.
3. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and for the sale of its services. Further on the basis of our examination and according to the information and explanations given to us, neither have we noticed nor have we been informed of any major weaknesses in the internal control system.
4. a. Based on the audit procedures applied by us and according to the information and explanations provided by the Management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Act have been so entered.
- b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 and exceeding the value of Rupees Five lacs in respect of the parties during the year have been made at prices which are reasonable having regard to market prices prevailing at the relevant time.
5. In our opinion and according to the information and explanations given to us the Company has not accepted any deposits from the public. As per the information and explanations given to us, the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not passed any order relating to public deposits on the Company.
6. The Company has an internal audit system commensurate with the size of the Company and the nature of its business.
7. In our opinion and according to the explanations given to us, the Company is not required to maintain cost records prescribed by the Central Government under Section 209 (1) (d) of the Act.
8. a. According to the records of the Company and the information and explanations given to us, the Company has been generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, cess and other statutory dues, if applicable to it, other than as specified below.
- b. According to the information and explanations given to us, there are no undisputed statutory dues as referred to above as on 31 March 2010 outstanding for a period of more than six months from the date they became payable other than stamp duty amounting to Rs.78.40 lacs.
9. The Company does not have any accumulated loss as at 31 March 2010. The Company has not incurred any cash loss during the financial year covered by our audit and in the immediately preceding financial year.

10. Based on our audit procedures and on the information and explanations given by the Management, we are of the opinion that the Company has not defaulted in repayment of dues to banks.
11. Based on our examination of documents and records, and as confirmed by the Management, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts in respect of its dealing in shares, securities and derivatives and timely entries have been made in those records. We also report that the Company has held the shares, in its own name except those that are intended to be contracted or sold immediately.
13. Based on our examinations of the records and information and explanations given to us, the Company has not taken any term loans.
14. According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we are of the opinion that as at the close of the year, no funds raised on a short term basis has been used for long term investments and vice versa.
15. The Company has made a preferential allotment of preference shares to a company covered in the register maintained under section 301 of the Act the terms of which are not prejudicial to the interest of the Company.
16. The Company has not issued any debentures during the year.
17. The Company has not made any public issue of any of its securities during the year.
18. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the period nor have we been informed of such case by the Management.

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants  
Registration Number: 0126168W

Mumbai, 20 May 2010

**Sudhir V. Nair**  
Partner  
(Membership Number 45893)



## BALANCE SHEET AS AT MARCH 31, 2010

(Rupees in Lacs)

	Schedules	As at 31-Mar-10	As at 31-Mar-09
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A	1,805.00	1,753.50
Reserves and Surplus	B	2,954.72	2,013.26
		<b>4,759.72</b>	<b>3,766.76</b>
<b>Loan Funds</b>			
Secured Loans	C	5,091.61	5,432.02
Unsecured Loans	D	205.37	776.79
		<b>5,296.98</b>	<b>6,208.81</b>
<b>TOTAL</b>		<b>10,056.70</b>	<b>9,975.57</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	E	1,084.44	916.82
Less : Depreciation and Amortisation		569.17	332.30
Add : Capital Work-in-Progress		7.48	-
Net Block		<b>522.75</b>	<b>584.52</b>
<b>Investments</b>	F	<b>491.82</b>	<b>1.19</b>
<b>Deferred Tax Assets (Net)</b>		<b>44.15</b>	<b>14.77</b>
<b>Current Assets, Loans and Advances</b>			
Current Assets	G	14,641.84	11,221.41
Loans and Advances	H	1,006.27	755.90
		<b>15,648.11</b>	<b>11,977.31</b>
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	I	6,409.53	2,579.98
Provisions	J	325.94	117.83
		<b>6,735.47</b>	<b>2,697.81</b>
<b>Net Current Assets</b>		<b>8,912.64</b>	<b>9,279.50</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	K	<b>85.34</b>	<b>95.59</b>
<b>TOTAL</b>		<b>10,056.70</b>	<b>9,975.57</b>
<b>Notes to Accounts</b>	R		

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**Sudhir V. Nair**

Partner

Membership No.45893

Mumbai, May 20 2010

**J.T. Poonja**  
Chairman

**Nimish C. Shah**  
Managing Director

**Sanjay Kumar Shah**  
Company Secretary

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rupees in Lacs)

	Schedules	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>INCOME</b>			
Income from Operations	L	4,888.63	3,207.81
Other Income	M	20.64	99.14
<b>TOTAL</b>		<b>4,909.27</b>	<b>3,306.95</b>
<b>EXPENDITURE</b>			
Operational Expenses	N	750.00	971.79
Personnel Expenses	O	1,164.77	881.79
Administrative and Other Expenses	P	806.17	540.54
Financial Expenses	Q	669.34	868.77
Depreciation and Amortisation		266.78	253.30
<b>TOTAL</b>		<b>3,657.06</b>	<b>3,516.19</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>1,252.21</b>	<b>(209.24)</b>
Provision for Tax			
Current Tax		408.98	2.58
Deferred Tax		(29.38)	35.65
Fringe Benefit Tax		–	12.75
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>872.61</b>	<b>(260.22)</b>
Balance brought forward from previous year		217.62	553.91
Tax in respect of earlier years (Net)		0.02	2.33
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>		<b>1,090.21</b>	<b>291.36</b>
<b>APPROPRIATIONS</b>			
Transfer to General Reserve		87.26	–
Proposed Equity Dividend		233.10	48.41
Preference Dividend		16.17	14.62
Dividend Distribution Tax		42.36	10.71
Balance Carried to Balance Sheet		711.32	217.62
<b>TOTAL</b>		<b>1,090.21</b>	<b>291.36</b>
<b>EARNINGS PER SHARE</b>			
Profit After Tax		853.69	(277.32)
Weighted average number of Equity Shares (Refer Schedule "R" Note II.11)		15,150,726	16,135,000
Nominal value per Share (in Rupees)		10.00	10.00
Basic and diluted Earnings Per Share (in Rupees)		5.63	(1.72)
<b>Notes to Accounts</b>	<b>R</b>		

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**Sudhir V. Nair**

Partner

Membership No.45893

Mumbai, May 20 2010

**J.T. Poonja**  
Chairman**Nimish C. Shah**  
Managing Director**Sanjay Kumar Shah**  
Company Secretary



## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in Lacs)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "A" SHARE CAPITAL</b>		
<b>Authorised</b>		
22,500,000 (Previous year 22,500,000) Equity Shares of Rs. 10/- each	2,250.00	2,250.00
6,00,000 (Previous year 9,00,000) 10% Redeemable Cumulative Preference Shares of Rs.10/- each	60.00	90.00
9,00,000 (Previous year 6,00,000) 12.50% Redeemable Cumulative Preference Shares of Rs.10/- each	90.00	60.00
<b>TOTAL</b>	<b>2,400.00</b>	<b>2,400.00</b>
<b>Issued, Subscribed and Fully Paid-up</b>		
1,66,50,000 (Previous year 1,61,35,000) Equity Shares of Rs. 10/- each (Of the above shares, 1,41,35,000 shares are allotted as fully paid-up pursuant to a contract for consideration other than cash) All the shares are held by the Holding Company, Fortune Financial Services (India) Limited and its nominees	1,665.00	1,613.50
5,00,000 (Previous year 8,00,000) 10% Redeemable Cumulative Preference Shares of Rs.10/- each (of which 4,76,500 shares redeemable at par on 12.09.2010, 23,500 shares redeemable at par on 17.01.2011)	50.00	80.00
9,00,000 (Previous year 6,00,000) 12.50% Redeemable Cumulative Preference Shares of Rs.10/- each (4,00,000 shares redeemable at par on 28.03.2011 and 2,00,000 Shares on 19.08.2011) and 3,00,000 shares redeemable on 18.08.2014)	90.00	60.00
<b>TOTAL</b>	<b>1,805.00</b>	<b>1,753.50</b>
<b>SCHEDULE "B" RESERVES AND SURPLUS</b>		
<b>General Reserve</b>		
As per last Balance Sheet	99.44	99.44
Add: Transferred during the year	87.26	-
	<b>186.70</b>	99.44
<b>Share Premium</b>		
As per last balance sheet	1,696.20	1,696.20
Add: Addition during the year	360.50	-
	<b>2,056.70</b>	1,696.20
<b>Profit and Loss Account</b>		
	711.32	217.62
<b>TOTAL</b>	<b>2,954.72</b>	<b>2,013.26</b>
<b>SCHEDULE "C" SECURED LOANS</b>		
Working Capital Loans from Banks (Secured against pledge of fixed deposits, book debts, personal guarantee of two directors and certain shares and corporate guarantee of the holding company)	5,050.68	5,416.89
Vehicle Loans (Secured against hypothecation of vehicles, net of deferred interest of Rs.1.98 Lacs (Previous year Rs. 1.70 Lacs) (repayable within one year Rs.24.25 Lacs) (Previous year Rs.3.01 Lacs))	40.93	15.13
<b>TOTAL</b>	<b>5,091.61</b>	<b>5,432.02</b>

## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in Lacs)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "D" UNSECURED LOANS</b>		
Loans from Holding Company	–	656.37
Loans from Fellow Subsidiary	205.37	26.78
Loans from Associate Company	–	93.64
<b>TOTAL</b>	<b>205.37</b>	<b>776.79</b>

### SCHEDULE "E" FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2009	Additions during the year	Deductions during the year	As at 31.03.2010	As at 01.04.2009	For the Year	On deductions	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
<b>Tangible Assets</b>										
Electrical Installation	0.36	–	–	0.36	0.05	0.04	–	0.09	0.27	0.31
Computers	235.42	55.10	1.47	289.05	119.00	55.67	0.99	173.68	115.37	116.42
Office Equipments	130.36	63.08	3.96	189.48	19.95	21.60	0.92	40.63	148.85	110.41
Furniture and Fixtures	63.76	12.28	9.76	66.28	12.04	14.29	3.49	22.84	43.44	51.72
Leasehold Improvements	208.22	33.63	19.48	222.37	58.20	68.36	8.69	117.87	104.50	150.02
Vehicles	48.92	48.29	20.95	76.26	18.84	11.23	15.82	14.25	62.01	30.08
<b>Intangible Assets</b>										
Computer Software	166.71	10.86	–	177.57	70.87	65.87	–	136.74	40.83	95.84
Goodwill on business acquisition	63.07	–	–	63.07	33.35	29.72	–	63.07	–	29.72
<b>TOTAL</b>	<b>916.82</b>	<b>223.24</b>	<b>55.62</b>	<b>1,084.44</b>	<b>332.30</b>	<b>266.78</b>	<b>29.91</b>	<b>569.17</b>	<b>515.27</b>	<b>584.52</b>
Previous year	737.20	179.62	–	916.82	79.00	253.30	–	332.30	584.52	658.20
<b>Capital Work-in-progress</b>	<b>–</b>	<b>7.48</b>	<b>–</b>	<b>7.48</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7.48</b>	<b>–</b>
Previous year	–	–	–	–	–	–	–	–	–	–

### SCHEDULE "F" INVESTMENTS (At cost unless otherwise specified)

(Fully Paid up unless otherwise stated)

#### CURRENT INVESTMENTS (NON TRADE)

A) Equity Shares (quoted)	466.82	1.09
B) Equity Shares (unquoted)	–	0.10
C) Mutual Fund Units (unquoted)	25.00	–
<b>TOTAL</b>	<b>491.82</b>	<b>1.19</b>



## SCHEDULE FORMING PART OF ACCOUNTS

(Rupees in Lacs)

Name of the Company	As at 31-Mar-10		As at 31-Mar-09	
	Number	Amount	Number	Amount
<b>A) EQUITY SHARES (QUOTED)</b>				
Aditya Forge Limited	–	–	3,000	0.96
Arshiya International Limited	4,000	5.96	–	–
Aurionpro Solutions Limited	10,000	29.65	–	–
Ess Dee Aluminium Limited	20,000	79.01	–	–
Graphite India Limited	39,000	35.04	–	–
JBF Industries Limited	12,000	13.21	–	–
JSW Energy Limited	10,000	11.32	–	–
Kalyani Steels Limited	12,000	23.45	–	–
Kirloskar Oil Engines Limited	34,000	56.49	–	–
Kpit Cummins Infosystems Limited	16,000	19.07	–	–
Madhucon Projects Limited	10,000	18.07	–	–
Marg Construction Limited	67,000	117.51	–	–
Panyam Cement & Mineral Industries Limited	–	–	50	0.09
Ruchi Soya Industries Limited	9,000	7.80	–	–
Sandur Manganese & Iron Ores Limited	–	–	50	0.04
Strides Arcolab Limited	22,000	40.91	–	–
Sujana Tower Limited	17,000	9.33	–	–
<b>TOTAL</b>		<b>466.82</b>		<b>1.09</b>
(Market Value of Current Investments Rs.511.59 Lacs (Previous year Rs.0.85 Lacs))				
<b>B) EQUITY SHARES (UNQUOTED)</b>				
REI Six Ten Retail Limited	–	–	169	0.10
<b>TOTAL</b>		<b>–</b>		<b>0.10</b>
<b>C) MUTUAL FUND UNITS (UNQUOTED)</b>				
Axis Equity Fund	250,000	25.00	–	–
<b>TOTAL</b>		<b>25.00</b>		<b>–</b>
(Net Asset Value of Mutual Fund Units Rs.26.00 Lacs (Previous year Rs. Nil))				
<b>SCHEDULE "G" CURRENT ASSETS</b>				
<b>Stock of Shares</b>				
Closing Stock (at Cost)		25.33		480.38
(Market Value Rs.26.40 Lacs (Previous year Rs.462.98 Lacs))				
<b>Debtors</b>				
<b>(Unsecured)</b>				
Outstanding for a period exceeding six months :				
Considered Good		71.06		192.92
Considered Doubtful		33.93		41.83



**SCHEDULES FORMING PART OF ACCOUNTS**

(Rupees in Lacs)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "G" CURRENT ASSETS (Contd...)</b>		
Others		
Considered Good	6,427.54	4,477.70
	<u>6,532.53</u>	<u>4,712.45</u>
Less : Provision for Doubtful Debts	33.93	41.83
	<u>6,498.60</u>	4,670.62
(Debtors include Rs.Nil (Previous year Rs. 896.87 Lacs) due from Director/Companies in which Directors are interested)		
(Maximum amount outstanding from Directors at any time during the year Rs.623.97 Lacs (Previous year Rs.869.93 Lacs))		
<b>Cash and Bank Balances</b>		
Cash and Cheques on hand	0.70	0.50
Balance with Scheduled Banks		
In Current Accounts	457.13	192.36
In Deposit Accounts	3,662.38	3,529.34
(Of the above Rs. 3,053.69 Lacs (Previous year Rs. 3,529.34 Lacs) under lien with banks)		
In Margin Money Deposit Accounts	3,712.44	1,874.19
(Under lien with Bombay Stock Exchange Limited and National Securities Clearing Corporation Limited and certain banks)	7,832.65	5,596.39
<b>Other Assets</b>		
Interest Accrued but not due	285.26	474.02
<b>TOTAL</b>	<u><u>14,641.84</u></u>	<u><u>11,221.41</u></u>
<b>SCHEDULE "H" LOANS AND ADVANCES</b>		
Advances recoverable in cash or in kind or for value to be received	196.07	89.57
Staff Loans	128.79	83.05
Deposits		
Exchange/Clearing Member Deposits (Includes margin paid on proprietary trades)	302.50	207.50
Others	182.55	158.01
	<u>485.05</u>	365.51
(includes deposit for premises Rs.70.00 Lacs (Previous year Rs.70.00 Lacs) with a firm in which Directors are interested. Maximum amount due at any time during the year Rs.70.00 Lacs (Previous year Rs.70.00 Lacs))		
Mark to market Margin-Equity Index/Stock Future	9.74	-
Less: Provision for loss on Equity Index/Stock Future	9.74	-
Advance Tax and Tax Deducted at Source	196.36	217.77
(Net of provision for taxation of Rs.827.67 Lacs (Previous year Rs.426.62 Lacs))		
<b>TOTAL</b>	<u><u>1,006.27</u></u>	<u><u>755.90</u></u>



## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in Lacs)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "I" CURRENT LIABILITIES</b>		
Sundry Creditors	4,545.57	2,162.17
Book Overdraft	1,183.50	11.31
Other Liabilities	680.46	406.50
<b>TOTAL</b>	<b>6,409.53</b>	<b>2,579.98</b>
<b>SCHEDULE "J" PROVISIONS</b>		
Provision for Proposed Equity Dividend	233.10	48.41
Provision for Preference Dividend	15.84	14.54
Provision for Distribution Tax on Dividend	42.31	10.70
Provision for Employee Benefits	28.41	22.37
Provision for Diminution in Value of Current Investments/ Stocks/ Derivatives	6.28	21.81
<b>TOTAL</b>	<b>325.94</b>	<b>117.83</b>
<b>SCHEDULE "K" MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off or adjusted)		
As per last balance sheet	95.59	12.92
Add: Additions during the year	0.41	93.29
Less: Written off during the year	10.66	10.62
<b>TOTAL</b>	<b>85.34</b>	<b>95.59</b>
	<b>Year ended 31-Mar-10</b>	<b>Year ended 31-Mar-09</b>
<b>SCHEDULE "L" INCOME FROM OPERATIONS</b>		
Brokerage and Related Operational Income	3,744.05	2,266.70
Distribution and Professional Income	46.85	130.84
Profit on Sale of Current Investment / Stocks / Derivatives (Net)	564.08	-
Interest on Fixed Deposits (Tax deducted at source Rs.64.16 Lacs (Previous year Rs.122.82 Lacs))	519.95	601.61
Provision for Diminution in value of Current Investment/Stocks/ Derivatives written back (Net)	5.80	208.66
Provision for Doubtful Debts Written Back	7.90	-
<b>TOTAL</b>	<b>4,888.63</b>	<b>3,207.81</b>
<b>SCHEDULE "M" OTHER INCOME</b>		
Income from Dividend	6.88	7.12
Bad Debts Recovered	-	66.90
Sundry Balances Written Back	-	18.79
Other Interest Income (Tax deducted at source Rs.0.23 Lacs (Previous year Rs.Nil))	12.16	6.30
Miscellaneous Income	1.60	0.03
<b>TOTAL</b>	<b>20.64</b>	<b>99.14</b>

**SCHEDULES FORMING PART OF ACCOUNTS**

(Rupees in Lacs)

	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>SCHEDULE "N" OPERATIONAL EXPENSES</b>		
Brokerage / Sub-Brokerage	90.11	39.48
Service Charges	422.58	107.76
Other Operating Expenses	237.31	241.75
Loss on sale of Current Investment/Stocks/Derivatives (Net)	–	582.80
<b>TOTAL</b>	<b>750.00</b>	<b>971.79</b>
<b>SCHEDULE "O" PERSONNEL EXPENSES</b>		
Salaries, Bonus and Allowances	1,030.56	790.80
Contribution to Provident and Other Funds	53.61	41.20
Directors' Remuneration	58.27	35.87
Staff Welfare and other Expenses	22.33	13.92
<b>TOTAL</b>	<b>1,164.77</b>	<b>881.79</b>
<b>SCHEDULE "P" ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rent	177.02	157.64
Rates and Taxes	2.24	2.05
Printing and Stationery	55.47	47.57
Travelling Expenses		
Domestic Travelling	28.14	3.82
Foreign Travelling	1.59	–
Conveyance Expenses	27.62	6.31
Motor Vehicle Expenses	19.45	2.45
Electricity Charges	43.22	36.18
Postage and Courier	32.83	20.66
Telephone Expenses	65.15	66.32
Advertisement Expenses	3.38	3.39
Legal and Professional Fees	68.26	31.03
Auditor's Remuneration	3.54	3.28
Repairs and Maintenance		
Office Premises	2.59	20.01
Others	90.20	69.53
Insurance	10.99	7.63
Membership and Subscription	0.92	5.76
Donations	–	0.10
Newspapers, Books and Periodicals	5.01	0.56
Business Promotion Expenses	38.24	5.82
Bad Debts / Sundry Balances Written Off (Net)	97.04	–
Loss on sale of Assets	18.83	–
Provision for Doubtful Debts	–	35.13
Miscellaneous Expenses	14.44	15.30
<b>TOTAL</b>	<b>806.17</b>	<b>540.54</b>
<b>SCHEDULE "Q" FINANCIAL EXPENSES</b>		
Interest	608.17	821.71
Bank Charges and Others	61.17	47.06
<b>TOTAL</b>	<b>669.34</b>	<b>868.77</b>



# NOTES TO ACCOUNTS

## SCHEDULE "R" NOTES TO ACCOUNTS

### I. SIGNIFICANT ACCOUNTING POLICIES

#### 1. Accounting Convention

The accompanying financial statements have been prepared under the historical cost convention on an accrual basis, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

#### 2. Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual result could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

#### 3. Revenue Recognition

Revenue is recognised when there is reasonable certainty of its ultimate realisation / collection.

- a. Income on capital market transactions is recognised on the trade date of the transaction.
- b. Income from distribution is accounted when there is reasonable certainty of its ultimate realisation.
- c. Professional Fees is accounted when there is a reasonable certainty of its ultimate realisation / collection.
- d. Income from Depository operations is recognised on accrual basis
- e. Dividend Income is recognised when the right to receive dividend is established.
- f. Interest income is recognised on a time proportion basis.

