

BOARD OF DIRECTORS

Executive Chairman

Mr. J.T. Poonja

Managing Director

Mr. Nimish C. Shah

Non Executive Directors

Mr. C. R. Mehta

Mr. H. R. Prasad

Mr. Manoj G. Patel

Mr. Ramesh Venkat

Mrs. Sangeeta J. Poonja

Mr. Sanjay Kothari

Mr. Shailesh Haribhakti

Alternate Director

Mr. Sohan C. Mehta

**SENIOR MANAGEMENT TEAM**

Mr. Vishal Trehan	Chief Executive Officer – Broking & Distribution
Mr. Pankaj Wadhawan	Head – Financial Advisory GRP
Mr. Udai Kumar	Head – Equity Capital Market
Mr. B. B. Tantri	Chief Operating Officer – Broking & Distribution
Mr. S. G. Muthu Kummar	Head – Corporate Affairs
Mr. Pranav Kumar	National Head – Corporate Sales
Mr. S. Kalyanasundaram	Executive Vice President – Funds & Settlements
Mr. Naveen Sharma	Executive Vice President – Broking & Distribution
Mr. Mahantesh Sabarad	Sr. Vice President – Equity Research
Mr. Niraj Shah	Sr. Vice President – Equity Research
Mr. Abhijit Chakraborty	Sr. Vice President – Institutional Equity Sales
Mr. Sandeep K. Shah	Head – Institutional Sales (India)

Company Secretary	Mr. Haroon Mansuri
Registered Office	K. K. Chambers, 2 nd Floor Sir P. T. Marg, Fort Mumbai - 400 001
Auditors	M/s. Nipun Sudhir & Associates Chartered Accountants
Bankers	Andhra Bank Axis Bank Ltd. HDFC Bank Ltd. Karur Vysya Bank Ltd. Union Bank of India Vijaya Bank
Registrar & Share Transfer Agent	Purva Sharegistry (India) Pvt. Ltd. Unit No. 9, Ground Floor Shivshakti Industrial Estate 7-B Sitaram Mills Compound J R Boricha Marg, Lower Parel Mumbai - 400 011
Email id for members	cosecretary@ffsil.com
Website	www.fortune.co.in

DIRECTORS' REPORT

Dear Members

Your Directors are pleased to present their Twentieth Annual Report together with the audited accounts on the business and operations of the Company for the year ended March 31 2011.

Financial Highlights:

(Rupees in lacs)

	2010-11	2009-10
Total Income	1,548.96	1,443.66
Profit before depreciation and Tax	821.99	1,011.21
Depreciation	21.92	19.91
Profit before tax	800.07	991.30
Provision for tax		
- Current tax	189.20	221.86
- Deferred tax	(2.46)	(15.71)
Profit after tax	613.33	785.15
Balance brought forward from the previous year	2,332.93	1,946.39
Tax in respect of earlier years (Net)	(1.93)	17.19
Balance available for appropriations	2,948.19	2,714.35
Transfer to General Reserve	61.33	78.51
Dividend	247.39	302.91
Balance carried to Balance Sheet	2,639.47	2,332.93
Weighted average number of equity shares		
- Basic	12,224,953	11,248,799
- Diluted	12,429,474	11,470,992
Nominal value per share (in rupees)	10.00	10.00
Basic and diluted earnings per share (in rupees)		
- Basic	5.02	6.98
- Diluted	4.93	6.84

Transfer to Reserve :

The Board of Directors proposes the transfer a sum of Rs.61.33 lacs to the general reserve out of the profits of the company.

Dividend:

Your Directors have recommended Dividend of Rs.2 per share (20%) on 122,79,290 equity shares of Rs.10 each for the financial year 2010-2011, subject to the approval of the shareholders at the ensuing annual general meeting. The total outflow on account of equity dividend will be Rs.247.39 lacs, including Rs.1.80 lacs dividend paid on 72,000 equity shares issued after March 31 2010 as approved by the shareholders in the last annual general meeting.

Performance

Standalone Financial Performance:

For the financial year ended March 31 2011, your Company earned profit before tax of Rs.800.07 lacs as against Rs.991.30 lacs in the previous year. The profit after tax was at Rs.613.33 lacs as against Rs.785.15 lacs in the previous year. The total income for the year under consideration was Rs.1,548.96 lacs and total expenditure was Rs.748.89 lacs.

**Consolidated Financial Performance:**

The consolidated income increased to Rs.9,140.02 lacs from Rs.7,226.43 lacs – growth of 26.49%. Net profit after tax of the group for the current year is Rs.1,170.84 lacs as against Rs.1,606.34 lacs in the previous year.