#### 4. Employee Benefits

##### Short Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. These benefits include compensated absences such as paid annual leave and sickness leave. The employees can carry forward a portion of the unutilized accrued leave balance and utilize it in future periods. The Company records an obligation in respect of compensated absences in the period in which the employee renders the service that increases the entitlement. The Company measures the expected cost of compensated absence as the amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the Balance Sheet date.

##### Long Term Employee Benefits

##### a. Defined Benefit Plans

The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as projected Unit Credit Method), which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities at the Balance Sheet date.

Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

##### b. Defined contribution Plans:

The Company contributes to the employees provident fund and pension fund schemes for all its employees who are eligible for the benefit. All such contributions are recognized as an expense and charged to revenue each year

#### 5. Tangible Fixed Assets

Tangible Fixed Assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any. Costs include all expenses incidental to the acquisition of fixed assets.

**SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)****6. Intangible Assets**

Intangible Assets are stated at cost of acquisition less amortisation.

**7. Depreciation and Amortisation**

The Company provides for depreciation and amortisation as under:

- a. On written down value basis, in accordance with the rates prescribed in Schedule XIV to the Companies Act, 1956.
- b. Intangible Assets are amortised over a period of three years from the date of acquisition.
- c. On a pro-rata basis on assets purchased / sold during the year.
- d. Asset costing less than Rs.5,000/- per item is fully depreciated in the year of purchase.
- e. Leasehold improvements are depreciated over the primary period of the lease.

**8. Impairment Loss**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**9. Taxation**

Provision for Tax comprises current tax and deferred tax charge or benefit.

Current Taxes are measured on the basis of the taxes expected to be paid on the taxable income determined in accordance with the prevailing tax rates and laws.

Deferred tax is the tax effect of the timing differences between the accounting income and taxable income. Deferred Tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the rates that have been enacted or substantially enacted as at the balance sheet date.

Deferred Tax Assets are recognised only to the extent there is a reasonable certainty that there will be sufficient taxable income against which it can be realised; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of assets. Deferred Tax Assets, if any, are re-assessed periodically.

**10. Investments**

All investments are stated at cost. Investments are classified into long term investments and current investments. Provision for diminution in the value of long-term investment is made only if such a decline is other than temporary. Provision for diminution in the value of current investment as at the end of the year is charged to the Profit and Loss Account.

**11. Stock of Shares**

Trading stock is valued at cost or market value whichever is less, provision being made for all diminution in value of shares.

**12. Derivative Instruments**

Daily mark-to-market margins on the derivative trades are accounted separately as against the initial margin payments under Current Assets. The profit/loss on the final settlement of the derivative contracts, calculated as the difference between the final settlement price and the contract prices of all the contracts in the series, is recognised on the expiry/square-up of the series of equity index/stock futures by transfer from the mark-to-market margin account.

As on the date of the Balance Sheet, provision for anticipated loss is made for the debit balance if any, in the mark-to-market margin account (maintained scripwise /indexwise) on open futures contracts, credit balances if any, in the account attributable to anticipated income being ignored keeping in view the consideration of prudence.

**13. Earnings Per Share**

Basic earnings per share is computed and disclosed by dividing the net profit after tax by the weighted average number of shares outstanding during the year. Diluted earnings per share is computed and disclosed using the weighted average number of shares outstanding during the year, adjusted for the effects of all dilutive potential equity shares, if any.

**14. Miscellaneous Expenditure**

Miscellaneous Expenditure (including Preliminary Expenses) are amortised over a period of ten years from the year of commencement of the business operations or from the year of incurring the expense.



**SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)**

**15. Provisions, Contingent Liabilities and Contingent Assets**

A Provision is recognised when there is a present obligation as a result of past events for which a probable outflow of resources is expected to settle the obligation and the amount of the obligation can be reliably estimated.

Contingent Liabilities are not recognised but are disclosed in the notes in case of:

- a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation,
- b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognised, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

**16. Leases**

**Lease payments for assets taken under operating leases are charged off to the Profit and Loss Account as and when incurred.**

**II. OTHER NOTES**

**1. Deferred Tax Asset (net) comprises**

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
<b>Deferred Tax Assets</b>		
Provision for Employee Benefits	9.66	6.91
Provision for Doubtful Debts	11.53	12.92
Provision for Diminution in Value of Stock of Shares	5.44	6.74
Accumulated Depreciation	17.52	–
Sub Total	44.15	26.57
<b>Deferred Tax Liability</b>		
Accumulated Depreciation	–	11.80
<b>Deferred Tax Assets (Net)</b>	<b>44.15</b>	<b>14.77</b>

**2. Segment wise reporting**

The Company is primarily engaged in the business of capital market activities. All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per Accounting Standard 17 on "Segment Reporting" (AS-17) issued by the Institute of Chartered Accountants of India.

**3. Related party transactions**

Disclosure in respect of Related Parties

- a) Related party where control exists:
  - Holding Company : Fortune Financial Services (India) Limited
- b) Other related parties :
  - i) Enterprises having significant influence:
    - Fortune Credit Capital Limited
    - Fortune Commodities & Derivatives (India) Limited
    - Fortune Financial India Insurance Brokers Limited
    - Mehra Capital Services Private Limited

## SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

Fortune Capital Services  
Umrigar Investment Pvt Ltd  
J. T. Poonja (HUF)  
Nimish C. Shah (HUF)

## ii) Key management personnel and their relatives:

Mr. J.T.Poonja, Chairman  
Mr. Nimish C. Shah, Managing Director  
Ms. Sangeeta Poonja, Relative  
Mr. Abhinay Poonja, Relative  
Ms. Aparna Poonja, Relative  
Ms. Jalpa N Shah, Relative  
Ms. Vidhi N Shah, Relative  
Mr. Chandulal Shah, Relative  
Ms. Indumati Shah, Relative

Details of transactions with related parties referred to above:

(Rupees in Lacs)

Nature of Transactions	Holding Company	Enterprises having significant influence	Key management personnel and their relatives	Total
Capital market transactions				
– Purchase	<b>15.87</b> (1,344.92)	<b>56.69</b> (2,228.65)	<b>3,091.27</b> (6,375.76 )	<b>3,163.83</b> (9,949.33)
– Sale	<b>63.41</b> (1,285.25)	<b>57.42</b> (1805.97)	<b>3,732.62</b> (5,947.21)	<b>3,853.45</b> (9,038.43)
Remuneration	– (–)	– (–)	<b>58.27</b> (35.87)	<b>58.27</b> (35.87)
Professional Charges	– (–)	<b>2.50</b> (5.50)	– (–)	<b>2.50</b> (5.50)
Dividend	<b>233.10</b> (48.41)	– (–)	– (–)	<b>233.10</b> (48.41)
Interest	<b>38.42</b> (36.21)	<b>28.49</b> (105.92)	– (–)	<b>66.91</b> (142.13)
Interest Charged	– (–)	<b>4.08</b> (1.09)	– (–)	<b>4.08</b> (1.09)
Reimbursement	<b>356.18</b> (92.07)	<b>4.49</b> (65.11)	– (–)	<b>360.67</b> (157.18)
Redemption of Preference Shares	<b>30.00</b> (2.00)	– (–)	– (–)	<b>30.00</b> (2.00)
Issue of Preference Shares	<b>30.00</b> (2.00)	– (–)	– (–)	<b>30.00</b> (2.00)
Loans Given	– (1,382.00)	<b>1,910.80</b> (238.55)	– (–)	<b>1,910.80</b> (1,620.55)
Loans Taken	<b>2,613.79</b> (2,284.00)	<b>9,868.90</b> (914.90)	– (–)	<b>12,482.69</b> (3,198.90)



SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

(Rupees in Lacs)

Nature of Transactions	Holding Company	Enterprises having significant influence	Key management personnel and their relatives	Total
Outstanding as on March 31				
a) Deposits Given	– (–)	<b>70.00</b> (70.00)	– (–)	<b>70.00</b> (70.00)
b) Guarantees received	<b>3,398.75</b> (2,068.75)	– (–)	– (–)	<b>3,398.75</b> (2,068.75)
c) Loans Payable	– (656.37)	<b>205.37</b> (120.42)	– (–)	<b>205.37</b> (776.79)
d) Sundry Debtors	– (0.02)	<b>0.01</b> (247.32)	<b>0.02</b> (649.53)	<b>0.03</b> (896.87)
e) Sundry Creditors	– (–)	<b>0.40</b> (–)	<b>148.19</b> (190.71)	<b>148.59</b> (190.71)

Note: Figures in brackets represents previous year amount.

4. Auditors' Remuneration

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Statutory Audit	<b>2.25</b>	2.25
Tax Audit	<b>0.70</b>	0.10
Certification and other matters	<b>0.59</b>	0.93
<b>Total</b>	<b>3.54</b>	3.28

5. a) Details of stock of shares - quoted equity shares

(Rupees in Lacs)

Name of the Company	As at March 31, 2010		As at March 31, 2009	
	Number	Amount	Number	Amount
Aban Offshore Limited	–	–	800	3.29
Adhunik Metaliks Limited	<b>1522</b>	<b>1.85</b>	1522	0.52
Aegis Logistics Limited	<b>955</b>	<b>1.87</b>	955	0.55
ANG Auto Limited	–	–	219	0.06
Apar Industries Limited	–	–	200	0.17
Ashapura Minechem Limited	–	–	450	0.21
Atul Limited	<b>1000</b>	<b>0.95</b>	1000	0.71
Autoline Industries Limited	–	–	135	0.20
Bajaj Holding & Investment Limited	–	–	50	0.31
Bharat Petroleum Corporation Limited	–	–	6600	23.67
Cholamandalam DBS Finance Limited	–	–	400	0.10



## SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

(Rupees in Lacs)

Name of the Company	As at March 31, 2010		As at March 31, 2009	
	Number	Amount	Number	Amount
DCM Shriram Consolidated Limited	1001	0.65	1001	0.35
Deccan Chronicle Holdings Limited	-	-	75	0.03
DQ Entertainment (International) Limited	200	0.22	-	-
Elecon Engineering Company Limited	-	-	201	0.07
Fedders Lloyd Corporation Limited	1000	0.88	999	0.18
Fiem Industries Limited	998	0.97	1000	0.49
Firstsource Solutions Limited	1003	0.37	1003	0.41
Gateway Distriparks Limited	-	-	1	0*
Gillette India Limited	-	-	50	0.31
Gitanjali Gems Limited	-	-	5	0.02
Global Vectra Helicorp Limited	550	0.28	550	0.14
Gruh Finance Limited	-	-	501	0.42
Gujarat Investa Limited	100	0.01	-	-
HB Stockholdings Limited	1000	0.25	1000	0.09
HBL Power Systems Limited	756	0.29	84	0.09
HDFC Bank Limited	-	-	900	14.63
Himachal Futuristic Communications Limited	1000	0.16	1000	0.57
Himadri Chemicals & Industries Limited	-	-	100	0.09
Hindalco Industries Limited	-	-	7036	3.66
Hindustan Dorr Oliver Limited	-	-	10	0.01
Hindustan Machine Tools Limited	-	-	1	0*
Hindustan Petroleum Corporation Limited	-	-	9100	23.60
Honda Siel Power Products Limited	-	-	550	0.83
Igarashi Motor India Limited	-	-	507	0.07
Indian Oil Corporation Limited	-	-	45	0.25
Indo Asian Fusegear Limited	-	-	500	0.14
Infotech Enterprises Limited	-	-	499	0.42
Jaibalaji Industries Limited	-	-	200	0.36
Jayant Agro Organics Limited	-	-	1287	0.43
Jayaswal Neco Industries Limited	-	-	996	0.09
JBF Industries Limited	-	-	285000	91.04
Jindal South West Holdings Limited	-	-	21	0.05
Jindal Steel & Power Limited	-	-	2880	35.62
J K Cement Limited	-	-	218	0.10
K S Oils Limited	-	-	110	0.09
Lakshmi Energy And Foods Limited	-	-	50	0.06



SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

(Rupees in Lacs)

Name of the Company	As at March 31, 2010		As at March 31, 2009	
	Number	Amount	Number	Amount
Lloyd Electric & Engineering Limited	-	-	500	0.11
Lumax Industries Limited	-	-	200	0.28
Macmillan India Limited	-	-	201	0.08
Malu Paper Mills Limited	<b>1001</b>	<b>0.21</b>	1001	0.21
McDowell Holdings Limited	-	-	38	0.10
Mangalore Refinery & Petrochemicals Limited	-	-	30	0.03
Mercator Lines Limited	-	-	200	0.06
Nalwa Sons Investments Limited	-	-	10	0.25
Navneet Publications India Limited	<b>1701</b>	<b>0.69</b>	1199	0.53
Nelcast Limited	-	-	3	0*
Noida Toll Bridge Company Limited	-	-	100	0.07
National Thermal Power Corporation Limited	-	-	3250	5.96
OCL India Limited	-	-	200	0.09
Omaxe Limited	<b>1275</b>	<b>1.56</b>	1275	3.40
Parekh Aluminex Limited	-	-	250	0.13
Plethico Pharmaceuticals Limited	-	-	40	0.04
Prakash Industries Limited	-	-	300	0.14
Rajesh Exports Limited	-	-	530	0.50
Ramco Systems Limited	-	-	400	0.19
Rane Madras Limited	<b>5</b>	<b>0*</b>	500	0.13
Rei Agro Limited	<b>2250</b>	<b>1.09</b>	2250	1.31
Reliance Natural Resources Limited	-	-	78772	34.68
Reliance Infrastructure Limited	-	-	2760	14.56
Reliance Capital Limited	-	-	3864	14.38
Reliance Communications Limited	-	-	5600	10.35
Reliance Industries Limited	-	-	600	9.34
Reliance Petroleum Limited	-	-	13400	12.50
Reliance Power Limited	-	-	12000	13.20
Rolta India Limited	-	-	37800	21.39
Sanghvi Movers Limited	-	-	100	0.28
Shri Lakshmi Cotsyn Limited	<b>1049</b>	<b>1.19</b>	1049	0.36
Shriram City Union Finance Limited	-	-	200	0.65
Sicagen India Limited	-	-	350	0*
Sical Logistics Limited	-	-	551	0.34
SKF India Limited	<b>250</b>	<b>0.88</b>	250	0.34
SREI Infrastructure Finance Limited	-	-	431	0.82

## SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

(Rupees in Lacs)

Name of the Company	As at March 31, 2010		As at March 31, 2009	
	Number	Amount	Number	Amount
Sun Pharma Advanced Research Company Limited	-	-	1125	12.20
Sundram Fasteners Limited	-	-	1200	0.47
Supreme Industries Limited	2315	10.30	2315	2.43
Surya Roshni Limited	1300	0.66	1300	0.37
Suzlon Energy Limited	-	-	102000	46.71
Talbros Automotive Components Limited	-	-	600	0.10
Tata Motors Limited	-	-	1700	3.22
Tata Power Company Limited	-	-	2000	15.47
Titagarh Wagons Limited	-	-	150	0.22
Transport Corporation Of India Limited	-	-	500	0.16
TTK Prestige Limited	-	-	10	0.02
United Spirits Limited	-	-	1000	6.71
Unity Infraprojects Limited	-	-	50	0.29
Vijay Shanthi Builders Limited	-	-	501	0.06
Vimta Labs Limited	-	-	302	0.07
Vindhya Telelinks Limited	-	-	200	0.17
Visaka Industries Limited	-	-	120	0.07
Welspun Gujarat Stahl Rohren Limited	-	-	51200	39.75
XL Telecom & Energy Limited	-	-	500	0.48
Yes Bank Limited	-	-	50	0.11
<b>Total</b>		<b>25.33</b>		<b>480.38</b>

Market value of quoted equity shares as at March 31, 2010 is Rs.26.40 Lacs (Previous year Rs. 462.98 Lacs).

\* Amount less than rupees one thousand

## b) Details of Opening Stock, Purchases, Sales and Closing Stock of Shares

(Rupees in Lacs)

Particulars	For the year ended March 31, 2010		For the year ended March 31, 2009	
	Quantity	Amount	Quantity	Amount
Opening stock of equity shares	666,838	480.38	92,902	70.82
Add: Purchases of equity shares *	27,828,491	45,789.46	42,945,666	5,4069.38
Sub-Total	28,495,329	46,269.84	43,038,568	54,140.20
Less: Sale of equity shares *	28,473,098	46,244.51	42,371,730	53,659.82
<b>Closing stock of equity shares</b>	<b>22,231</b>	<b>25.33</b>	<b>666,838</b>	<b>480.38</b>

\*Includes shares purchased/sold on arbitrage basis



SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

c) **Derivative Instruments**

- a) Initial Margin on Equity Derivative Instruments contracts has been paid in cash only.  
 b) Open future contracts outstanding as on March 31 2010

Name of the Equity Index / Stock Future	No. of contracts	No of Units	
		Long	Short
Bharti Airtel Limited	54	27000	–
Bombay Rayon Fashions Limited	32	36800	–
Cairn India Limited	3	3750	–
Hindalco Industries Limited	5	17590	–
Infrastructure Development Finance Company Limited	4	79650	–
Praj Industries Limited	2	4400	–
Reliance Communications Limited	130	91000	–
Reliance Infrastructure Limited	70	19320	–
Shree Renuka Sugars Limited	6	30000	–
Suzlon Energy Limited	29	87000	–

6. **Expenditure incurred in foreign currency**

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Travelling and Business Promotion	1.51	–
Software charges	1.49	0.44
Total	3.00	0.44

7. **Director's Remuneration**

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Salary, Bonus and Allowances	54.29	33.06
Contribution to Provident and Other Fund	3.98	2.81
Total	58.27	35.87

8. **Employee Benefits:**

- (a) **Defined Benefit Plans for Gratuity as per Actuarial Valuation as at March 31, 2010**

- (i) **Change in Present Value of Defined Benefit Obligation**

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Liability at the beginning of the year	20.29	9.07
Interest Cost	2.34	1.26
Current Service Cost	9.97	6.71
Liability Transfer in	–	7.68
Actuarial (gain)/loss on obligations	(2.23)	(4.43)
Liability at the end of the year	30.37	20.29

## SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

## (ii) Change in Fair Value of Plan Assets

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Fair Value of Plan Assets at the beginning of the year	11.26	2.36
Expected Return on Plan Assets	1.68	0.88
Contributions	9.80	8.59
Actuarial gain/(loss) on Plan Assets	0.22	(0.57)
Fair Value of Plan Assets at the end of the year	22.96	11.26
Total Actuarial Gain/(Loss) to be recognised	2.45	3.86

## (iii) Amount recognised in the Balance Sheet

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Liability at the end of the year	30.37	20.29
Fair Value of Plan Assets at the end of the year	22.97	11.26
Difference	7.40	9.03
Amount Recognised in the Balance Sheet	7.40	9.03

## (iv) Expenses recognised in the Profit and Loss Account

(Rupees in Lacs)

Particulars	2008-2010	2008-2009
Current Service Cost	9.96	6.71
Interest Cost	2.34	1.26
Expected Return on Plan Assets	(1.68)	(0.88)
Actuarial Gain / (Loss)	(2.45)	(3.86)
Expense Recognised in Profit and Loss Account	8.17	3.23

## (v) Actuarial Assumptions

Particulars	March 31 2010	March 31 2009
Discount Rate (per annum)	7.75%	7.75%
Rate of Return on Plan Assets (per annum)	8.00%	8.00%
Salary Escalation (per annum)	5.00%	5.00%

The estimates of salary escalation is in line with the industry practice considering promotion and demand and supply of the employees

## (b) Defined Contribution Plan

The amount recognised as expense and included in Schedule 'O' under the head Contribution to Provident Fund and other funds of the Profit and Loss Account is Rs. 43.46 Lacs (previous year Rs. 37.51 Lacs).



**SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)**

- (c) Amount recognised as expense in respect of compensated leave absence is Rs.15.29 Lacs (Previous year Rs.4.15 Lacs)

**General Description of significant defined benefit plans**

- a) **Gratuity Plan:** Gratuity is payable to all eligible employees of the Company in terms of the provisions of the Payment of Gratuity Act 1972.
- b) **Leave Plan:** All eligible employees can carry forward and avail leave, subject to a maximum accumulation of 180 days as per Company's rules. Any leave exceeding 180 days will be compulsorily encashed. Leave Encashment is permitted for a minimum of 15 days on the basis of the latest basic salary of the employee.
9. a. The Company has taken office premises under operating lease at various locations. These agreements provide an option to the Company to renew the lease period on mutually agreeable terms. The Company has given refundable interest free security deposits in accordance with the agreed terms.
- b. The rental expense in respect of the operating leases, recognised in the Profit and Loss Account as "Rent" in Schedule "P" is Rs.177.02 Lacs (previous year Rs157.64 Lacs)
- c. Details of the minimum lease payments for the operating leases are provided hereunder:

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Not later than one year	178.02	170.46
Later than one year but not later than five years	486.50	281.04
Later than five years	13.97	58.71

10. During the year, the Company has redeemed 3,00,000 10% Redeemable Cumulative Preference Shares of Rs.10/- each on May 10 2009 and reissued 3,00,000 12.5% Redeemable Cumulative Preference Shares of Rs.10/- each, redeemable at par on August 18 2014.

**11. Earnings Per Share**

Basic and Diluted Earnings per share computed in accordance with Accounting Standard (AS) 20 "Earnings per share"

Particulars	2009-2010	2008-2009
Basic and diluted		
Calculation of weighted average number of equity shares		
Number of shares at the beginning of the year	16,135,000	16,135,000
Addition during the year	515,000	-
Number of shares at the end of the year	16,650,000	16,135,000
Weighted average number of equity shares	15,150,726	16,135,000
Net profit after tax (Rupees in Lacs) (Net of preference dividend and tax thereon)	853.69	(277.32)
Basic and diluted earning per share of Rs.10 each	5.63	(1.72)

**12. Contingent Liabilities**

(Rupees in Lacs)

Particulars	2009-2010	2008-2009
Guarantees given by banks on behalf of the company in respect of capital adequacy, daily margin and other contractual commitments for capital market operations of the Company	3,398.75	2,068.75

**SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)**

- 13.** Estimated amount of Contracts to be executed on Capital Account Rs. 17.52 Lacs (Previous year Rs.Nil).
  - 14.** Under Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2 2006, certain disclosures are required to be made relating to Micro, Small & Medium Enterprises. The Company has not yet commenced the process of compiling the relevant information from its suppliers about their coverage under the said Act and hence the relevant disclosures have not been made in the accounts. However, in the view of the Management, there is no possibility of any interest being payable to any suppliers as the Company is prompt in making payments to its suppliers.
  - 15.** In the opinion of the Management, the value of all Current Assets, Loans and Advances and other receivables is not less than their realisable value in the ordinary course of business.
  - 16.** Balances standing in debtors, creditors and loans and advances are subject to confirmation.
  - 17.** Previous year's figures are reworked, regrouped, rearranged and reclassified wherever necessary, to conform to the current year's classification.
- III.** Statement of significant accounting policies and the notes numbered I & II form an integral part of the accounts for the year ended March 31 2010.



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No.	77946	State Code	11
Balance Sheet Date	31/03/2010		

### II. Capital Raised During the year (Amount Rupees in Thousand)

Public Issue	NIL	Rights Issue	5,150
Bonus Issue	NIL	Private Placement	NIL

### III. Position of Mobilisation and Deployment of Funds (Amount Rupees in Thousand)

#### Sources of Funds

Total Liabilities	1,005,670	Total Assets	1,005,670
Paid-up Capital	180,500	Reserves and Surplus	295,472
Secured Loans	509,161	Unsecured Loans	20,537

#### Application of Funds

Net Fixed Assets	52,275	Investments	49,182
Deferred Tax Assets (Net)	4,415	Net Current Assets	891,264
Miscellaneous Expenditure	8,534		

### IV. Performance of Company (Amount Rupees in Thousands)

Turnover	490,927	Total Expenditure	365,706
Profit Before Tax	125,221	Profit After Tax	87,261
Earning Per Share (in Rupees)	5.63	Dividend rate % (on Equity)	14%

### V. Generic Names of Principal Services of Company

1. Capital Market Activities
2. Distribution of Financial Products



**CASH FLOW STATEMENT FOR THE YEAR ENDED**

(Rupees in Lacs)

	March 31, 2010	March 31, 2009
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit (Loss) before tax and extraordinary items	1,252.21	(209.24)
Adjustments for :		
Depreciation and Amortisation	266.78	253.30
Miscellaneous Expenses Written off	10.66	10.62
Loss on sale of Assets (Net)	18.83	-
(Profit)/Loss on sale of Current Investment/Stocks/Derivatives (Net)	(564.08)	582.80
Provision for Employee Benefits	6.04	6.47
Provision for Diminution in value of Investment/Stock/ Derivatives W/Back (Net)	5.80	(194.42)
Provision for Doubtful Debts	-	35.13
Bad Debts / Sundry Balances Written off (Net)	97.04	-
Interest Income	(532.11)	(607.91)
Interest Expense	608.17	821.71
Dividend Income	(6.88)	(7.12)
<b>Operating Profit before Working Capital Change</b>	<b>1,162.46</b>	<b>691.34</b>
Adjustments for :		
(Increase) / Decrease in Trade and other Receivables	(2,008.49)	(1,723.68)
(Increase) / Decrease in Investments / Stock	528.50	(554.84)
Increase / (Decrease) in Margin Money and Fixed Deposits	(1,971.29)	1,611.43
Increase / (Decrease) in Trade Payables	2,636.03	(51.33)
	347.21	(27.08)
Interest Income	532.11	607.91
Dividend Income	6.88	7.12
Direct Tax Paid (net of refunds)	(387.55)	(309.51)
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>498.65</b>	<b>278.44</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(230.72)	(177.76)
Sale of Fixed Assets	6.88	-
<b>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>(223.84)</b>	<b>(177.76)</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net Proceeds from Issue of Shares	412.00	
Increase / (Decrease) in Borrowings	260.36	935.17
Interest Expense	(608.17)	(821.71)
Dividend and Distribution Tax paid	(74.03)	(290.16)
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>(9.84)</b>	<b>(176.70)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>264.97</b>	<b>(76.02)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Balance at the beginning of the year	192.86	268.88
Balance at the end of the year	457.83	192.86
	264.97	(76.02)

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- Previous year's figures have been regrouped / reclassified wherever applicable.

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**Sudhir V. Nair**

Partner

Membership No.45893

Mumbai, May 20 2010

**J.T. Poonja**  
Chairman**Nimish C. Shah**  
Managing Director**Sanjay Kumar Shah**  
Company Secretary



## NOTICE

**Notice** is hereby given that the Sixteenth Annual General Meeting of the members of **Fortune Equity Brokers (India) Limited** will be held on Saturday, the 28th day of August, 2010 at 9.00 a.m. at the Registered Office of the Company at, K.K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai – 400 001 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31 2010 and the Profit and Loss Account for the year ended on that date along with the Schedules and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Redeemable Cumulative Preference Shares of the Company.
3. To declare dividend on the Equity Shares of the Company.
4. To appoint a Director in place of Mr. Nimish C. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and approve the re-appointment of M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai as the Statutory Auditors of the Company and to fix their remuneration.

By Order of the Board

**Sanjay Kumar Shah**  
Company Secretary

Mumbai, May 20 2010

### NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective must be lodged with the company not less than 48 hours before the time of the meeting.
3. Members are requested to:
  - immediately, intimate change of address, if any, to the Company, quoting reference of their registered folio number;
  - produce the attendance slip at the entrance of the meeting hall and bring their annual report; and
  - write to the Company at least 10 days in advance of the Annual General Meeting for any information about accounts.

**Fortune Commodities & Derivatives (India) Limited**

Financial Statements for the  
year ended March 31, 2010  
together with Auditors' Report



## BOARD OF DIRECTORS

**Mr. J.T. Poonja**

Director

**Mr. Nimish C. Shah**

Director

**Mr. Gaurang A. Patel**

Director

## GROUP INFORMATION

### FORTUNE'S LEADERSHIP TEAM

<b>Mr. Devesh Kumar</b>	Group CEO
<b>Mr. Kamlesh Gandhi</b>	Group Advisor
<b>Mr. Vishal Trehan</b>	Country Head – Retail & Broking
<b>Mr. Pankaj Wadhawan</b>	Head – Financial Advisory Group
<b>Mr. Arun Kumar Bhangadia</b>	Sr. Vice President – Hyderabad Region
<b>Mr. B. B. Tantri</b>	Head – Operations
<b>Mr. S. G. Muthu Kummar</b>	Head – Corporate Affairs
<b>Mr. S. Kalyanasundaram</b>	Head – Treasury
<b>Mr. Pranav Kumar</b>	Head – Corporate Sales
<b>Mr. Naveen Sharma</b>	Head – Northern Region
<b>Mr. Govindaraj</b>	Head – Southern Region
<b>Mr. Mahantesh Sabarad</b>	Sr. Vice President – Equity Research
<b>Mr. Niraj Shah</b>	Sr. Vice President – Equity Research
<b>Mr. Abhijit Chakraborty</b>	Sr. Vice President – Institutional Equity Sales

### AUDITORS

M/s. Nipun Sudhir & Associates  
Chartered Accountants

### BANKERS

Axis Bank Limited  
HDFC Bank Limited  
ICICI Bank Limited

### REGISTERED OFFICE

K. K. Chambers, 2<sup>nd</sup> Floor  
Sir P. T. Marg  
Fort, Mumbai - 400 001  
Website : [www.ffsil.com](http://www.ffsil.com)



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Fifth Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31 2010.

### Financial Highlights :

(Rupees)

	2009-10	2008-09
<b>Total Income</b>	<b>30,196,941</b>	19,168,444
Profit before depreciation and Tax	12,265,675	5,798,625
Depreciation & Amortisation	323,158	343,968
Profit before tax	11,942,517	5,454,657
Provision for tax		
- Current tax	4,131,500	1,646,000
- Deferred tax	(44,541)	62,448
- Fringe benefits tax	-	43,500
Profit after tax	7,855,558	3,702,709
Balance brought forward from previous year	2,900,986	621,503
Balance available for appropriations	10,756,544	4,324,212
Transfer to General Reserve	785,556	370,271
Dividend	2,400,000	900,000
Dividend Distribution Tax	407,880	152,955
Balance carried to Balance Sheet	7,163,108	2,900,986
Weighted average number of equity shares	3,000,000	2,221,918
Nominal value per share	10	10
Basic and diluted earnings per share	2.62	1.67

### Result of operations

During the year under review the gross income increased from Rs. 19,168,444/- to Rs. 30,196,941/- The net profit after tax stood at Rs. 7,855,558/- as compared to Rs. 3,702,709/- in the previous year.

### Dividend

Your Directors are pleased to recommend, a dividend of Rs. 0.80 per share on 30,00,000 equity shares of Rs.10/- each aggregating to Rs. 2,400,000/- out of the current profits of the Company.

### Outlook and Opportunities

The fiscal year 2009-10 closed on a relatively good note, amidst the pressures that emanated from the global economic crisis. Industrial production has started rebounding and improvement in global demand is generating a robust demand for exports while the financial markets are in better shape as evidenced by continued rally in equities.

With the support from fiscal policy set to diminish in the coming year, further economic expansion will hinge on continued growth in private final demand- both consumption and investment driven by the robust industrial growth and resilient performance of the service sector and the focus of government spending on infrastructure sector would continue to support growth.

Consumption demand to be the major contributor to GDP growth in the coming fiscal, which in turn will augment investment demand. The impetus to consumption demand will come from healthy growth in income levels as job creation gathers pace. Continued surge in commodity prices triggered by the strong growth of emerging market economies can also significantly alter our inflation and growth outlook.

**Fixed Deposits**

The Company has not accepted any fixed deposits from the public during the year under review within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

**Directors**

Mr. J. T. Poonja retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for re-appointment.

**Auditors**

M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai, the Statutory Auditors of the Company hold office up to the conclusion of this Annual General Meeting and are recommended for re-appointment. The Company has received a certificate under Section 224(1B) of the Companies Act, 1956 stating that the appointment, if made, will be within the limits as specified in that section.

**Compliance Certificate**

As required under section 383A of the Companies Act, 1956, the Compliance Certificate dated May 20 2010 issued by M/s. Mehta & Mehta, practicing Company Secretaries, for the year ended March 31 2010 forms part of the Annual Report of the Company.

**Conservation of Energy, Technology Absorption :**

The provision of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to your Company since your company is not covered under the scheduled industry pursuant to the said rules.

**Foreign Exchange Earning and Outgo**

No Foreign Exchange was earned and spent during the year under review.

**Particulars of Employees**

None of the Employees of the Company were in receipt of remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particular of Employees) Rules, 1975, as amended by the Companies Amendment Act, 1988.

**Directors' Responsibility Statement**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- appropriate accounting policies had been selected and applied consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts had been prepared on a going concern basis.

**Acknowledgements**

Your Directors are pleased to place on record their deep appreciation towards the sincere services and co-operation extended by employees at all levels of the organization. Your Directors also wish to place on record their gratitude for the confidence placed in them by the banks they are associated with. Further, your Directors wish to thank the various departments of the Forward Market Commission (FMC), National Commodity and Derivative Exchange Ltd. (NCDEX) and Multi Commodity Exchange of India Ltd. (MCX) and clients of the Company for their valued support and co-operation.

On behalf of the Board

Mumbai, May 20 2010

**J. T. Poonja**  
Director



## COMPLIANCE CERTIFICATE

(Under Section 383A of The Companies Act, 1956 & Rule 3 of the Companies (Compliance Certificate) Rules, 2001)

To,  
The Members,  
**FORTUNE COMMODITIES AND DERIVATIVES (INDIA) LIMITED**

We have examined the registers, records, books and papers of **FORTUNE COMMODITIES AND DERIVATIVES (INDIA) LIMITED** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2010. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, 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 there under and all entries therein have been duly recorded.
2. The Company has filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies. No forms and returns were filed with Regional Director, Central Government and Company Law Board.
3. **The Company being a public limited company, has the minimum prescribed paid up capital and the maximum number of members during the financial year was Seven.**
4. The Board of Directors duly met EIGHT times on 02.04.2009, 23.05.2009, 30.07.2009, 07.09.2009, 29.10.2009, 01.12.2009, 21.01.2010 and 09.03.2010 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March 2009 was held on 29.08.2009 after giving 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. As per the information provided by the company, there were no transactions falling within the purview of section 295 of the Companies Act, 1956, during the financial year.
9. As per the information provided, the Company has not entered into any contracts falling within the purview of section 297 of the Act
10. The Company has not entered into any transactions falling within the purview of section 299 of the Act., hence no entries were required to be made in the register maintained under section 301 of the Act
11. As per the explanation and information provided by the Company, there were no instances falling within the purview of section 314 of the Act.
12. The Company has not issued duplicate share certificates during the financial year.
13. The Company
  - i) has made transfer of Shares during the year under certification in accordance with the provisions of the Act and entries in the registers were passed accordingly.
  - ii) has declared dividend during the year but amount of dividend was not deposited in a separate bank account.
  - iii) is not required to issue the warrants for the dividend declared during the year.
  - iv) has not transferred the amounts in unpaid dividend account, as there has been no unpaid dividend, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund
  - v) Duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the Company is duly constituted.



15. Since the paid up capital of the Company is less than Rs. 5 Crores, the provisions of the Act with regard to appointment of Managing Director/whole – time Director/Manager are not applicable.
16. The Company has not appointed any sole-selling agent during the financial year.
17. As per the information provided by the Company, the Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act.
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 there under.
19. The Company has not issued any shares/debentures/other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has not issued preference shares / debentures and hence has not redeemed any preference shares/debentures during the year.
22. There was no transaction necessitating the company to keep in abeyance rights to dividend rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted deposits from the public and hence was not required to comply with the provisions of sections 58A and 58AA read with Companies (Acceptance of Deposit) Rules, 1975/ the applicable directions issued by the Reserve Bank of India/ any other authority in respect of deposits.
24. The provisions of Section 293(1)(d) of the Act were not attracted by the Company during the financial year under review.
25. As per the information provided, The Company has not made loans to other bodies corporate during the financial year, hence the provisions of Section 372A of the Act was not applicable.
26. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office during the year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its articles of association of the Company during the year under scrutiny.
31. There were no prosecutions initiated against or show cause notices received by the Company, during the financial year, for offences under the Act.
32. The Company has not received any money as security from its employees during the year under certification.
33. The Company has not constituted both employee's and employer's contribution to Provident Fund. Thus the provisions of Section 418 of the Act are not applicable to the Company.

For MEHTA & MEHTA  
Company Secretaries

Place: Mumbai

Date: May 20 2010

Dipti Mehta  
Partner  
C.P.No.: 3202  
FCS No.: 3667



## Annexure A

### Registers as maintained by the Company :

1. Register of Members u/s 150(1)
2. Register of Transfer
3. Board Meeting Minutes u/s 193
4. General Meeting Minutes u/s 193/196
5. Register of Disclosure of Interest of Directors u/s 299
6. Register of Directors, Managing Director, Manager and Secretary u/s 303(1)
7. Register of Directors Shareholdings u/s 307(1)
8. Register of Directors' & Members' Attendance

For MEHTA & MEHTA  
Company Secretaries

Dipti Mehta  
Place: Mumbai Partner  
C.P.No.: 3202  
FCS No.: 3667

Place: Mumbai  
Date: May 20 2010

## 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 31st March, 2010.

DOCUMENT	FILED U/S	FOR THE	REMARKS
Balance Sheet (Form 23AC & ACA)	220	Financial Year ended 31st March, 2009.	Filed with normal fees on 25/09/2009
Annual Return (Form 20B)	159	Annual General Meeting held on 29th August, 2009.	Filed with normal fees on 08/10/2009
Secretarial Compliance Certificate (Form 66)	383A	Financial Year ended 31st March, 2009.	Filed with normal fees on 25/09/2009
Form 32	303(2)	Change in Designation of Mr. Gaurang Patel as a Director of the Company.	Filed with normal fees on 23/09/2009
Form 23	293(1)(d)	Increase in Borrowing Capacity in excess of Paid up Capital & Free reserve.	Filed with normal fees on 08/09/2009

For MEHTA & MEHTA  
Company Secretaries

Dipti Mehta  
Partner  
C.P.No.: 3202  
FCS No.: 3667

Place: Mumbai  
Date: May 20 2010

## AUDITORS' REPORT

To The Members of Fortune Commodities & Derivatives (India) Limited

We have audited the accompanying Balance Sheet of Fortune Commodities & Derivatives (India) Limited ('the Company') as at 31 March 2010, the Profit and Loss Account and 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, and amendments thereto (together referred to as the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
2. Further to our comments in the Annexure referred to above, we report that:
  - 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 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 Act;
  - v. On the basis of the written representations received from the directors of the Company, as at 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
    - b. in the case of the 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.

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants  
Registration Number 0126168W

Mumbai, 20 May 2010

**Sudhir V. Nair**  
Partner  
(Membership Number 45893)



## **Annexure referred to in Paragraph (1) of the Auditors' Report to the Members of Fortune Commodities & Derivatives (India) Limited for the year ended 31 March 2010**

1. a. The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets.  
b. The Management has physically verified its fixed assets during the year.  
c. The Company has not disposed off any fixed asset during the year and hence there is no affect on the going concern status.
2. The Company does not have any inventory. Accordingly, paragraphs 4(ii)(a), 4(ii)(b) and 4(ii)(c) of the Order are not applicable to the Company.
3. a. In our opinion and according to the explanations given to us, the Company has granted unsecured loans to and taken unsecured loans from companies listed in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding in respect of these loans given during the year was Rs.4,47,50,000 (2 parties) and there was no amount outstanding in respect of such loans at the end of the year. The maximum amount outstanding in respect of the loans taken during the year was Rs.1,24,00,000 (1 party) and there was no amount outstanding in respect of such loans at the end of the year.  
b. In our opinion, the rate of interest, and other terms and conditions of the loan given to the companies covered in the Register maintained under Section 301 of the Act are not prima facie prejudicial to the interests of the Company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of its services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. a. In our opinion and according to the information and explanations provided to us, the contracts or arrangements that need to be entered into the Register maintained under Section 301 of the Act have been so entered.  
b. In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Act and exceeding the value of Rs.5,00,000/- in respect of each party.
6. The Company has not accepted any deposits from the public. Accordingly, paragraph 4(vi) of the Order is not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
8. The Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Act for any of the services rendered by the Company. Accordingly, paragraph 4(viii) of the Order is not applicable.
9. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, cess and other statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.  
b. According to the information and explanations given to us, there are no undisputed statutory dues as referred to above as on March 31, 2010 outstanding for a period of more than six months from the date they became payable other than stamp duty amounting to Rs. 13,17,288/-.
10. The Company has been registered for a period of less than five years. Accordingly, paragraph 4(x) of the Order is not applicable to the Company.
11. According to the information and explanations given to us and the records of the Company examined by us, the Company has not availed of any loan from financial institutions or banks or debenture holders as at the balance sheet date. Accordingly, there have been no defaults in repayment of dues.

12. In our opinion and according to the explanations given to us and on the basis of information available, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund / nidhi / mutual benefit fund / society. Accordingly, paragraph 4(xiii) of the Order is not applicable.
14. In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations give to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has not obtained any term loans.
17. According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we are of the opinion that as at the close of the year, no funds raised on a short term basis has been used for long term investments.
18. The Company has not made any preferential allotment of shares during the year.
19. The Company has not issued any debentures during the year and accordingly no securities or charges have been created.
20. The Company has not raised any monies by public issue during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants  
Registration Number 0126168W

**Sudhir V. Nair**

Partner  
(Membership Number 45893)

Mumbai, 20 May 2010



## BALANCE SHEET AS AT MARCH 31, 2010

(Rupees)

	Schedules	As at 31-Mar-10	As at 31-Mar-09
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A	30,000,000	30,000,000
Reserves and Surplus	B	8,318,935	3,271,257
		<b>38,318,935</b>	33,271,257
<b>LOAN FUNDS</b>			
Secured Loan	C	–	4,611,987
Deferred Tax Liability (Net)		–	35,717
<b>TOTAL</b>		<b>38,318,935</b>	<b>37,918,961</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	D	1,457,489	1,457,489
Less : Depreciation		758,817	435,659
Add : Capital Work-in-Progress		500,000	–
Net Block		<b>1,198,672</b>	1,021,830
Deferred Tax Asset (Net)		<b>8,824</b>	–
<b>Current Assets, Loans and Advances</b>			
Current Assets	E	60,476,630	31,549,824
Loans and Advances	F	11,923,842	27,553,852
		<b>72,400,472</b>	59,103,676
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	G	32,204,663	21,540,537
Provisions	H	3,541,429	1,195,659
		<b>35,746,092</b>	22,736,196
Net Current Assets		<b>36,654,380</b>	36,367,480
Miscellaneous Expenditure (to the extent not written off or adjusted)	I	457,059	529,651
<b>TOTAL</b>		<b>38,318,935</b>	<b>37,918,961</b>
Notes to Accounts	P		

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants

**Sudhir V. Nair**  
Partner  
Membership No.45893  
Mumbai, May 20 2010

**J.T. Poonja**  
Director

**Nimish C. Shah**  
Director

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rupees)

	Schedules	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>INCOME</b>			
Income from Operations	J	28,664,574	17,823,504
Other Income	K	1,532,367	1,344,940
<b>TOTAL</b>		<b>30,196,941</b>	<b>19,168,444</b>
<b>EXPENDITURE</b>			
Operational Expenses	L	4,783,150	2,059,276
Personnel Expenses	M	7,392,936	4,353,286
Administrative and Other Expenses	N	4,974,494	5,775,721
Financial Expenses	O	780,686	1,181,536
Depreciation		323,158	343,968
<b>TOTAL</b>		<b>18,254,424</b>	<b>13,713,787</b>
<b>PROFIT BEFORE TAX</b>		<b>11,942,517</b>	<b>5,454,657</b>
Provision for Tax			
Current Tax		4,131,500	1,646,000
Deferred Tax		(44,541)	62,448
Fringe Benefit Tax		–	43,500
<b>PROFIT AFTER TAX</b>		<b>7,855,558</b>	<b>3,702,709</b>
Balance brought forward from previous year		2,900,986	621,503
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>		<b>10,756,544</b>	<b>4,324,212</b>
<b>APPROPRIATIONS</b>			
Transfer to General Reserve		785,556	370,271
Proposed Dividend		2,400,000	900,000
Dividend Distribution Tax		407,880	152,955
Balance carried to Balance Sheet		7,163,108	2,900,986
<b>TOTAL</b>		<b>10,756,544</b>	<b>4,324,212</b>
<b>EARNINGS PER SHARE</b>			
Profit after Tax		7,855,558	3,702,709
Weighted Average Number of Equity Shares		3,000,000	2,221,918
Nominal Value Per Share		10	10
Basic and Diluted Earnings Per Share		2.62	1.67

**Notes to Accounts****P**

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants

**Sudhir V. Nair**  
Partner  
Membership No.45893  
Mumbai, May 20 2010

**J.T. Poonja**  
Director

**Nimish C. Shah**  
Director



## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "A" SHARE CAPITAL</b>		
<b>Authorised</b>		
30,00,000 (Previous year 30,00,000) Equity Shares of Rs. 10/- each	<b>30,000,000</b>	30,000,000
<b>TOTAL</b>	<b>30,000,000</b>	30,000,000
<b>Issued, Subscribed and Paid-up</b>		
30,00,000 (Previous year 30,00,000) Equity Shares of Rs. 10/- each fully paid up	<b>30,000,000</b>	30,000,000
(All the shares are held by Fortune Financial Services (India) Limited, the Holding Company and its nominees)		
<b>TOTAL</b>	<b>30,000,000</b>	30,000,000
<b>SCHEDULE "B" RESERVES AND SURPLUS</b>		
<b>General Reserve</b>		
As per last balance sheet	<b>370,271</b>	-
Add : Transferred during the year	<b>785,556</b>	370,271
	<b>1,155,827</b>	370,271
Profit and Loss Account	<b>7,163,108</b>	2,900,986
<b>TOTAL</b>	<b>8,318,935</b>	3,271,257
<b>SCHEDULE "C" SECURED LOAN</b>		
Working Capital Loans	-	4,611,987
(Secured against pledge of fixed deposit receipts and personal guarantee of two directors)		
<b>TOTAL</b>	-	4,611,987

### SCHEDULE - D : FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	Asat 01.04.2009	Additions	Deductions	Asat 31.03.2010	Asat 01.04.2009	For the year	On deductions	Asat 31.03.2010	Asat 31.03.2010	Asat 31.03.2009
<b>Tangible Assets</b>										
Office Equipments	549,913	-	-	<b>549,913</b>	102,385	<b>62,251</b>	-	<b>164,636</b>	<b>385,277</b>	447,528
Computers	625,526	-	-	<b>625,526</b>	207,235	<b>167,316</b>	-	<b>374,551</b>	<b>250,975</b>	418,291
<b>Intangible Assts</b>										
Computer Software	282,050	-	-	<b>282,050</b>	126,039	<b>93,591</b>	-	<b>219,630</b>	<b>62,420</b>	156,011
<b>TOTAL</b>	<b>1,457,489</b>	-	-	<b>1,457,489</b>	<b>435,659</b>	<b>323,158</b>	-	<b>758,817</b>	<b>698,672</b>	<b>1,021,830</b>
Previous year	962,350	495,139	-	1,457,489	91,691	343,968	-	435,659	1,021,830	-
Capital Work-in-Progress	-	<b>500,000</b>	-	<b>500,000</b>	-	-	-	-	<b>500,000</b>	-



**SCHEDULES FORMING PART OF ACCOUNTS**

(Rupees)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "E" CURRENT ASSETS</b>		
<b>Sundry Debtors</b>		
<b>(Un secured)</b>		
Outstanding for a period exceeding six months :		
Considered Good	1,087,158	13,650
Others :		
Considered Good	2,320,045	355,022
	<b>3,407,203</b>	<b>368,672</b>
(Debtors include Rs.198,090/- Previous year Rs. Nil due from Director/Companies in which Directors are interested)		
(Maximum amount due from directors at any time during the year Rs.829,567/- (Previous year Rs.Nil))		
<b>Cash and Bank Balances</b>		
Cash on Hand	12,755	5,835
Balance with Scheduled Banks		
In Current Accounts	21,649,800	1,680,326
In Deposit Accounts	17,545,000	11,000,000
(Of the above Rs.11,000,000/- (Previous year Rs.11,000,000/-) is under lien with a bank against Overdraft facility)		
In Margin Money Deposit Accounts	15,500,000	18,000,000
(Under lien with a bank)	54,707,555	30,686,161
<b>Other Assets</b>		
Interest accrued but not due	2,361,872	494,991
<b>TOTAL</b>	<b>60,476,630</b>	<b>31,549,824</b>
<b>SCHEDULE "F" LOANS AND ADVANCES</b>		
Advances recoverable in cash or kind or for value to be received (Includes Rs. Nil receivable from fellow subsidiary (Previous year Rs. 2,625,279/-))	1,420,150	3,346,352
Staff Loans	101,000	41,000
Inter Corporate Deposit with Fellow Subsidiary	-	15,800,000
Deposits		
Exchange/Clearing Member Deposits (Includes margin for proprietary trading)	10,348,692	8,350,000
Other Deposits	54,000	16,500
	<b>10,402,692</b>	<b>8,366,500</b>
<b>TOTAL</b>	<b>11,923,842</b>	<b>27,553,852</b>



## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "G" CURRENT LIABILITIES</b>		
Sundry Creditors	28,383,939	19,818,043
Other Liabilities	3,820,724	1,722,494
<b>TOTAL</b>	<b>32,204,663</b>	<b>21,540,537</b>
<b>SCHEDULE "H" PROVISIONS</b>		
Provision for Taxation (Net of advance tax and taxes deducted at source Rs. 55,23,024/- (Previous Year Rs. 18,32,004/-))	487,967	47,496
Provision for Proposed Dividend	2,400,000	900,000
Provision for Dividend Distribution Tax	407,880	152,955
Provision for Employee Benefits	245,582	95,208
<b>TOTAL</b>	<b>3,541,429</b>	<b>1,195,659</b>
<b>SCHEDULE "I" MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)		
As per last Balance sheet	529,651	547,243
Add: Addition during the year	-	55,000
Less: Written off during the year	72,592	72,592
<b>TOTAL</b>	<b>457,059</b>	<b>529,651</b>
	<b>Year Ended 31-Mar-10</b>	<b>Year Ended 31-Mar-09</b>
<b>SCHEDULE "J" INCOME FROM OPERATIONS</b>		
Brokerage and related Operational Income	25,710,328	16,150,843
Interest Income (Tax deducted at source Rs. 2,68,881/- (Previous year Rs. 344,569/-))	2,954,246	1,672,661
<b>TOTAL</b>	<b>28,664,574</b>	<b>17,823,504</b>
<b>SCHEDULE "K" OTHER INCOME</b>		
Interest Income (Tax deducted at source Rs. 1,98,134/- (Previous year Rs.233847/-))	1,527,331	1,136,315
Miscellaneous Income	5,036	16,005
Provision for Doubtful Debts Written back	-	192,620
<b>TOTAL</b>	<b>1,532,367</b>	<b>1,344,940</b>
<b>SCHEDULE "L" OPERATIONAL EXPENSES</b>		
Service charges	3,905,483	1,452,383
Other Operating Expenses	744,643	555,623
Loss on Trading in Derivatives	133,024	51,270
<b>TOTAL</b>	<b>4,783,150</b>	<b>2,059,276</b>

**SCHEDULES FORMING PART OF ACCOUNTS**

	Year Ended 31-Mar-10	Year Ended 31-Mar-09
(Rupees)		
<b>SCHEDULE "M" PERSONNEL EXPENSES</b>		
Salaries, Bonus and Allowances	7,039,817	3,793,951
Contribution to Provident and Other Funds	341,022	207,512
Staff Welfare and other Expenses	12,097	351,823
<b>TOTAL</b>	<b>7,392,936</b>	<b>4,353,286</b>
<b>SCHEDULE "N" ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rates and Taxes	15,683	7,186
Printing and Stationery	1,761,384	1,084,592
Travelling Expenses	283,076	657,734
Conveyance Expenses	282,299	173,446
Postage and Courier	35,392	6,765
Telephone Expenses	43,952	12,661
Legal and Professional Fees	999,686	207,500
Auditors' Remuneration	285,000	163,000
Repairs and Maintenance	941,236	462,466
Insurance	90,838	107,714
Newspaper Books and Periodicals	13,444	-
Business and Sales Promotion	99,688	-
Bad Debts Written off	3,572	2,803,174
Miscellaneous Expenses	119,244	89,483
<b>TOTAL</b>	<b>4,974,494</b>	<b>5,775,721</b>
<b>SCHEDULE "O" FINANCIAL EXPENSES</b>		
Interest	243,072	732,960
Bank Charges and others	537,614	448,576
<b>TOTAL</b>	<b>780,686</b>	<b>1,181,536</b>



## NOTES TO ACCOUNTS

### SCHEDULE "P" NOTES TO ACCOUNTS

#### I. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Accounting Convention

The accompanying financial statements have been prepared under the historical cost convention on an accrual basis, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

##### 2. Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual result could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

##### 3. Revenue Recognition

Revenue is recognised when there is reasonable certainty of its ultimate realisation / collection.

- a) Income from broking activities is recognised on the trade transaction date.
- b) Interest income is recognised on a time proportion basis

##### 4. Employee Benefits

###### Short Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. These benefits include compensated absences such as paid annual leave and sickness leave. The employees can carry forward a portion of the unutilized accrued leave balance and utilize it in future periods. The Company records an obligation in respect of compensated absences in the period in which the employee renders the service that increases the entitlement. The Company measures the expected cost of compensated absence as the amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the Balance Sheet date.

###### Long Term Employee Benefits:

###### a) Defined Benefit Plans

The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as projected Unit Credit Method), which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities at the Balance Sheet date.

Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

###### b) Defined contribution Plans:

The Company contributes to the employees provident fund and pension fund schemes for all its employees who are eligible for the benefit. All such contributions are recognised as an expense and charged to revenue each year.

##### 5. Tangible Fixed Assets

Tangible Fixed Assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any. Costs include all expenses incidental to the acquisition of fixed assets.

##### 6. Intangible Assets

Intangible Assets are stated at cost of acquisition less amortisation.

## SCHEDULE "P" NOTES TO ACCOUNTS (Contd.)

**7. Depreciation and Amortisation**

The Company provides for depreciation and amortisation as under:

- On written down value basis in accordance with the rates prescribed in Schedule XIV to the Companies Act, 1956.
- Intangible Assets are amortised over a period of three years from the date of acquisition.
- On a pro-rata basis on assets purchased / sold during the year.
- Asset costing less than Rs. 5,000/- per item is fully depreciated in the year of purchase.

**8. Impairment Loss**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**9. Taxation**

Provision for Tax comprises current tax and deferred tax charge or benefit.

Current taxes are measured on the basis of the taxes expected to be paid on the taxable income determined in accordance with the prevailing tax rates and laws.

Deferred tax is the tax effect of the timing differences between the accounting income and taxable income. Deferred Tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the rates that have been enacted or substantially enacted as at the balance sheet date.

Deferred tax Assets are recognised only to the extent there is a reasonable certainty that there will be sufficient taxable income against which it can be realised; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of assets. Deferred Tax Assets, if any, are re-assessed periodically.

**10. Miscellaneous Expenditure**

Preliminary Expenses are amortized over a period of ten years from the year of commencement of the business operation.

**11. Earnings Per Share**

Basic earnings per share is computed and disclosed by dividing the net profit after tax by the weighted average number of shares outstanding during the year. Diluted earnings per share is computed and disclosed using the weighted average number of shares outstanding during the year, adjusted for the effects of all dilutive potential equity shares, if any.

**12. Provisions, Contingent Liabilities and Contingent Assets**

A Provision is recognised when there is a present obligation as a result of past events for which a probable outflow of resources is expected to settle the obligation and the amount of the obligation can be reliably estimated.

Contingent Liabilities are not recognised but are disclosed in the notes in case of:

- a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation,
- a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognised, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

**II. OTHER NOTES****1. Deferred Tax Asset /(Liability) comprise:**

	Rupees	
Particulars	2009-2010	2008-2009
<b>Deferred Tax Asset</b>		
Provision for Employee Benefits	67,473	30,718
<b>Deferred Tax Liability</b>		
Accumulated Depreciation	58,649	66,435
<b>Deferred Tax Asset / (Liability) (Net)</b>	<b>8,824</b>	(35,717)



SCHEDULE "P" NOTES TO ACCOUNTS (Contd.)

**2. Segment wise reporting**

The Company is primarily engaged in the business of Commodity Broking Activities. All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per Accounting Standard 17 on "Segment Reporting" (AS-17) issued by the Institute of Chartered Accountants of India.

**3. Related party transactions**

Disclosures in respect of Related Parties :

- a) Related party where control exists:  
Holding Company : Fortune Financial Services (India) Limited
- b) Other related parties
  - (i) Enterprises having significant influence:  
Fortune Equity Brokers (India) Limited  
Fortune Credit Capital Limited
  - (ii) Key management personnel and their relatives:  
Ms. Jalpa Shah, Relative
- c) Details of transactions with related parties referred to above:

(Rupees)

Nature of Transactions	Holding Company	Enterprises having significant influence	Key management personnel and their relatives	Total
Commodity market transactions				
- Purchase	- (-)	- (-)	<b>1,998,771</b> (9,922,378)	<b>1,998,771</b> (9,922,378)
- Sale	- (-)	- (-)	<b>1,921,177</b> (11,798,114)	<b>1,921,177</b> (11,798,114)
Dividend	<b>2,400,000</b> (9,00,000)	- (-)	- (-)	<b>2,400,000</b> (9,00,000)
Issue of Equity Shares	- (20,000,000)	- (-)	- (-)	- (20,000,000)
Loans taken	- (3,300,000)	<b>18,400,000</b> (16,805,000)	- (-)	<b>18,400,000</b> (20,105,000)
Loans given	- (-)	<b>152,390,000</b> (74,795,000)	- (-)	<b>152,390,000</b> (74,795,000)
Interest charged	- (-)	<b>1,522,006</b> (1,135,176)	- (-)	<b>1,522,006</b> (1,135,176)
Interest Paid	- (-)	<b>26,171</b> (-)	- (-)	<b>26,171</b> (-)
Reimbursement of expenses	<b>35,339</b> (183,310)	<b>409,179</b> (4,985,599)	- (-)	<b>444,518</b> (5,168,909)

## SCHEDULE "P" NOTES TO ACCOUNTS (Contd.)

(Rupees)

Nature of Transactions	Holding Company	Enterprises having significant influence	Key management personnel and their relatives	Total
<b>Outstanding as on March 31</b>				
a) Guarantee received	<b>31,000,000</b> (36,000,000)	- (-)	- (-)	<b>31,000,000</b> (36,000,000)
b) Loan receivable	- (-)	- (4,205,279)	- (-)	- (4,205,279)
c) Sundry Debtors	- (-)	- (-)	<b>198,090</b> (-)	<b>198,090</b> (-)
d) Sundry creditors	- (-)	<b>1,113</b> (-)	- (12,453)	<b>1,113</b> (12,453)

Note: Figures in brackets represents previous year amount.

Services are rendered by the Holding Company by providing resources like manpower, assets, etc for which the complete amount is not recovered from the company.

## 4. Auditor's Remuneration

(Rupees)

Particulars	2009-2010	2008-2009
Statutory Audit	<b>2,25,000</b>	1,10,000
Tax Audit	<b>40,000</b>	10,000
Certification & Other Matters	<b>20,000</b>	43,000
<b>Total</b>	<b>2,85,000</b>	1,63,000

## 5. Employee Benefits:

## (a) Defined Benefit Plan for Gratuity as per Actuarial Valuation as at March 31, 2010:

## (i) Change in Present Value of Defined Benefit Obligation

(Rupees)

Particulars	2009-2010	2008-2009
Liability at the beginning of the year	<b>47,074</b>	21,821
Interest Cost	<b>6,907</b>	4,831
Current Service Cost	<b>42,046</b>	38,569
Actuarial (gain)/loss on obligations	<b>45,819</b>	(18,147)
Liability at the end of the year	<b>141,846</b>	47,074



SCHEDULE "P" NOTES TO ACCOUNTS (Contd.)

(ii) Change in Fair Value of Plan Assets

(Rupees)

Particulars	2009-2010	2008-2009
Fair Value of Plan Assets at the beginning of the year	–	–
Expected Return on Plan Assets	–	–
Contributions	–	–
Actuarial gain/(loss) on Plan Assets	–	–
Fair Value of Plan Assets at the end of the year	–	–
Total Actuarial Gain/(Loss) To Be Recognised	<b>(45,819)</b>	–

(iii) Amount Recognised in the Balance Sheet

(Rupees)

Particulars	2009-2010	2008-2009
Liability at the end of the year	<b>141,846</b>	47,074
Fair Value of Plan Assets at the end of the year		–
Difference	<b>(141,846)</b>	(47,074)
Amount Recognised in the Balance Sheet	<b>(141,846)</b>	(47,074)

(iv) Expenses recognised in the Profit and Loss Account

(Rupees)

Particulars	2009-2010	2008-2009
Current Service Cost	<b>42,046</b>	38,569
Interest Cost	<b>6,907</b>	4,831
Expected Return on Plan Assets	–	–
Actuarial Gain / (Loss)	<b>45,819</b>	(18,147)
Expense Recognised in Profit and loss account	<b>94,772</b>	25,253

(v) Actuarial Assumptions

Particulars	2009-2010	2008-2009
Discount Rate (per annum)	<b>8.00%</b>	7.75%
Rate of Return on Plan Assets (per annum)	<b>0.00%</b>	0.00%
Salary Escalation (per annum)	<b>5.00%</b>	5.00%

b) Defined Contribution Plans

The amount recognised as expense and included in Schedule 'M' of the Profit and Loss Account under the head "Contribution to Provident and Other funds" is Rs. 245,652/- (Previous year Rs.160,438/-).



## SCHEDULE "P" NOTES TO ACCOUNTS (Contd.)

- c) Amount recognised as expense in respect of compensated leave absences is Rs.73,999/- (Previous year Rs.80,596)

The estimate of salary escalation is in line with the industry practice considering promotion and demand and supply of the employee.

**General Description of significant defined benefits plans**

- a) **Gratuity Plan:** Gratuity is payable to all eligible employees of the Company in terms of the provisions of the Payment of Gratuity Act, 1972.
- b) **Leave Plan:** All eligible employees can carry forward and avail leave, subject to a maximum accumulation of 180 days as per Company's rules. Any leave exceeding 180 days will be compulsorily encashed. Leave Encashment is permitted for a minimum of 15 days on the basis of the latest basic salary of the employee.

**6. Contingent Liability**

Particulars	(Rupees)	
	2009-2010	2008-2009
Guarantees given by bank on behalf of the Company in respect of capital adequacy, daily margin and other contractual commitments for commodity market operations of the Company	31,000,000	36,000,000

7. Estimated amount of Contracts to be executed on Capital Account Rs. Nil (Previous year Rs.Nil)

**8. Earnings Per Share**

The Company has not issued any potential equity shares; hence the weighted average number of equity shares after computation of basic and diluted earnings per share would be 3,000,000

	Particulars	2009-2010	2008-2009
A	Calculation of weighted average number of equity shares		
	Number of shares at the beginning of the year	3,000,000	1,000,000
	Addition during the year	–	2,000,000
	Number of shares at the end of the year	3,000,000	3,000,000
	Weighted average number of equity shares (basic and diluted)	3,000,000	2,221,918
B	Net profit after tax ( Rupees)	7,855,558	3,702,709
C	Basic and diluted earning per share of Rs.10 /-each (Rupees)	2.62	1.67

9. Under Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2 2006, certain disclosures are required to be made relating to Micro, Small & Medium Enterprises. The Company has not yet commenced the process of compiling the relevant information from its suppliers about their coverage under the said Act and hence the relevant disclosures have not been made in the accounts. However, in the view of the Management, there is no possibility of any interest being payable to any suppliers as the Company is prompt in making payments for its dues.
10. Balance standing in Debtors, Creditors and Loans and Advances are subject to confirmations.
11. Previous year's figures are reworked, regrouped, rearranged, and reclassified wherever necessary, to conform to the current year's classification.
12. In the opinion of the management, value of all Current Assets, Loans And Advances and other receivables is not less their realisable value in the ordinary course of business.

- III. The statement of significant accounting policies and the notes numbered I to II form an integral part of the accounts for the year ended March 31 2010.



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No.	158409	State Code	11
Balance Sheet Date	31/03/2010		

### II. Capital Raised during the year (Amount Rupees in Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

### III. Position of Mobilisation and Deployment of Funds (Amount Rupees in Thousands)

#### Sources of Funds

Total Liabilities	38,319	Total Assets	38,319
Paid-up Capital	30,000	Reserves and Surplus	8,319

#### Application of Funds

Net Fixed Assets	1,199	Miscellaneous Expenditure	457
Net Current Assets	36,654	Deferred Tax Asset (Net)	9

### IV. Performance of Company (Amount Rupees in Thousands)

Turnover	30,197	Total Expenditure	18,254
Profit Before Tax	11,943	Profit After Tax	7,856
Earnings Per Share in Rupees	2.62	Dividend rate %	8%

### V. Generic Names of Principal Services of Company

1. Commodity Market Activities
2. Derivative Market Activities

**CASH FLOW STATEMENT FOR THE YEAR ENDED**

(Rupees)

	March 31, 2010	March 31, 2009
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax and Extraordinary Items	11,942,517	5,454,657
<b>Adjustments for :</b>		
Depreciation	323,158	343,968
Miscellaneous expenses written off	72,592	72,592
Provision for Doubtful Debts/Written Back	–	(192,620)
Bad Debts Written off	3,572	2,803,174
Provision for Employees Benefits	150,374	95,208
Loss /(Profit) on Trading in Derivatives	133,024	51,270
Interest Income	(4,481,577)	(2,808,976)
Interest Expense	243,072	732,960
<b>Operating Profit before Working Capital Change</b>	<b>8,386,732</b>	<b>6,552,233</b>
<b>Adjustments for :</b>		
(Increase) / Decrease in Trade and other Receivables	10,221,026	(21,862,391)
(Increase) / Decrease in Margin Money and Fixed deposits	(4,045,000)	(16,500,000)
Increase / (Decrease) in Trade Payables	10,664,126	12,693,243
<b>Cash generated from / (utilised in) operations</b>	<b>25,226,884</b>	<b>(19,116,915)</b>
Interest Income	4,481,577	2,808,976
Direct Tax paid (net of refunds)	(3,691,029)	(1,621,416)
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>26,017,432</b>	<b>(17,929,355)</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	–	(495,139)
Sale / (Purchase) of Investments (Net)	(133,024)	(51,270)
<b>NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>(133,024)</b>	<b>(546,409)</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Shares	–	20,000,000
Net Proceeds from Borrowings	(4,611,987)	(7,888,013)
Dividend and Distribution Tax paid	(1,052,955)	
Interest Expense	(243,072)	(732,960)
<b>NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>(5,908,014)</b>	<b>11,379,027</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>19,976,394</b>	<b>(7,096,737)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Balance at the beginning of the year	1,686,161	8,782,898
Balance at the end of the year	21,662,555	1,686,161
	<b>19,976,394</b>	<b>(7,096,737)</b>

Notes:

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- Previous year's figures have been regrouped / reclassified wherever applicable.

In terms of our Report of even date

For and on behalf of the Board

For **NIPUN SUDHIR & ASSOCIATES**  
Chartered AccountantsSudhir V. Nair  
Partner  
Membership No. 45893  
Mumbai, May 20 2010J.T. Poonja  
DirectorNimish C. Shah  
Director



## NOTICE

**NOTICE** is hereby given that the Fifth Annual General Meeting of the members of **Fortune Commodities & Derivatives (India) Limited** will be held on Saturday, the 28th day of August, 2010 at 9.30 a.m. at the registered office of the Company at K. K. Chambers, 2nd Floor, Sir P.T. Marg, Fort, Mumbai – 400 001 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31 2010 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors' thereon.
2. To appoint a Director in place of Mr. J. T. Poonja who retires by rotation and being eligible, offers himself for re-appointment.
3. To declare dividend on the equity share capital of the Company.
4. To appoint M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai, as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

On behalf of the Board

**J. T. Poonja**  
Director

Mumbai, May 20 2010

### NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective must be lodged with the company not less than 48 hours before the time of the meeting.
3. Members are requested to:
  - immediately, intimate change of address, if any, to the Company, quoting reference of their registered folio number;
  - produce the attendance slip at the entrance of the meeting hall and bring their annual report; and
  - write to the Company at least 10 days in advance of the Annual General Meeting for any information about accounts.

**Fortune Credit Capital Limited**

Financial Statements for the  
year ended March 31, 2010  
together with Auditors' Report



## BOARD OF DIRECTORS

**Mr. J.T. Poonja**

Director

**Mr. Nimish C. Shah**

Director

**Mr. Ramesh Venkat**

Director

**Mr. Ajit Gopaldas**

Director

## GROUP INFORMATION

### FORTUNE'S LEADERSHIP TEAM

<b>Mr. Devesh Kumar</b>	Group CEO
<b>Mr. Kamlesh Gandhi</b>	Group Advisor
<b>Mr. Vishal Trehan</b>	Country Head – Retail & Broking
<b>Mr. Pankaj Wadhawan</b>	Head – Financial Advisory Group
<b>Mr. Arun Kumar Bhangadia</b>	Sr. Vice President – Hyderabad Region
<b>Mr. B. B. Tantri</b>	Head – Operations
<b>Mr. S. G. Muthu Kummar</b>	Head – Corporate Affairs
<b>Mr. S. Kalyanasundaram</b>	Head – Treasury
<b>Mr. Pranav Kumar</b>	Head – Corporate Sales
<b>Mr. Naveen Sharma</b>	Head – Northern Region
<b>Mr. Govindaraj</b>	Head – Southern Region
<b>Mr. Mahantesh Sabarad</b>	Sr. Vice President – Equity Research
<b>Mr. Niraj Shah</b>	Sr. Vice President – Equity Research
<b>Mr. Abhijit Chakraborty</b>	Sr. Vice President – Institutional Equity Sales

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**COMPANY SECRETARY** Mr. Asish Narayan

**AUDITORS** M/s. Nipun Sudhir & Associates  
Chartered Accountants

**BANKERS** Axis Bank Limited  
Kotak Mahindra Bank Limited  
Union Bank of India

**REGISTERED OFFICE** K. K. Chambers, 2<sup>nd</sup> Floor,  
Sir P. T. Marg,  
Fort, Mumbai - 400 001  
Website : [www.ffsil.com](http://www.ffsil.com)



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Third Annual Report and Audited Accounts for the year ended March 31 2010.

### Financial Results

(Rupees)

	2009-2010	2008-2009
<b>Total Income</b>	<b>104,328,904</b>	24,647,306
Profit before Depreciation and Tax	29,203,239	12,076,595
Depreciation	72,186	24,193
Profit before Tax	29,131,054	12,052,402
Provision for Tax		
- Current Tax	9,905,000	3,873,500
- Deferred Tax	(4,398)	6,442
- Fringe benefit Tax	—	41,500
Profit after Tax	19,230,451	8,130,960
Balance brought forward from previous year	437,084	3,93,356
Balance available for appropriations	19,667,535	8,524,316
Transfer to Statutory Reserve	3,846,090	1,626,192
Transfer to General Reserve	961,523	406,548
Dividend	9,375,000	5,175,000
Dividend Distribution Tax	1,593,281	879,492
Balance carried to balance sheet	3,891,641	437,084
Weighted average number of equity shares	17,385,616	13,386,986
Nominal value per share	10.00	10.00
Basic and diluted earnings per share	1.11	0.61

### Results of Operations

The company has earned total income of Rs. 104,328,904/- as against Rs. 24,647,306/- in the previous year. The net profit after tax stood at Rs. 19,230,451/- as against Rs. 8,130,960/- in the previous year.

### Dividend

The Board of Directors recommends a dividend of Rs. 0.50 per share on 18,750,000 equity shares of Rs.10/- each, absorbing Rs 9,375,000/- out of current profits of the Company.

### Future Outlook

During the past NBFC sector faced significant stress on asset quality, liquidity and funding costs due to global economic meltdown and its impact on the domestic economy. Financial year 2010 was marked by realigning of the liability profiles, tightening of lending norms coupled with closing down of many of the unsecured loan segments by most of the players.

There has been significant improvement in the business model of existing NBFCs with improvement in overall business environment. On a structured basis, due to lessons learned by NBFCs from crisis the sector is now more robust. Profitability is expected to be lower than historical levels due to conservative ALM management, higher provisioning and avoidance of high yielding unsecured loan segments. However, profits are at the same time expected to be much more stable and less susceptible to liquidity related pressures going forward.

Ratings of the NBFCs whose profitability and asset quality was affected due to the crisis were supported by their strong parentage. Based on the parental strength some players have raised further equity and also managed to realign their business modules while maintaining their solvency. This sector has overall positive outlook due to better ALM position, focus on relatively safer asset classes



and the demonstrated acceptance of the sector as systemically important by the regulator. In near term, NBFCs will continue to maintain their core profitability due to decline in interest cost, which will enable them to maintain their interest spreads. Also enhanced investor base and funding avenues will enable NBFCs to maintain their core profitability.

### **Fixed Deposits**

The Company has not accepted any fixed deposit from the public during the year under review within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

### **Directors**

Mr. Nimish C. Shah retires by rotation and being eligible offers himself for re-appointment.

### **Capital**

During the year the company has further issued 1,500,000 equity shares of Rs. 10/- each at premium of Rs.20/- per share aggregating to Rs. 450.00 lacs to its holding company viz. Fortune Financial Services (India) Limited. The fresh equity shares issued rank pari-passu with the existing equity shares of the Company with respect to the voting rights and dividend entitlement. Consequent to issue of these equity shares, the paid up capital of the Company has been raised to Rs. 1875.00 lacs.

### **Auditors**

M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai, the Statutory Auditors of the Company hold office up to the conclusion of this Annual General Meeting and are recommended for re-appointment. The Company has received a certificate under Section 224(1B) of the Companies Act, 1956 stating that the appointment, if made, will be within the limits as specified in that section.

### **Audit Committee**

In terms of Section 292A of the Companies Act, 1956 and Regulation No. 11 of the Non banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2007, Notification No. DNBS.193.DG (VL)/2007 dated February 22 2007, the Company has Audit Committee of the Board of Directors in its place.

The Audit Committee consists of three members viz. Mr. J.T. Poonja, Mr. Nimish C. Shah and Mr. Ramesh Venkat. Mr. J.T. Poonja is the Chairman of the Audit Committee.

### **Remuneration Committee**

In terms of provisions of Schedule XIII of the Companies Act, 1956, the Company has formed the Remuneration Committee of Board of Directors consisting of three members viz. Mr. J.T. Poonja, Mr. Nimish C. Shah and Mr. Ramesh Venkat. Mr. J.T. Poonja is the Chairman of the Remuneration Committee.

### **Grievances Redressal Committee**

In terms of the NBFC Guidelines issued by the Reserve Bank of India, the Company has formed Grievances Redressal Committee consisting of three members viz. Mr. J. T. Poonja, Mr. Nimish C. Shah and Mr. S. Kalyanasundaram. Mr. S. Kalyanasundaram acts as a Compliance Officer.

### **Investment Policy**

Pursuant to RBI Circular – DNBS (PD) /CC89/03.05.2001/2006-07 dated February 22 2007, the Company has adopted the Investment Policy and also constituted a committee of four members. The members of the Committee are Mr. J. T. Poonja, Mr. S. Kalyanasundaram, Mr. B. B. Tantri and Mr. S. G. Muthu Kumar.

### **Loan Policy**

The Company has framed Loan Policy as required under the Guidelines issued by Reserve Bank of India.

### **Fair Practices Code**

The Company has framed Fair Practices Code for conducting the business of NBFC activities in fair and transparent manner. The Company has appointed Mr. S. Kalayanasundaram as a nodal Officer for redressal of grievances of the Customers including borrowers in connection with any matter pertaining to business practices, lending decisions, credit management and recovery, the contact details of the nodal officer and the Fair Practices Code have been posted on the website of the Fortune Group.

### **NBFC Guidelines**

The Company continues to comply with all the requirements prescribed by the Reserve Bank of India for NBFC Companies as applicable.

**Conservation of Energy, Technology Absorption :**

The provision of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to your Company since your company is not covered under the scheduled industry pursuant to the said rules.

**Foreign Exchange Earning and Outgo**

No Foreign Exchange was earned and spent during the year under review.

**Particulars of Employees**

During the year under review, none of the Employees of the Company was in receipt of remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particular of Employees) Rules, 1975.

**Directors' Responsibility Statement**

Pursuant to Section 217 (2AA) of the Companies Act, 1956 the Directors to the best of their knowledge and belief confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
- appropriate accounting policies had been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts had been prepared on a going concern basis.

**Acknowledgements**

Your directors are pleased to place on record their sincere thanks to the Reserve Bank of India, Bankers, Business Associates and employees at all levels for their continued support and valuable co-operation to the Company.

On behalf of the Board

**J. T. Poonja**  
Director

Mumbai, May 20 2010

## AUDITORS' REPORT

To The Members of Fortune Credit Capital Limited

We have audited the accompanying Balance Sheet of Fortune Credit Capital Limited as at 31 March 2010, the Profit and Loss Account and 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1) As required by the Companies (Auditor's Report) Order, 2003, and amendments thereto (together referred to as the 'Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 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 to the extent applicable.
- 2) Further to our comments in the Annexure referred to above, we report that:
  - 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. The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
  - iii. 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;
  - iv. On the basis of written representations received from the directors, as at 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - v. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 the accounting principles generally accepted in India:
    - a) in the case of Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
    - b) in the case of the 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 NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants  
Registration No: 0126168W

Mumbai, May 20 2010

**Sudhir V. Nair**  
Partner  
(Membership Number 45893)



## Annexure referred to in Paragraph (1) of the Auditors' Report to the Members of Fortune Credit Capital Limited for the year ended March 31, 2010

1. a. The Company's records showing particulars including quantitative details and situations of fixed assets are required to be updated.  
b. The Management has physically verified its fixed assets during the year.  
c. None of the assets of the Company have been sold during the year.
2. The Company does not have any inventory and hence paragraphs 4(ii) (a), (b) and (c) are not applicable.
3. a. In our opinion and according to the explanations given to us, the Company has granted / taken unsecured loans to / from companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding in respect of the loans taken during the year was Rs.278,281,478 (4 parties) and the amount outstanding in respect of these loans as at the end of the year was Rs.128,100,000 (1 party). The maximum amount outstanding in respect of the loans given during the year was Rs.286,052,871 (1 party) and the amount outstanding in respect of this loan as at the end of the year was Rs.20,537,159 (1 party).  
b. In our opinion, the rate of interest and other terms and conditions of loans taken / given by the Company from / to the firm / company/ companies listed in the Register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interests of the Company.  
c. The receipt / payment of principal and interest is regular, wherever there are stipulations with respect to the same.  
d. There is no amount overdue in respect of the loans granted to the companies listed in the register maintained under section 301.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and for the sale of its services. Further on the basis of our examination and according to the information and explanations given to us, neither have we noticed nor have we been informed of any major weaknesses in the internal control system.
5. a. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.  
b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the registers maintained under Section 301 and exceeding the value of Rupees Five lacs in respect of the parties during the year have been made at prices which are reasonable having regard to market prices prevailing at the relevant time.
6. In our opinion and according to the information and explanations given to us the Company has not accepted any deposits from the public. As per the information and explanations given to us, the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not passed any order relating to public deposits on the Company.
7. The Company has an internal audit system commensurate with the size of the Company and the nature of its business.
8. In our opinion and according to the explanations given to us, the Company is not required to maintain cost records prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956.
9. a. According to the records of the Company and the information and explanations given to us, the Company has been generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, income tax and other statutory dues, applicable to it.  
b. According to the information and explanations given to us, there are no disputed statutory dues, referred to above, not deposited as on 31 March 2010.
10. The Company does not have any accumulated loss till 31 March 2010. The Company has not incurred any cash loss during the financial year covered by our audit and in the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the Management, as there are no dues to banks, there is no default in respect thereof.

12. Based on our examination of documents and records, and as confirmed by the Management, the Company has granted loans and advances on the basis of security by way of pledge of shares and adequate documents have been maintained in respect thereof, wherever such loans have been granted.
13. Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that the Company does not deal or trade in shares, securities and other investments and hence paragraph 4 (xiv) of the Order is not applicable. The investments made by the Company were held in its own name.
14. Based on our examinations of the records and information and explanations given to us, the Company has not taken any term loans.
15. According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we are of the opinion that as at the close of the year, no funds raised on a short term basis has been used for long term investments and vice versa.
16. The Company has made a preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. In our opinion, the price at which the shares have been issued are not prejudicial to the interests of the Company.
17. The Company has not issued any debentures during the year.
18. The Company has not made any public issue of any of its securities during the year.
19. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the period nor have we been informed of such case by the Management.

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants  
Registration No: 0126168W

Mumbai, May 20 2010

**Sudhir V. Nair**  
Partner  
(Membership Number 45893)



## BALANCE SHEET AS AT MARCH 31, 2010

(Rupees)

	Schedules	As at	
		31-Mar-10	31-Mar-09
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A	187,500,000	172,500,000
Reserves and Surplus	B	40,731,994	2,469,824
		<u>228,231,994</u>	<u>174,969,824</u>
<b>Loan Funds</b>			
Secured Loans	C	235,524,327	–
Unsecured Loans	D	334,570,881	63,304,558
		<u>570,095,208</u>	<u>63,304,558</u>
<b>Deferred Tax Liability (Net)</b>		<b>2,044</b>	<b>6,442</b>
<b>TOTAL</b>		<b><u>798,329,246</u></b>	<b><u>238,280,824</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	E	211,850	211,850
Less : Depreciation		96,379	24,193
Net Block		<u>115,471</u>	<u>187,657</u>
<b>Investments</b>	F	–	458,932
<b>Current Assets, Loans and Advances</b>			
Current Assets	G	102,715,510	24,815,024
Loans and Advances	H	706,823,085	219,153,891
		<u>809,538,595</u>	<u>243,968,915</u>
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	I	1,702,695	1,785,269
Provisions	J	11,012,597	6,072,315
		<u>12,715,292</u>	<u>7,857,584</u>
<b>Net Current Assets</b>		<b>796,823,303</b>	<b>236,111,331</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	K	<b>1,390,472</b>	<b>1,522,904</b>
<b>TOTAL</b>		<b><u>798,329,246</u></b>	<b><u>238,280,824</u></b>
<b>Notes to Accounts</b>	P		

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**Sudhir V. Nair**

Partner

Membership No.45893

Mumbai, May 20 2010

**J.T. Poonja**

Director

**Nimish C. Shah**

Director

**S. Kalyanasundaram**

Head - Treasury & Manager

**Asish Narayan**

Company Secretary

**PROFIT AND LOSS ACCOUNT FOR YEAR ENDED MARCH 31, 2010**

		(Rupees)	
	Schedules	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>INCOME</b>			
Income from Operations	L	104,328,360	24,008,896
Other Income (Dividend)		544	638,410
<b>TOTAL</b>		<b>104,328,904</b>	<b>24,647,306</b>
<b>EXPENDITURE</b>			
Operational Expenses( Interest)		63,011,301	8,378,721
Personnel Expenses	M	2,363,385	931,064
Administrative and Other Expenses	N	9,689,278	3,134,419
Financial Expenses	O	61,700	126,507
Depreciation		72,186	24,193
<b>TOTAL</b>		<b>75,197,850</b>	<b>12,594,904</b>
<b>PROFIT BEFORE TAX</b>		<b>29,131,054</b>	<b>12,052,402</b>
<b>Provision for Tax</b>			
Current Tax		9,905,000	3,873,500
Deferred Tax		(4,398)	6,442
Fringe Benefit Tax		-	41,500
<b>PROFIT AFTER TAX</b>		<b>19,230,451</b>	<b>8,130,960</b>
Balance brought forward from previous year		437,084	393,356
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>		<b>19,667,535</b>	<b>8,524,316</b>
<b>APPROPRIATIONS</b>			
Transfer to Statutory Reserve		3,846,090	1,626,192
Transfer to General Reserve		961,523	406,548
Proposed Dividend		9,375,000	5,175,000
Dividend Distribution Tax		1,593,281	879,492
Balance carried to Balance Sheet		3,891,641	437,084
<b>TOTAL</b>		<b>19,667,535</b>	<b>8,524,316</b>
<b>EARNINGS PER SHARE</b>			
Profit after tax		19,230,451	8,130,960
Weighted average number of equity shares		17,385,616	13,386,986
Nominal value per share		10	10
Basic and diluted earnings per share		1.11	0.61
<b>Notes to Accounts</b>	<b>P</b>		

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**Sudhir V. Nair**

Partner

Membership No.45893

Mumbai, May 20 2010

**J.T. Poonja**

Director

**S. Kalyanasundaram**

Head - Treasury &amp; Manager

**Nimish C. Shah**

Director

**Asish Narayan**

Company Secretary



## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	As at 31-Mar-10		As at 31-Mar-09	
<b>SCHEDULE "A" SHARE CAPITAL</b>				
<b>Authorised</b>				
2,00,00,000 (Previous year 2,00,00,000) Equity Shares of Rs. 10/- each	<b>200,000,000</b>		200,000,000	
	<b>200,000,000</b>		<b>200,000,000</b>	
<b>Issued, Subscribed and Paid-up</b>				
1,87,50,000 (Previous year 1,72,50,000) equity shares of Rs. 10/- each (All the shares are held by Fortune Financial Services (India) Limited, the Holding Company and its nominees)	<b>187,500,000</b>		172,500,000	
	<b>187,500,000</b>		<b>172,500,000</b>	
<b>SCHEDULE "B" RESERVES AND SURPLUS (u/s 45-1C of the RBI Act, 1934)</b>				
<b>General Reserve</b>				
As per last balance sheet	<b>406,548</b>		-	
Add: Transferred during the year	<b>961,523</b>		406,548	
	<b>1,368,071</b>		<b>406,548</b>	
<b>Statutory Reserve</b>				
As per last balance sheet	<b>1,626,192</b>		-	
Add: Transferred during the year	<b>3,846,090</b>		1,626,192	
	<b>5,472,282</b>		<b>1,626,192</b>	
<b>Share Premium</b>				
Received during the year	<b>30,000,000</b>		-	
<b>Profit and Loss Account</b>				
	<b>3,891,641</b>		437,084	
<b>TOTAL</b>	<b>40,731,994</b>		<b>2,469,824</b>	
<b>SCHEDULE "C" SECURED LOANS</b>				
Inter Corporate Loan (Secured against pledge of shares and corporate guarantee of the Holding Company)	<b>235,524,327</b>		-	
<b>TOTAL</b>	<b>235,524,327</b>		<b>-</b>	
<b>SCHEDULE "D" UNSECURED LOANS</b>				
Inter Corporate Loan	<b>334,570,881</b>		63,304,558	
<b>TOTAL</b>	<b>334,570,881</b>		<b>63,304,558</b>	
<b>SCHEDULE - E : FIXED ASSETS</b>				

(In Rupees)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION			NET BLOCK		
	As at 01.04.2009	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	As at 31.03.2010	As at 01.04.2009	For the year	On deduc- tions / Adjustments	As at 31.03.2010	As at 31.03.2010	As at 31.3.2009
Office Equipments	11,500	-	-	<b>11,500</b>	474	1,534	-	<b>2,008</b>	<b>9,492</b>	11,026
Computers	200,350	-	-	<b>200,350</b>	23,719	70,652	-	<b>94,371</b>	<b>105,979</b>	176,631
<b>TOTAL</b>	<b>211,850</b>	<b>-</b>	<b>-</b>	<b>211,850</b>	<b>24,193</b>	<b>72,186</b>	<b>-</b>	<b>96,379</b>	<b>115,471</b>	<b>187,657</b>
Previous year	-	211,850	-	211,850	-	24,193	-	24,193	<b>187,657</b>	-



## SCHEDULES FORMING PART OF ACCOUNTS

	(Rupees)			
	As at 31-Mar-10		As at 31-Mar-09	
SCHEDULE "F" INVESTMENTS (At cost unless otherwise specified)	Number	Amount	Number	Amount
<b>CURRENT INVESTMENTS (Non Trade)</b>				
<b>MUTUAL FUND UNITS (UNQUOTED)</b>		–	<b>45862</b>	458,932
(Net Asset Value Rs. Nil (Previous year Rs.458,932))		–		458,932
		<u>–</u>		<u>458,932</u>
<b>SCHEDULE "G" CURRENT ASSETS</b>				
<b>Cash and Bank Balances</b>				
Cash on Hand		<b>10,187</b>		5,141
Balance with Scheduled Banks				
In Current Accounts	<b>77,094,324</b>		1,083,630	
In Deposit Accounts	<b>25,040,092</b>		23,011,206	
		<b>102,134,416</b>		24,094,836
Interest accrued but not Due		<b>570,907</b>		715,047
<b>TOTAL</b>		<b>102,715,510</b>		<b>24,815,024</b>
		<u>102,715,510</u>		<u>24,815,024</u>
<b>SCHEDULE "H" LOANS AND ADVANCES</b>				
<b>Loans</b>				
<b>(Unsecured and considered good, unless otherwise stated)</b>				
Considered good				
Secured	<b>621,601,288</b>		101,843,343	
Unsecured	<b>83,402,198</b>	<b>705,003,486</b>	116,314,832	218,158,175
Advances recoverable in cash or in kind or for value to be received		<b>9,922</b>		–
Advance Tax and Tax Deducted at Source		<b>1,809,677</b>		995,716
(Net of provision for taxes Rs.14,000,000 (Previous year Rs.4,095,000))				
<b>TOTAL</b>		<b>706,823,085</b>		<b>219,153,891</b>
		<u>706,823,085</u>		<u>219,153,891</u>
<b>SCHEDULE "I" CURRENT LIABILITIES</b>				
Sundry Creditors		–		884,694
Other Liabilities		<b>1,702,695</b>		900,575
<b>TOTAL</b>		<b>1,702,695</b>		<b>1,785,269</b>
		<u>1,702,695</u>		<u>1,785,269</u>
<b>SCHEDULE "J" PROVISIONS</b>				
Provision for Proposed Equity Dividend		<b>9,375,000</b>		5,175,000
Provision for Dividend Distribution Tax		<b>1,593,281</b>		879,492
Provision for Employee Benefits		<b>44,316</b>		17,823
<b>TOTAL</b>		<b>11,012,597</b>		<b>6,072,315</b>
		<u>11,012,597</u>		<u>6,072,315</u>



## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "K" MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
As per last balance sheet	1,522,904	301,236
Add: Addition during the year	45,000	1,394,600
Less: Written off during the year	177,432	172,932
<b>TOTAL</b>	<b>1,390,472</b>	<b>1,522,904</b>
<b>SCHEDULE "L" INCOME FROM OPERATIONS</b>		
Interest on Loan	102,097,774	21,967,041
(Tax deducted at source Rs.10,427,308 ( Previous year Rs.4,351,153))	2,112,524	2,026,855
Interest on Fixed Deposits	118,062	15,000
(Tax deducted at source Rs.227,778 (Previous year Rs. 229,143))	104,328,360	24,008,896
Other Operational Income	118,062	15,000
<b>TOTAL</b>	<b>104,328,360</b>	<b>24,008,896</b>
<b>SCHEDULE "M" PERSONNEL EXPENSES</b>		
Salaries, Bonus and Allowances	810,308	280,885
Managerial Remuneration (Refer Note II.6 of Schedule 'P')	1,481,816	500,746
Contribution to Provident Fund, Pension Fund, Gratuity etc.	45,151	36,773
Staff Welfare and other Expenses	26,110	112,660
<b>TOTAL</b>	<b>2,363,385</b>	<b>931,064</b>
<b>SCHEDULE "N" ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rates and Taxes	3,700	7,600
Printing and Stationery	853,492	509,025
Travelling Expenses	51,716	561,064
Conveyance Expenses	176,485	190,722
Postage and Courier	2,500	-
Telephone Expenses	17,602	-
Advertisement Expenses	5,000	-
Legal and Professional Fees	2,308,391	760,866
Auditors' Remuneration	293,139	222,126
Repairs and Maintenance	542,550	688,550
Newspapers, Books and Other Subscriptions	14,400	-
Business Promotion Expenses	67,631	-
Insurance	2,190	-
Bad Debts Written Off	5,139,863	-
Miscellaneous Expenses	210,619	194,466
<b>TOTAL</b>	<b>9,689,278</b>	<b>3,134,419</b>
<b>SCHEDULE "O" FINANCIAL EXPENSES</b>		
Bank charges and others	61,700	126,507
<b>TOTAL</b>	<b>61,700</b>	<b>126,507</b>

## NOTES TO ACCOUNTS

### SCHEDULE "P" NOTES TO ACCOUNTS

#### I. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Accounting Convention

The accompanying financial statements have been prepared under the historical cost convention, in accordance with the generally accepted accounting principles and the requirements of the Companies Act, 1956 and guidelines issued by the Reserve Bank of India ('RBI') for Non Banking Financial Companies.

##### 2. Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expense during the reporting period. Difference between the actual result and estimates are recognised in the period in which the results are known/materialised.

##### 3. Revenue Recognition

- a. Revenue is recognised when there is reasonable certainty of its ultimate realisation / collection.
- b. Interest income is recognised on accrual (time proportion) basis except in case of Non Performing Assets (NPAs), if any, which is recognised on receipt basis, as per RBI guidelines.
- c. Dividend Income is recognised when the right to receive dividend is established

##### 4. Employee Benefits

###### Short Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. These benefits include compensated absences such as paid annual leave and sickness leave. The employees can carry forward a portion of the unutilized accrued leave balance and utilize it in future periods. The Company records an obligation in respect of compensated absences in the period in which the employee renders the service that increases the entitlement. The Company measures the expected cost of compensated absence as the amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the Balance Sheet date.

###### Long Term Employee Benefits

###### a. Defined Benefit Plans

The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as projected Unit Credit Method), which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities at the Balance Sheet date.

Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

###### b. Defined contribution Plans:

The Company contributes to the employees provident fund and pension fund schemes for all its employees who are eligible for the benefit. All such contributions are recognised as an expense and charged to revenue each year.

##### 5. Tangible Fixed Assets

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

##### 6. Depreciation

The Company provides for depreciation as under:

- a. On written down value basis, in accordance with the rates prescribed in Schedule XIV to the Companies Act, 1956.
- b. On a pro-rata basis on assets purchased / sold during the year.
- c. Asset costing less than Rs.5,000/- per item is fully depreciated in the year of purchase.



**SCHEDULE "P" NOTES TO ACCOUNTS (Contd.)**

**7. Impairment Loss**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**8. Taxation**

Provision for Tax comprises current tax and deferred tax charge or benefit.

Current Taxes are measured on the basis of the taxes expected to be paid on the taxable income determined in accordance with the prevailing tax rates and laws.

Deferred tax is the tax effect of the timing differences between the accounting income and taxable income. Deferred Tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the rates that have been enacted or substantially enacted as at the balance sheet date.

Deferred Tax Assets are recognised only to the extent there is a reasonable certainty that there will be sufficient taxable income against which it can be realised; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of assets. Deferred Tax Assets, if any, are re-assessed periodically.

**10. Investments**

All Investments are stated at cost. Investments are classified into long term investments and current investments. Provision for diminution in the value of long-term investment is made only if such a decline is other than temporary. Provision for diminution in the value of Current Investment as at the end of the year is charged to the Profit and Loss Account.

**11. Earnings Per Share**

Basic earnings per share is computed and disclosed by dividing the net profit after tax by the weighted average number of shares outstanding during the year. Diluted earnings per share is computed and disclosed using the weighted average number of shares outstanding during the year, adjusted for the effects of all dilutive potential equity shares, if any.

**12. Miscellaneous Expenditure**

Preliminary expenditure and expenditure in connection with the raising of capital is amortised over a period of ten years from the year of commencement of business operation or from the year of raising of capital.

**13. Provisions, Contingent Liabilities and Contingent Assets**

A Provision is recognised when there is a present obligation as a result of past events for which a probable outflow of resources is expected to settle the obligation and the amount of the obligation can be reliably estimated.

Contingent Liabilities are not recognised but are disclosed in the notes in case of:

- a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation,
- b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognised, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

**II. OTHER NOTES**

- 1. The Company is registered with the Reserve Bank of India on June 24 2008 as a Non-Banking Financial Company (non deposit accepting).The Company is classified as a Loan Company and follows the Non Banking Financial Companies prudential norms (Reserve Bank) Directions, 1998 for its NBFC activities. The Company is primarily engaged in the business of financing and corporate lending against security of shares, stocks, bonds, debentures or other similar instruments on short, medium and long term basis.

**2. Deferred Tax Liability (net) comprises**

(Rupees)

Particulars	2009-2010	2008-2009
<b>Deferred Tax Liability</b>		
Accumulated Depreciation	17,107	12,500
<b>Deferred Tax Assets</b>		
Provision for Employee Benefits	15,063	6,058
<b>Deferred Tax Liability (Net)</b>	<b>2,044</b>	6,442

## SCHEDULE "P" NOTES TO ACCOUNTS (Contd.)

## 3. Segment wise reporting

The Company's is primarily engaged in the business of financing. All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per Accounting Standard 17 on "Segment Reporting" (AS-17) issued by the Institute of Chartered Accountants of India.

## 4. Related party transaction

Disclosures in respect of Related Parties :

- a) Related party where control exists:  
Fortune Financial Services (India) Limited- Holding Company
- b) Other related parties  
Enterprises having significant influence  
Fortune Equity Brokers (India) Ltd  
Fortune Commodities & Derivatives (India) Limited  
Fortune Financial India Insurance Brokers Limited
- c) Key management personnel and their relatives  
Mr. S. Kalyanasundram, Manager

(Rupees)

Nature of Transactions	Holding Company	Enterprises having significant influence	Key management personnel and their relatives	Total
Interest Paid	<b>9,001,506</b> (-)	<b>1,243,721</b> (1,632,323 )	- (-)	<b>10,245,227</b> (1,632,323 )
Dividend	<b>9,375,000</b> (5,175,000)	- (-)	- (-)	<b>9,375,000</b> (5,175,000)
Reimbursement	<b>564,567</b> (1,728,898)	- (758,870)	- (-)	<b>564,567</b> (2,487,768)
Remuneration	- (-)	- (-)	<b>1,441,886</b> (500,746)	<b>1,441,886</b> (500,746)
Interest charged	<b>19,596</b> (280,636)	<b>1,952,332</b> (9,602,783)	- (-)	<b>1,971,928</b> (9,883,419)
Issue of Equity shares	<b>45,000,000</b> (150,000,000)	- (-)	- (-)	<b>45,000,000</b> (150,000,000)
Loans taken	<b>248,077,174</b> (-)	<b>179,180,000</b> (45,500,000)	- (-)	<b>427,257,174</b> (45,500,000)
Loans given	- (10,000,000)	<b>821,600,000</b> (621,190,559)	- (-)	<b>821,600,000</b> (631,190,559)
Outstanding as on March 31				
Loans given	- (6,622,826)	<b>20,537,159</b> (52,871)	- (-)	<b>20,537,159</b> (6,675,697)
Loans taken	<b>128,100,000</b> (-)	- (20,897,891)	- (-)	<b>128,100,000</b> (20,897,891)

Note: Figures in brackets represent previous year's amount

- c) Services rendered by the holding Company like provision of manpower, assets, space for operation have not been recovered completely by the holding Company.



SCHEDULE "P" NOTES TO ACCOUNTS (Contd.)

5. Auditor's Remuneration

(Rupees)

Particulars	2009-2010	2008-2009
Statutory Audit	248,175	1,93,025
Tax Audit	40,000	10,000
Certification and other matters	4,964	19,101
<b>Total</b>	<b>293,139</b>	<b>2,22,126</b>

6. Managerial Remuneration

(Rupees)

Particulars	2009-2010	2008-2009
Salary, Bonus and Allowances	1,445,108	480,166
Contribution to Provident and Other Funds	36,708	20,580
<b>Total</b>	<b>1,481,816</b>	<b>500,746</b>

The Managerial Remuneration is paid to Manager as per the provision of section 269 of the Companies Act, 1956 ("The Act") read with schedule XIII to the Act and in written limits envisaged under Schedule XIII. The disclosure for the previous year is for the period commencing from September 16, 2008, the date of appointment of the manager till March 31, 2009 and hence not comparable with the disclosure for the year.

7. Employee Benefits

(a) Defined Benefit Plans as per Actuarial Valuation as at March 31 2010

(i) Change in Present Value of Defined Benefit Obligation

(Rupees)

Particulars	2009-2010	2008-2009
Liability at the beginning of the year	17,823	-
Interest Cost	2,763	-
Current Service Cost	17,823	17,823
Actuarial (gain)/loss on obligations	(2,497)	-
Liability at the end of the year	35,912	17,823

(ii) Change in Fair Value of Plan Assets

(Rupees)

Particulars	2009-2010	2008-2009
Fair Value of Plan Assets at the beginning of the year	-	-
Expected Return on Plan Assets	-	-
Contributions	-	-
Actuarial gain/(loss) on Plan Assets	-	-
Fair Value of Plan Assets at the end of the year	-	-
<b>Total Actuarial Gain/(Loss) To Be Recognised</b>	<b>2,497</b>	<b>-</b>

(iii) Amount Recognised in the Balance Sheet

(Rupees)

Particulars	2009-2010	2008-2009
Liability at the end of the year	35,912	17,823
Fair Value of Plan Assets at the end of the year	-	-
Difference	(35,912)	(17,823)
<b>Amount Recognised in the Balance Sheet</b>	<b>(35,912)</b>	<b>(17,823)</b>

## SCHEDULE "P" NOTES TO ACCOUNTS (Contd.)

## (iv) Expenses recognised in the Profit and Loss Account

(Rupees)

Particulars	2009-2010	2008-2009
Current Service Cost	17,823	17,823
Interest Cost	2,763	-
Expected Return on Plan Assets	-	-
Actuarial Gain / (Loss)	(2,497)	-
Expense Recognised in the Profit and Loss Account	18,089	17,823

## (v) Actuarial Assumptions

Particulars	2009-2010	2008-2009
Discount Rate (per annum)	8.00%	7.75%
Rate of Return on Plan Assets (per annum)	-	-
Salary Escalation (per annum)	5.00%	5.00%

## b) Defined Contribution Plans

The amount recognised as expense and included in Schedule 'M' under the head "Contribution to Provident Fund and other Funds" of the Profit and Loss Account is Rs. 63,770/- (previous year Rs. 39,530/-).

The Company contributes to the employees provident fund and pension fund schemes for all its employees who are eligible for the benefit. All such contributions are recognised as an expense and charged to the Profit and Loss Account each year.

8. Schedule to the Balance Sheet as required in terms of paragraph 13 of Non Banking Financial (Non Deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

As at March 31, 2010

Particulars		(Rupees)	
<b>Liabilities side :</b>			
(1)	Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid	Amount outstanding	Amount overdue
	(a) Debentures : Secured	-	-
	: Unsecured	-	-
	(other than falling with in the meaning public deposit *)		
	(b) Deferred Credits	-	-
	(c) Terms Loans	-	-
	(d) Inter corporate Loans and borrowings	570,095,208	-
	(e) Commercial paper	-	-
	(f) Other Loans	-	-
<b>Assets side :</b>			
		Amount outstanding	
(2)	Break-up of Loans and Advances including Bills receivables (other than those included in (4) below)		
	(a) Secured	621,601,288	
	(b) Unsecured	83,402,198	



SCHEDULE "P" NOTES TO ACCOUNTS (Contd.)

(3)	Break-up of Leased Assets and Stock on hire and other counting towards AFC activities	
	(i) Lease assets including lease rentals under sundry debtors	
	(a) Financial lease	–
	(b) Operating lease	–
	(ii) Stock on hire including hire charges under sundry debtors	
	(a) Assets on hire	–
	(b) Repossessed Assets	–
	(iii) Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	–
	(b) Loans other than (a) above	–
(4)	Break-up of Investments	
	Current Investments	
	1. Quoted :	
	(i) Shares : (a) Equity	–
	(b) Preference	–
	(ii) Debentures and Bonds	–
	(iii) Units of Mutual Funds	–
	(iv) Government Securities	–
	(v) Others	–
	2. Unquoted :	
	(i) Shares : (a) Equity	–
	(b) Preference	–
	(ii) Debentures and Bonds	–
	(iii) Units of Mutual Funds	–
	(iv) Government Securities	–
	(v) Others	–
	Long Term Investments	
	1. Quoted :	
	(i) Shares : (a) equity	–
	(b) Preference	–
	(ii) Debentures and Bonds	–
	(iii) Units of Mutual Funds	–
	(iv) Government Securities	–
	(v) Others	–
	2. Unquoted :	
	(i) Shares : (a) Equity	–
	(b) Preference	–
	(ii) Debentures and Bonds	–
	(iii) Units of Mutual Funds	–
	(iv) Government Securities	–
	(v) Others	–



## SCHEDULE "P" NOTES TO ACCOUNTS (Contd.)

(5)	Borrower group-wise classification of assets financed as in (2) and (3) above :			
	Amount net of provisions			
	1. Related Parties	Secured	Unsecured	Total
	(a) Subsidiaries	-	-	-
	(b) Companies in the same group	-	20,537,159	20,537,159
	(c) Other related parties	-	-	-
	2. Other than related parties	621,601,288	62,865,039	684,466,327
	Total	621,601,288	83,402,198	705,003,486
(6)	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)			
	Category	Market value /Break up or fair value or NAV	Book Value (net of provision)	
	1. Related Parties			
	(a) Subsidiaries	-	-	-
	(b) Companies in the same group	-	-	-
	(c) Other related parties	-	-	-
	2. Other than related parties	-	-	-
	Total	-	-	-
(7)	Other Information			
	Particulars	Amount		
	(i) Gross Non-Performing Assets			
	(a) Related parties	-		
	(b) Other than related parties	-		
	(ii) Net Non-Performing Assets			
	(a) Related parties	-		
	(b) Other than related parties	-		
	(iii) Assets acquired in satisfaction of debts	-		

9. Estimated amount of Contracts to be executed on Capital Account Rs. Nil (Previous year Rs. Nil)

10. Contingent liabilities Rs. Nil (Previous year Rs. Nil)

### 11. Earnings Per Share

The Company has not issued any potential equity shares, hence the weighted average no of equity shares after computation of basic and diluted earnings per share would be 17,385,616

	Particulars	2009-2010	2008-2009
A	Calculation of weighted average number of equity shares		
	Number of shares at the beginning of the year	17,250,000	2,250,000
	Addition during the year	1,500,000	15,000,000
	Number of shares at the end of the year	18,750,000	17,250,000
	Weighted average number of equity shares (basic and diluted)	17,385,616	13,386,986
B	Net profit after tax (Rupees)	19,230,451	8,130,960
C	Basic and diluted earning per share of Rs.10/- each	1.11	0.61

12. Under Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2 2006, certain disclosures are required to be made relating to Micro, Small & Medium Enterprises. The Company has not yet commenced the process of compiling the relevant information from its suppliers about their coverage under the said Act and hence the relevant disclosures have not been made in the accounts. However, in the view of the Management, there is no possibility of any interest being payable to any supplier as the Company is prompt in making payments to its suppliers.

13. Balances standing in debtors, creditors and loan and advances are subject to confirmation.

14. Previous year's figures are reworked, regrouped, rearranged and reclassified wherever necessary, to conform to the current year's classification.

III. The statement of significant accounting policies and the notes numbered I to II form an integral part of the accounts for the year ended March 31 2010.



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No.	175180	State Code	11
Balance Sheet Date	31/03/2010		

### II. Capital Raised During the year (Amount Rupees in Thousands)

Public Issue	NIL	Rights Issue	15,000
Bonus Issue	NIL	Private Placement	NIL

### III. Position of Mobilisation and Deployment of Funds (Amount Rupees in Thousand)

#### Sources of Funds

Total Liabilities	798,329	Total Assets	798,329
Paid-up Capital	187,500	Reserves and Surplus	40,732
Secured Loans	235,524	Unsecured Loans	334,571
Deferred Tax Liability	2		

#### Application of Funds

Net Fixed Assets	115	Net Current Assets	796,823
Miscellaneous Expenditure	1,390		

### IV. Performance of Company (Amount Rupees in Thousand)

Turnover	104,329	Total Expenditure	75,198
Profit/(Loss) Before Tax	29,131	Profit/(Loss) After Tax	19,230
Basic Earning Per Share (in rupees)	1.11	Dividend rate % (on Equity)	5%

### V. Generic Names of Principal Services of Company

Financing Activities

## CASH FLOW STATEMENT FOR THE YEAR ENDED

	(Rupees)	
	March 31, 2010	March 31, 2009
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items	29,131,054	12,052,402
<b>Adjustments for :</b>		
Depreciation	72,186	24,193
Miscellaneous Expenditure Written off	177,432	172,932
Provision for Employee Benefits	26,493	17,823
Bad debts written off	5,139,863	-
Dividend Income	(544)	(638,410)
Interest Income	(104,210,298)	(23,993,896)
Interest Expense	63,011,301	8,378,721
<b>Operating Profit before Working Capital Change</b>	<b>(6,652,513)</b>	<b>(3,986,235)</b>
<b>Adjustments for :</b>		
(Increase) / Decrease in Trade and other receivables	(491,895,956)	(1,568,190)
Net proceeds from Borrowings	506,790,650	(154,853,617)
Increase / (Decrease) in Trade payables	(82,575)	1,775,269
	<b>8,159,606</b>	<b>(158,632,773)</b>
Interest Income	104,210,298	23,993,896
Dividend Income	544	638,410
Direct Tax paid (net of refunds)	(10,718,961)	(5,025,296)
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>101,651,487</b>	<b>(139,025,763)</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(211,850)
Sale / (Purchase) of Investments (Net)	458,932	(458,932)
<b>NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>458,932</b>	<b>(670,782)</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Equity Shares	45,000,000	150,000,000
Dividend & Distribution Tax Paid	(6,054,492)	-
Interest Expense	(63,011,301)	(8,378,721)
<b>NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>(24,065,793)</b>	<b>141,621,279</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>78,044,626</b>	<b>1,924,734</b>
<b>Cash and Cash Equivalents</b>		
Balance at the beginning of the year	24,099,977	22,175,243
Balance at the end of the year	<b>102,144,603</b>	<b>24,099,977</b>
	<b>78,044,626</b>	<b>1,924,734</b>

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- Previous year's figures have been regrouped / reclassified wherever applicable.

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**

Chartered Accountants

**Sudhir V. Nair**

Partner

Membership No.45893

Mumbai, May 20 2010

**J.T. Poonja**

Director

**S. Kalyanasundaram**

Head - Treasury &amp; Manager

**Nimish C. Shah**

Director

**Asish Narayan**

Company Secretary



## NOTICE

**NOTICE** is hereby given that the Third Annual General Meeting of the members of **Fortune Credit Capital Limited** will be held on Saturday, the 28th day of August, 2010 at 10.00 a.m. at the registered office of the Company at K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai – 400 001 to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31 2010 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Nimish C. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
3. To declare dividend on the equity share capital of the Company.
4. To appoint M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai, as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

By Order of the Board

Mumbai, May 20 2010

**Asish Narayan**  
Company Secretary

### NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective must be lodged with the company not less than 48 hours before the time of the meeting.
3. Members are requested to:
  - immediately, intimate change of address, if any, to the Company, quoting reference of their registered folio number;
  - produce the attendance slip at the entrance of the meeting hall and bring their annual report; and
  - write to the Company at least 10 days in advance of the Annual General Meeting for any information about accounts.

**Fortune Financial India Insurance Brokers Limited**

Financial Statements for the  
year ended March 31, 2010  
together with Auditors' Report



## BOARD OF DIRECTORS

**Mr. J.T. Poonja**

Director

**Mr. Nimish C. Shah**

Director

**Mr. Gaurang A. Patel**

Director

## GROUP INFORMATION

### FORTUNE'S LEADERSHIP TEAM

<b>Mr. Devesh Kumar</b>	Group CEO
<b>Mr. Kamlesh Gandhi</b>	Group Advisor
<b>Mr. Vishal Trehan</b>	Country Head – Retail & Broking
<b>Mr. Pankaj Wadhawan</b>	Head – Financial Advisory Group
<b>Mr. Arun Kumar Bhangadia</b>	Sr. Vice President – Hyderabad Region
<b>Mr. B. B. Tantri</b>	Head – Operations
<b>Mr. S. G. Muthu Kummar</b>	Head – Corporate Affairs
<b>Mr. S. Kalyanasundaram</b>	Head – Treasury
<b>Mr. Pranav Kumar</b>	Head – Corporate Sales
<b>Mr. Naveen Sharma</b>	Head – Northern Region
<b>Mr. Govindaraj</b>	Head – Southern Region
<b>Mr. Mahantesh Sabarad</b>	Sr. Vice President – Equity Research
<b>Mr. Niraj Shah</b>	Sr. Vice President – Equity Research
<b>Mr. Abhijit Chakraborty</b>	Sr. Vice President – Institutional Equity Sales

### AUDITORS

M/s. Nipun Sudhir & Associates  
Chartered Accountants

### BANKERS

Union Bank of India

### REGISTERED OFFICE

K. K. Chambers, 2<sup>nd</sup> Floor,  
Sir P. T. Marg,  
Fort, Mumbai - 400 001  
Website : [www.ffsil.com](http://www.ffsil.com)



## DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present their Third Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31 2010.

### Financial Highlights

	(Rupees)	
	2009-10	2008-09
<b>Total Income</b>	<b>6,901,746</b>	3,323,159
Profit/(Loss) before depreciation and Tax	<b>5,326,171</b>	(3,066,033)
Depreciation	<b>41,474</b>	55,252
Profit/(Loss) before tax	<b>5,284,697</b>	(3,121,285)
Provision for tax		
- Current tax	<b>817,000</b>	-
- Deferred tax	<b>(5,997)</b>	12,001
- Fringe benefits tax	-	40,000
Profit/(Loss) after tax	<b>4,473,694</b>	(3,173,286)
Balance brought forward from previous year	<b>(3,322,455)</b>	(149,169)
Balance carried to Balance Sheet	<b>1,151,239</b>	(3,322,455)
Weighted average number of equity shares	<b>600,000</b>	600,000
Nominal value per share (in rupees)	<b>10</b>	10
Basic and diluted earnings per share (in rupees)	<b>7.46</b>	(5.29)

### Results of Operations

The Company is 100% subsidiary of Fortune Financial Services (India) Limited. During the year under review the company has earned an income of Rs. 6,901,746/- towards commission and interest on bank deposits as against Rs. 33,23,159/- in the previous year. The company has earned a profit of Rs. 4,473,694/- as against a loss of Rs. 31,73,286/- during the previous year.

### Dividend

Board of Directors do not recommended any dividend for the year.

### Future Outlook

The Insurance Industry has been totally skewed towards insurers in the past decade. Historically in India Insurance was looked upon as a Tax Savings Instrument compared to Life protection. Of late the market was flooded with ULIP which were basically a Mutual Fund product sold in the garb of Insurance.

Any industry which has to grow must not be skewed towards any particular stakeholder. At the same time it must strike a balance with the other Investment products in order to prevent regulatory arbitrage. In order to echo the voice of Mr. C B Bhavé "What is good for the investor is good for the Industry". The future challenge is the balancing act which takes care of the interests of Insurers, distributors and customer. This is the most challenging. In terms of customers the product has to be tailor made based on the risk appetite of the customers. The days are not far off when the Insurance Policy Portability will no longer be a dream and is to become a reality. This is similar to the mobile number portability which TRAI is talking about. If a customer is not happy with one service provider, he can move to another service provider.

For the distributors, the road is becoming tougher day by day, with the lot of regulation coming into picture in terms of distribution commission, number of policies sold and identifying customer needs. Persistency norms have been introduced for the distributors. For the Insurers, they have to be more sensitive to the post sales servicing and should learn to live with lesser margins, which can lead to mergers and acquisitions. Insurers will also be testing the waters of raising IPO as a couple of Insurance companies are planning to come out with IPO this FY.



Micro Insurance is another new sector coming up. However the challenge in this is to enable low cost technology and services. Pension Schemes have not been popular so far in this country. With the introduction of New Pension Scheme (NPS) by the Government and a separate regulator PFRDA, we are heading for exciting times with specific relation to competition.

### Fixed Deposits

The Company has not accepted any fixed deposits from the public during the year under review within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

### Directors

Mr. Nimish C. Shah retires by rotation and being eligible, offers himself for re-appointment.

### Auditors

M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai the Statutory Auditors of the Company hold office up to the conclusion of this Annual General Meeting and are recommended for re-appointment. The Company has received a certificate under Section 224(1B) of the Companies Act, 1956 stating that the appointment, if made, will be within the limits as specified in that section.

### Compliance Certificate

As required under section 383A of the Companies Act, 1956, the Compliance Certificate dated May 20 2010 issued by M/s. Alwyn D'Souza & Co., Practising Company Secretaries, for the year ended 31<sup>st</sup> March, 2010 forms part of the Annual Report of the Company.

### Conservation of Energy, Technology Absorption :

The provision of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to your Company since your company is not covered under the scheduled industry pursuant to the said rules.

### Foreign Exchange Earning and Outgo

No Foreign Exchange was earned and spent during the year under review.

### Particulars of Employees

None of the employees of the Company were in receipt of remuneration in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particular of Employees) Rules, 1975.

### Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956 the Directors to the best of their knowledge and belief confirm that:

- in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- appropriate accounting policies had been selected and applied consistently, and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at end of the financial year and of the profit of the Company for that period.
- proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the annual accounts had been prepared on a going concern basis.

### Acknowledgements

Your directors are pleased to place on record their sincere thanks to the Bankers and Business Associates for their continued and valuable co-operation and support to the Company.

On behalf of the Board

**J. T. Poonja**  
Director

Mumbai, May 20 2010



## COMPLIANCE CERTIFICATE

(Under Section 383A of The Companies Act, 1956 & Rule 3 of the Companies (Compliance Certificate) Rules, 2001)

THE MEMBERS OF

### FORTUNE FINANCIAL INDIA INSURANCE BROKERS LIMITED

We have examined the registers, records, books and papers of **FORTUNE FINANCIAL INDIA INSURANCE BROKERS 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 year ended on **31<sup>st</sup> March, 2010**. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company, is registered under **CIN No. U67200MH2008PLC177677** with the Registrar of Companies, Maharashtra and having its Registered Office at K.K. Chambers, 2<sup>nd</sup> Floor, Sir P.T. Marg, Fort, Mumbai Maharashtra India-400 001 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 prescribed under the Act and the rules made thereunder as stated in **Annexure 'B'** to this certificate with the Registrar of Companies, Maharashtra or other authorities within the time prescribed under the Act.
3. The Company being a Public Limited Company, comments are not required
4. The Board of Directors duly met **5(Five)** times on the under mentioned dates :  
02<sup>nd</sup> April, 2009  
23<sup>rd</sup> May, 2009  
30<sup>th</sup> July, 2009  
29<sup>th</sup> October, 2009  
21<sup>st</sup> January, 2010  
in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company was not required to close its Register of Members during the year.
6. The Annual General Meeting for the financial year ended on 31<sup>st</sup> March, 2009 was held on 29<sup>th</sup> August, 2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes book of the Company.
7. No Extra-ordinary General Meeting was held during the year..
8. The Company has not advanced any loans to its directors or person or firms or companies referred to under section 295 of the Act.
9. The Company has not entered into 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 are no instances which are covered by the provisions of Section 314 of the Act the Company was not required to obtain any approval from the Board of Directors, Members and Central Government.
12. The Company has not issued any duplicate share certificates during the year.
13. The Company has:
  - (i) delivered all the certificates on lodgment thereof for transmission/ change of nominees in accordance with the provisions of the Act and there was no allotments/transfer of securities during the financial year.
  - (ii) not deposited any amount in separate Bank Account as no dividend was declared during the year.
  - (iii) not required to post warrants to any member of the Company as no dividend was declared during the year.
  - (iv) duly complied with the requirements of section 217 of the Act.
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 vacancy during the financial year.

15. The Company is not required to appoint any Managing or Whole-time Director or Manager during the year under review.
16. The Company has not appointed any sole-selling agents during the year .
17. During the year the Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies, Maharashtra or such other authorities as are prescribed under the various provisions of the Act.
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 year.
21. The Company has no preferential Share capital nor has it issued any debentures, hence there was no redemption of preference shares or debentures during the year
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, right shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling with in the purview of sections 58A during the year.
24. The Company has not made any borrowings during the financial year ended 31.03.2010.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept of the purpose.
26. The Company has not altered the provisions of the Memorandum of Association with respect to situation of the Company's registered office from one state to another during the year under scrutiny
27. The Company has not altered the provisions of the Memorandum of Association with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum of Association with respect to name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum of Association with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year.
31. There was no prosecution initiated against the Company nor were any show cause notices received by the Company and no fines or penalties or any other punishment has been imposed on the Company during the year for offences, if any, 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 employees and employers contribution to Provident Fund with prescribed authorities pursuant to section 418 of the Act.

**ALWYN D'SOUZA & Co.**  
Company Secretaries

**Office Address :**

12-13, Esplanade, 3<sup>rd</sup> Floor,  
3, A.K.Nayak Marg,  
Fort, Mumbai – 400 001.

Date : May 20 2010

Alwyn P. D'souza  
Proprietor  
C P No. 5137  
FCS No. 5559



## Annexure A

### Annexed to the Compliance Certificate dated May 20 2010

#### Registers as maintained by the Company :

- 1 Application for and Allotment of Shares Register
- 2 Register of Members U/s. 150.
- 3 Register of Directors, Managing Directors etc. U/s. 303.
- 4 Register of Directors Shareholdings U/s. 307.
- 5 Attendance Register
- 6 Register of Contracts U/s. 301.
- 7 Register of Contracts, Companies and Firms in which Directors are interested U/s. 301(3).
- 8 Board Minutes Book and General Body Minutes Book Under Section 193.
- 9 Books of Accounts U/s.209.
- 10 Register of Fixed Assets

#### Note :

The Company has not maintained the following registers as there were no entries / transactions to be recorded therein

1. Register of Investments under section 49(7)
2. Register of deposits under section 58A
3. Register of Charges U/s.143
4. Register of Transfers

## Annexure B

### Annexed to the Compliance Certificate dated May 20 2010

#### Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the year ending on 31<sup>st</sup> March, 2010.

1. Form No. 20B i.e., Annual Return filed under section 159 of the Companies Act, 1956 for the year ended 31<sup>st</sup> March, 2009 with normal filing fees.
2. Form No. 23AC and Form 23ACA i.e., Balance sheet filed under section 220 of the Companies Act, 1956 for the year ended 31<sup>st</sup> March, 2009 with normal filing fees.
3. Form No.66 i.e., Compliance Certificate for the year ended 31<sup>st</sup> March, 2009 filed under proviso to Section 383A of the Companies Act, 1956 with normal filing fees.
4. Form No.23 filed under section 192 for increase of borrowing limits of the Company with normal filing fees.
5. Form no.32 filed under section 303(2) of the Companies Act, 1956 for change in designation of Mr. Gaurang Patel as director of the Company with normal filing fees.
6. Form No.22B filed under section 187C(4) for declaration of beneficial ownership to the Registrar with normal filing fees.

**ALWYN D'SOUZA & Co.**  
Company Secretaries

#### Office Address :

12-13, Esplanade, 3<sup>rd</sup> Floor,  
3, A.K.Nayak Marg,  
Fort, Mumbai – 400 001.

Date : May 20 2010

Alwyn P. D'souza  
Proprietor  
C P No. 5137  
FCS No. 5559

## AUDITORS' REPORT

To The Members of Fortune Financial India Insurance Brokers Limited

We have audited the accompanying Balance Sheet of Fortune Financial India Insurance Brokers Limited ('the Company') as at 31 March 2010, the Profit and Loss Account and 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1) As required by the Companies (Auditor's Report) Order, 2003, and amendments thereto (together referred to as the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
- 2) Further to our comments in the Annexure referred to above, we report that:
  - 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 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 Act;
  - v. On the basis of the written representations received from the directors of the Company, as at 31 March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
    - b) in the case of the 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.

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants  
Registration Number: 0126168W

Mumbai, 20 May 2010

**Sudhir V. Nair**  
Partner  
(Membership Number 45893)



## Annexure referred to in Paragraph (1) of the Auditors' Report to the Members of Fortune Financial India Insurance Brokers Limited for the year ended 31 March 2010

1. a. The Company has maintained proper records showing full particulars including quantitative details and situations of fixed assets.  
b. The Management has physically verified its fixed assets during the year.  
c. The Company has disposed off any fixed asset during the year and hence there is no affect on the going concern status.
2. The Company does not have any inventory. Accordingly, paragraphs 4(ii)(a), 4(ii)(b) and 4(ii)(c) of the Order are not applicable to the Company.
3. a. The Company has not taken any loans during the year. Accordingly, paragraphs 4(iii)(e), 4(iii)(f) and 4(iii)(g) of the Order are not applicable to the Company.  
b. In our opinion and according to the explanations given to us, the Company has granted an unsecured loan to a company covered in the register maintained under Section 301 of the Act. The maximum amount outstanding in respect of the loan given during the year was Rs.15,37,430 and there is no amount outstanding in respect of this loan at the end of the year.  
c. In our opinion, the rate of interest, and other terms and conditions of the loan given to the company covered in the Register maintained under Section 301 of the Act are not prima facie prejudicial to the interests of the Company.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of its services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. a. In our opinion and according to the information and explanations provided to us, the contracts or arrangements that need to be entered into the Register maintained under Section 301 of the Act have been so entered.  
b. In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Act and exceeding the value of Rs.5,00,000/- in respect of each party.
6. The Company has not accepted any deposits from the public. Accordingly, paragraph 4(vi) of the Order is not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
8. The Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Act for any of the services rendered by the Company. Accordingly, paragraph 4(viii) of the Order is not applicable.
9. a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, cess and other statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.  
b. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were in arrears as on 31 March 2010 for a period of more than six months from the date they became payable.
10. The Company has been registered for a period of less than five years. Accordingly, paragraph 4(x) of the Order is not applicable to the Company.
11. According to the information and explanations given to us and the records of the Company examined by us, the Company has not availed of any loan from financial institutions or banks or debenture holders as at the balance sheet date. Accordingly, there have been no defaults in repayment of dues.
12. In our opinion and according to the explanations given to us and on the basis of information available, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion, the Company is not a chit fund / nidhi / mutual benefit fund / society. Accordingly, paragraph 4(xiii) of the Order is not applicable.
14. In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. According to the information and explanations give to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has not obtained any term loans.
17. According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we are of the opinion that as at the close of the year, no funds raised on a short term basis has been used for long term investments.
18. The Company has not made any preferential allotment of shares during the year.
19. The Company has not issued any debentures during the year and accordingly no securities or charges have been created.
20. The Company has not raised any monies by public issue during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants  
Registration No: 0126168W

Mumbai, 20 May 2010

**Sudhir V. Nair**  
Partner  
(Membership Number 45893)



## BALANCE SHEET AS AT MARCH 31, 2010

(Rupees)

Schedules	As at 31-Mar-10	As at 31-Mar-09	
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A	6,000,000	6,000,000
Reserves and Surplus	B	1,151,239	–
<b>Deferred Tax Liability (Net)</b>		<b>6,228</b>	12,225
<b>TOTAL</b>		<b>7,157,467</b>	<b>6,012,225</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	C	168,700	168,700
Less : Depreciation		98,177	56,703
<b>Net Block</b>		<b>70,523</b>	111,997
<b>Current Assets, Loans and Advances</b>			
Current Assets	D	7,519,389	2,368,539
Loans and Advances	E	580,080	584,876
		<b>8,099,469</b>	2,953,415
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	F	1,122,392	517,507
Provisions	G	17,325	3,498
		<b>1,139,717</b>	521,005
<b>Net Current Assets</b>		<b>6,959,752</b>	2,432,410
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	H	<b>127,192</b>	145,363
<b>Profit and Loss Account</b>		–	3,322,455
<b>TOTAL</b>		<b>7,157,467</b>	<b>6,012,225</b>
<b>Notes to Accounts</b>	N		

In terms of our Report of even date

For and on behalf of the Board

### For NIPUN SUDHIR & ASSOCIATES

Chartered Accountants

**Sudhir V. Nair**  
Partner  
Membership No.45893  
Mumbai, May 20 2010

**J.T. Poonja**  
Director

**Nimish C. Shah**  
Director



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010**

(Rupees)

	Schedules	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>INCOME</b>			
Income from Operations	I	1,600,242	3,322,094
Other Income	J	5,301,504	1,065
<b>TOTAL</b>		<b>6,901,746</b>	<b>3,323,159</b>
<b>EXPENDITURE</b>			
Operational Expenses		40,037	35,538
Personnel Expenses	K	1,049,639	5,066,961
Administrative and Other Expenses	L	482,932	1,176,196
Financial Expenses	M	2,967	110,497
Depreciation		41,474	55,252
<b>TOTAL</b>		<b>1,617,049</b>	<b>6,444,444</b>
<b>PROFIT / (LOSS) BEFORE TAX</b>		<b>5,284,697</b>	<b>(3,121,285)</b>
Provision for Taxation			
Current Tax		817,000	–
Deferred Tax		(5,997)	12,001
Fringe Benefit Tax		–	40,000
<b>PROFIT / (LOSS) AFTER TAX</b>		<b>4,473,694</b>	<b>(3,173,286)</b>
Balance brought forward from previous year		(3,322,455)	(149,169)
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>		<b>1,151,239</b>	<b>(3,322,455)</b>
<b>APPROPRIATION</b>			
Balance carried to Balance Sheet		1,151,239	(3,322,455)
<b>TOTAL</b>		<b>1,151,239</b>	<b>(3,322,455)</b>
<b>EARNINGS PER SHARE</b>			
Profit/(Loss) After Tax		4,473,694	(3,173,286)
Weighted average number of Equity Shares		600,000	600,000
Nominal value per Share		10	10
Basic and diluted Earnings per Share		7.46	(5.29)

**Notes to Accounts**

N

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**  
Chartered Accountants

**Sudhir V. Nair**  
Partner  
Membership No.45893  
Mumbai, May 20 2010

**J.T. Poonja**  
Director

**Nimish C. Shah**  
Director



## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "A" SHARE CAPITAL</b>		
<b>Authorised</b>		
10,00,000 (Previous year 10,00,000) Equity Shares of Rs. 10/- each	<b>10,000,000</b>	10,000,000
<b>TOTAL</b>	<b>10,000,000</b>	10,000,000
<b>Issued, Subscribed and Fully Paid-up</b>		
6,00,000 (Previous year 6,00,000) Equity Shares of Rs. 10/- each fully paid up	<b>6,000,000</b>	6,000,000
(All the above shares are held by the Holding Company- Fortune Financial Services (India) Ltd and its nominees)		
<b>TOTAL</b>	<b>6,000,000</b>	6,000,000
<b>SCHEDULE "B" RESERVES AND SURPLUS</b>		
<b>Profit and Loss Account</b>	<b>1,151,239</b>	-
<b>TOTAL</b>	<b>1,151,239</b>	-

### SCHEDULE - C : FIXED ASSETS

(Rupees)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2009	Additions during the year	Deductions during the year	As at 31.03.2010	As at 01.04.2009	For the year	On deduc- tions / Adjustments	As at 31.03.2010	As at 31.03.2010	As at 31.3.2009
<b>Tangible Assets</b>										
Office Equipments	14,300	-	-	<b>14,300</b>	1,556	<b>1,773</b>	-	<b>3,329</b>	<b>10,971</b>	12,744
Computers	154,400	-	-	<b>154,400</b>	55,147	<b>39,701</b>	-	<b>94,848</b>	<b>59,552</b>	99,253
<b>TOTAL</b>	<b>168,700</b>	-	-	<b>168,700</b>	56,703	<b>41,474</b>	-	<b>98,177</b>	<b>70,523</b>	<b>111,997</b>
Previous year	41,500	127,200	-	168,700	1,451	55,252	-	56,703	111,997	-

### SCHEDULE "D" CURRENT ASSETS

#### Debtors

(Unsecured, Considered Good unless otherwise stated)

Outstanding for a period less than six months

5,511,745

61,873

#### Cash and Bank Balances

Cash on Hand

8,900

2,526

Balance with Scheduled Banks

In Current Accounts

**1,998,744**

**2,007,644**

2,304,140

#### TOTAL

**7,519,389**

**2,368,539**

**SCHEDULES FORMING PART OF ACCOUNTS**

(Rupees)

	As at 31-Mar-10	As at 31-Mar-09
<b>SCHEDULE "E" LOANS AND ADVANCES</b>		
Advances recoverable in cash or in kind or for value to be received	2,971	-
Advance Taxes and Taxes Deducted at Source	577,109	584,876
(Net of provision for taxes Rs.857,000/- (Previous year Rs.40,000/-))		
<b>TOTAL</b>	<b>580,080</b>	<b>584,876</b>
<b>SCHEDULE "F" CURRENT LIABILITIES</b>		
Other Liabilities	1,122,392	517,507
<b>TOTAL</b>	<b>1,122,392</b>	<b>517,507</b>
<b>SCHEDULE "G" PROVISIONS</b>		
Provision for Employee Benefits	17,325	3,498
<b>TOTAL</b>	<b>17,325</b>	<b>3,498</b>
<b>SCHEDULE "H" MISCELLANEOUS EXPENDITURE</b>		
(To the extent not written off or adjusted)		
As per last Balance Sheet	145,363	163,534
Less: Written off during the year	18,171	18,171
<b>TOTAL</b>	<b>127,192</b>	<b>145,363</b>
	<b>Year ended 31-Mar-10</b>	<b>Year ended 31-Mar-09</b>
<b>SCHEDULE "I" INCOME FROM OPERATIONS</b>		
Commission Income	1,482,708	2,900,980
(Tax deducted at source Rs.199,099/- (Previous year Rs.523,773/-))		
Interest Income	117,534	421,114
(Tax deducted at source Rs.11,754/- (Previous year Rs.43,733/-))		
<b>TOTAL</b>	<b>1,600,242</b>	<b>3,322,094</b>
<b>SCHEDULE "J" OTHER INCOME</b>		
Service Income	5,300,000	-
(Tax deducted at source Rs.584,591/- (Previous year Rs.Nil))		
Miscellaneous Income	1,504	1,065
<b>TOTAL</b>	<b>5,301,504</b>	<b>1,065</b>



## SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	Year ended 31-Mar-10	Year ended 31-Mar-09
<b>SCHEDULE "K" PERSONNEL EXPENSES</b>		
Salaries, Bonus and Allowances	995,907	4,634,085
Contribution to Provident and Other Funds	53,332	163,756
Staff Welfare	400	269,120
<b>TOTAL</b>	<b>1,049,639</b>	<b>5,066,961</b>
<b>SCHEDULE "L" ADMINISTRATIVE AND OTHER EXPENSES</b>		
Rates and Taxes	6,907	4,335
Printing and Stationery	149,215	281,533
Travelling Expenses	81,475	374,043
Conveyance Expenses	62,250	121,555
Telephone Expenses	8,422	5,500
Legal and Professional Fees	75,730	297,814
Auditors' Remuneration	65,150	61,892
Insurance	656	-
Membership Fees	-	1,500
Business Promotion Expenses	10,730	
Miscellaneous Expenses	22,397	28,024
<b>TOTAL</b>	<b>482,932</b>	<b>1,176,196</b>
<b>SCHEDULE "M" FINANCIAL EXPENSES</b>		
Interest	1,492	109,338
Bank Charges	1,475	1,159
<b>TOTAL</b>	<b>2,967</b>	<b>110,497</b>

## SCHEDULE "N" NOTES TO ACCOUNTS

### I. SIGNIFICANT ACCOUNTING POLICIES

#### 1. Accounting Convention

The accompanying financial statements have been prepared under the historical cost convention on an accrual basis, in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 and comply with the accounting standards prescribed in the Companies (Accounting Standards) Rules 2006 issued by the Central Government, in consultation with the National Advisory Committee on Accounting Standards, to the extent applicable.

#### 2. Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual result could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

#### 3. Revenue Recognition

Revenue is recognised when there is reasonable certainty of its ultimate realisation/collection.

- a) Brokerage income on first year premium on insurance policies is recognised, when an insurance policy, sold by the Company is accepted by the principal insurance company. Renewal commission is accounted for on receipt basis.
- b) Interest income is recognised on a time proportion basis.

#### 4. Employee Benefits

##### Short Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. These benefits include compensated absences such as paid annual leave and sickness leave. The employees can carry forward a portion of the unutilized accrued leave balance and utilize it in future periods. The Company records an obligation in respect of compensated absences in the period in which the employee renders the service that increases the entitlement. The Company measures the expected cost of compensated absence as the amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the Balance Sheet date.

##### Long Term Employee Benefits

##### a. Defined Benefit Plans

The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Accrued Benefit Method (same as projected Unit Credit Method), which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities at the Balance Sheet date.

Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

##### b. Defined contribution Plans:

The Company contributes to the employees provident fund and pension fund schemes for all its employees who are eligible for the benefit. All such contributions are recognised as an expense and charged to revenue each year.

#### 5. Tangible Fixed Assets

Tangible Fixed Assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any. Costs include all expenses incidental to the acquisition of fixed assets.

#### 6. Depreciation

The Company provides for depreciation as under:

- a. On written down value basis, in accordance with the rates prescribed in Schedule XIV to the Companies Act, 1956.



## SCHEDULE "N" NOTES TO ACCOUNTS (Contd.)

- b. On a pro-rata basis on assets purchased / sold during the year.
- c. Asset costing less than Rs.5,000/- per item is fully depreciated in the year of purchase.

### 7. Impairment Loss

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

### 8. Taxation

Provision for tax comprises current tax and deferred tax charge or benefit.

Current taxes are measured on the basis of the taxes expected to be paid on the taxable income determined in accordance with the prevailing tax rates and laws.

Deferred tax is the tax effect of the timing differences between the accounting income and taxable income.

Deferred tax charge or benefit and the corresponding deferred tax liabilities and assets are recognised using the rates that have been enacted or substantially enacted as at the balance sheet date.

Deferred tax assets are recognised only to the extent there is a reasonable certainty that there will be sufficient taxable income against which it can be realised; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of assets. Deferred tax assets, if any, are re-assessed periodically.

### 9. Miscellaneous Expenditure

Miscellaneous Expenditure are amortized over a period of ten years from the year of commencement of the business operation.

### 10. Earnings Per Share

Basic earnings per share is computed and disclosed by dividing the net profit after tax by the weighted average number of shares outstanding during the year.

Diluted earnings per share is computed and disclosed using the weighted average number of shares outstanding during the year, adjusted for the effects of all dilutive potential equity shares, if any.

### 11. Provisions, Contingent Liability and Contingent Assets

A Provision is recognised when there is a present obligation as a result of past events for which a probable outflow of resources is expected to settle the obligation and the amount of the obligation can be reliably estimated.

Contingent Liabilities are not recognised but are disclosed in the notes in case of:

- a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation,
- b) a possible obligation, unless the probability of outflow of resources is remote.

Contingent Assets are neither recognised, nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

## II. OTHER NOTES

### 1. Deferred Tax Liability (net) comprises

(Rupees)

Particulars	2009-2010	2008-2009
<b>Deferred Tax Liability</b>		
Accumulated depreciation	<b>11,581</b>	13,306
<b>Deferred Tax Assets</b>		
Provision for employee benefits	<b>5,353</b>	1,081
<b>Deferred Tax Liability (Net)</b>	<b>6,228</b>	12,225

## SCHEDULE "N" NOTES TO ACCOUNTS (Contd.)

**2. Segment wise reporting**

The Company is primarily engaged in the business of insurance agency income. All the activities of the Company revolve around the main business. Further, the Company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per Accounting Standard 17 on "Segment Reporting" (AS-17) issued by the Institute of Chartered Accountants of India.

**3. Related party transactions**

Disclosures in respect of Related Parties :

## a) Related party where control exists:

Fortune Financial Services (India) Limited- Holding Company

## b) Other related parties

Enterprise having significant influence

Fortune Equity Brokers (India) Limited

Fortune Credit Capital Limited

(Rupees)

Nature of Transactions	Holding Company	Enterprises having significant influence	Total
Reimbursement	20,822 (498,008)	14,368 (722,978)	35,190 (1,220,986)
Interest	- (-)	117,534 (109,338)	117,534 (109,338)
Professional fees charged	- (-)	2,50,000 (550,000)	2,50,000 (550,000)
Loans taken	- (-)	- (28,50,000)	- (28,50,000)
Loans Given	- (-)	15,00,000 (-)	15,00,000 (-)

Note: Figures in brackets represents previous year's amount.

## c) Services are rendered by the group companies by providing resources like manpower, assets, etc. for which the complete amount has not been recovered from the Company.

**4. Auditors' Remuneration**

(Rupees)

Particulars	2009-2010	2008-2009
Statutory audit	55,150	55,150
Tax audit	10,000	-
Certification and other matters	-	6,742
Total	65,150	61,892



SCHEDULE "N" NOTES TO ACCOUNTS (Contd.)

5. Employee Benefits:

(a) Defined Benefit Plan for Gratuity as per Actuarial Valuation as at March 31, 2010:

(i) Change in Present Value of Defined Benefit Obligation

(Rupees)

Particulars	2009-2010	2008-2009
Liability at the beginning of the year	3,498	–
Interest Cost	1,760	2,742
Current Service Cost	19,206	34,269
Actuarial (gain)/loss on obligations	(17,493)	(33,513)
Liability at the end of the year	6,971	3,498

(ii) Change in Fair Value of Plan Assets

(Rupees)

Particulars	2009-2010	2008-2009
Fair Value of Plan Assets at the beginning of the year	–	–
Expected Return on Plan Assets	–	–
Contributions	–	–
Actuarial gain/(loss) on Plan Assets	–	–
Fair Value of Plan Assets at the end of the year	–	–
Total Actuarial Gain/(Loss) To Be Recognised	17,493	–

(iii) Amount recognised in the Balance Sheet

(Rupees)

Particulars	2009-2010	2008-2009
Liability at the end of the year	6,971	3,498
Fair Value of Plan Assets at the end of the year	–	–
Difference	(6,971)	(3,498)
Amount recognised in the Balance Sheet	(6,971)	(3,498)

(iv) Expenses recognised in the Profit and Loss Account

(Rupees)

Particulars	2009-2010	2008-2009
Current Service Cost	19,206	34,269
Interest Cost	1,760	2,742
Expected Return on Plan Assets	–	–
Actuarial Gain / (Loss)	(17,493)	(33,513)
Expense recognised in Profit and Loss Account	3,473	3,498



## SCHEDULE "N" NOTES TO ACCOUNTS (Contd.)

## (v) Balance Sheet Reconciliation

(Rupees)

Particulars	2009-2010	2008-2009
Opening Net Liability	3,498	–
Expenses as above	3,473	3,498
Amount recognised in the Balance Sheet	6,971	–

## (vi) Actuarial Assumptions

(Rupees)

Particulars	2009-2010	2008-2009
Discount Rate (per annum)	8.00%	7.75%
Rate of Return on Plan Assets (per annum)	–	–
Salary Escalation (per annum)	5.00%	5.00%

## (b) Defined Contribution Plan

The amount recognised as expense and included in Schedule 'K' under the head "Contribution to Provident and Other Funds" of the Profit and Loss Account is Rs. 49,751/- (previous year Rs. 1,60,258/-).

## (c) Amount recognised as expense in respect of compensated leave absences is Rs. 10,354/- (Previous year Rs.Nil)

The estimates of salary escalation is in line with the industry practice considering promotion and demand and supply of the employees

## General Description of significant defined benefit plans

a) **Gratuity Plan:** Gratuity is payable to all eligible employees of the Company in terms of the provisions of the Payment of Gratuity Act 1972.

b) **Leave Plan:** All eligible employees can carry forward and avail leave, subject to a maximum accumulation of 180 days as per Company's rules. Any leave exceeding 180 days will be compulsorily encashed. Leave Encashment is permitted for a minimum of 15 days on the basis of the latest basic salary of the employee.

6. Contingent liabilities Rs. Nil (Previous year Rs. Nil)
  7. Estimated amount of Contracts to be executed on Capital Account Rs. Nil (Previous year Rs. Nil)
  8. Under Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small & Medium Enterprises. The Company has not yet commenced the process of compiling the relevant information from its suppliers about their coverage under the said Act and hence the relevant disclosures have not been made in the accounts. However, in the view of the Management, there is no possibility of any interest being payable to any supplier as the Company is prompt in making payments to its suppliers.
  9. Balances standing in debtors, creditors and loans and advances are subject to confirmations.
  10. In the opinion of Management, the value of all Current Assets, Loans and Advances and other receivables is not less than their realisable value in the ordinary course of business.
  11. Previous year's figures are reworked, regrouped, rearranged and reclassified wherever necessary, to conform to the current year's classification.
- III. The statement of significant accounting policies and the notes numbered I to II form an integral part of the accounts for the year ended March 31 2010.



## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No.	177677	State Code	11
Balance Sheet Date	31/03/2010		

### II. Capital Raised During the year (Amount Rupees in Thousand)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

### III. Position of Mobilisation and Deployment of Funds (Amount Rupees in Thousand)

#### Sources of Funds

Total Liabilities	7,157	Total Assets	7,157
Paid-up Capital	6,000	Reserves and Surplus	1,151
Deferred Tax Liability (Net)	6		

#### Application of Funds

Net Fixed Assets	71	Net Current Assets	6,960
Miscellaneous Expenditure	127		

### IV. Performance of Company (Amount Rupees in Thousands)

Turnover	6,902	Total Expenditure	1,617
Profit Before Tax	5,285	Profit After Tax	4,474
Earning Per Share in Rupees	7.46	Dividend rate % (on Equity)	-

### V. Generic Names of Principal Services of Company

Insurance Broking

## CASH FLOW STATEMENT FOR THE YEAR ENDED

	(Rupees)	
	March 31 2010	March 31 2009
<b>(A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit / (Loss) before tax and extraordinary items	5,284,697	(3,121,285)
Adjustments for :		
Depreciation	41,474	55,252
Miscellaneous Expenditure Written off	18,171	18,171
Provision for Employee Benefits	13,827	3,498
Interest Income	(117,534)	(421,114)
Interest Expense	1,492	109,338
<b>Operating Profit before Working Capital Change</b>	<b>5,242,127</b>	<b>(3,356,140)</b>
Adjustments for :		
(Increase) / Decrease in Trade and Other Receivables	(5,452,843)	5,114
Increase / (Decrease) in Trade Payables	604,885	504,257
	<b>394,169</b>	<b>(2,846,769)</b>
Interest Income	117,534	421,114
Direct Tax Paid (net of refunds)	(809,233)	(602,506)
<b>NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>(297,530)</b>	<b>(3,028,161)</b>
<b>(B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	-	(127,200)
<b>NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES</b>	<b>-</b>	<b>(127,200)</b>
<b>(C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest Expense	(1,492)	(109,338)
<b>NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>(1,492)</b>	<b>(109,338)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)</b>	<b>(299,022)</b>	<b>(3,264,699)</b>
<b>Cash and Cash Equivalents</b>		
Balance at the beginning of the year	2,306,666	5,571,365
Balance at the end of the year	2,007,644	2,306,666
	<b>(299,022)</b>	<b>(3,264,699)</b>

**Notes:**

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
- Previous year's figures have been regrouped / reclassified wherever applicable.

In terms of our Report of even date

For and on behalf of the Board

**For NIPUN SUDHIR & ASSOCIATES**

chartered Accountants

**Sudhir V. Nair**

Partner

Membership No.45893

Mumbai, May 20 2010

**J. T. Poonja**

Director

**Nimish Shah**

Director



## NOTICE

**Notice** is hereby given that the Third Annual General Meeting of the members of **Fortune Financial India Insurance Brokers Limited** will be held on Saturday, the 28th day of August, 2010 at 10.30 a.m. at the Registered Office of the Company at K.K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai – 400 001 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31 2010 and the Profit and Loss Account for the year ended as on that date along with the Schedules and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Nimish C. Shah, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. Nipun Sudhir & Associates, Chartered Accountants, Mumbai, as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

On behalf of the Board

**J. T. Poonja**  
Director

Mumbai, May 20 2010

### NOTES:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Proxies in order to be effective must be lodged with the company not less than 48 hours before the time of the meeting.
3. Members are requested to:
  - immediately, intimate change of address, if any, to the Company, quoting reference of their registered folio number;
  - produce the attendance slip at the entrance of the meeting hall and bring their annual report; and
  - write to the Company at least 10 days in advance of the Annual General Meeting for any information about accounts.