Consolidated Financial Statements:

The Board of Directors of your Company at its meeting held on May 26 2011, approved the Consolidated Financial Statements for the financial year 2010-11 in accordance with the Accounting Standard (AS-21) and other Accounting Standards issued by the Institute of Chartered Accountants of India as well as Clause 32 of the Listing Agreement, which include financial information of all its subsidiaries, are provided in the Annual Report. The Consolidated Financial Statements for the financial year 2010-11, are prepared in compliance with applicable Accounting Standards and where applicable Listing Agreements as prescribed by the Securities and Exchange Board of India.

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 as stipulated under Clause 49 of the Listing Agreement is included and forms part of this Report.

All Board members and senior management personnel have affirmed compliance with code of conduct for the year 2010-2011. 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) of the Company 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 attached in the Annual Report.

Management Discussion and Analysis:

A detailed review of operations, performance and future outlook of your Company and its businesses is given in the Management Discussion and Analysis, which forms part of this Report.

Issue of equity shares on exercise of ESOP options :

The Company had introduced stock options plan for its employees. The details of options granted under Employee Stock Option (ESOP) Schemes 2006 & 2007 are annexed as **Annexure I** and forms part of this Report.

The Company has received a certificate from the Auditors of the Company that the FFSIL ESOP Schemes 2006 & 2007 have 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 162,890 equity shares of Rs.10 each under the FFSIL ESOP Scheme 2006 upon exercise of options by the employees.

Consequent to the allotment of equity shares under the FFSIL ESOP Scheme 2006, the paid up equity capital of the Company has been increased to Rs.1,227.93 lacs.

Issue of equity warrants :

In Nineteenth Annual General Meeting, held on August 28 2010, the Company has obtained members approval for issue of 4,00,000 equity warrants of Rs. 10 each at a premium of Rs. 170 per warrant aggregating to Rs. 720.00 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 September 13 2010, allotted 4,00,000 equity warrants which are convertible into 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 2011, none of the allottees have exercised their options to convert their holding of equity warrants into equity shares of the Company.

The amount received on allotment of equity warrants is as under :

(Rupees in lacs)

Date of allotments	No. of equity warrants issued	Amount	Amount received on application
July 04 2008 (@)	4,00,000	880.00	88.00
February 05 2010	6,00,000	480.00	120.00
September 13 2010	4,00,000	720.00	180.00
Total	14,00,000	2,080.00	388.00
(@) Amount forfeited			

Subsidiary Companies:

The Company has availed the 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 2011. Accordingly, the accounts of the subsidiary companies and other documents are not being 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 will also 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 following information in aggregate for each of the subsidiary companies are disclosed in annual report as stipulated in the letter issued by the Ministry of Corporate Affairs, New Delhi:

(a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investments (f) turnover/income (g) profit before tax (h) provision for tax (i) profit after tax and (j) proposed dividend.

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.1,650.00 lacs in 55,00,000 equity shares of Rs.10 each fully paid at a premium of Rs.20 per share with Fortune Credit Capital Limited.

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.

Committees:

The Company has four committees of the Board of Directors of the Company. 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.

Auditors' Report:

Your Directors refer to the observations made by the Auditors in their report and wish to state that the notes forming part of accounts are self explanatory and hence do not require any further comments.

**Directors:**

Mr. H. R. Prasad and Mr. Manoj G. Patel, 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 under the scheduled industry pursuant to the said rules.

Foreign Exchange earnings and outgo:

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Earnings :		
Subscription for issue of shares	—	800.08
Investment & Merchant Banking	55.52	230.73
Outgo :		
Foreign Travelling	3.98	2.32
Dividend	108.35	36.67

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 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 has 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 have been prepared on a going concern basis.

Acknowledgement:

The Management of your Company is grateful to its customers, regulatory authorities, vendors, shareholders, business associates, bankers, financial institutions for their continued support. The Directors wish to thank and place on record their appreciation for all employees at all levels for their hard work, co-operation, and support towards growth of the Company.

On behalf of the Board

Mumbai, May 26 2011

J. T. Poonja
Executive Chairman

Annexure I

Disclosure as required under Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

a	Options Granted	5,35,990										
b	The pricing formula	<p>The remuneration/compensation committee has been authorised to decide the exercise price in accordance with the SEBI and any other amendments made thereto.</p> <table border="1"> <thead> <tr> <th>Exercise price (Rupees)</th> <th>No. of options granted</th> </tr> </thead> <tbody> <tr> <td>98.00</td> <td>1,11,000</td> </tr> <tr> <td>117.00</td> <td>25,000</td> </tr> <tr> <td>156.00</td> <td>1,14,000</td> </tr> <tr> <td>Total</td> <td>2,50,000</td> </tr> </tbody> </table>	Exercise price (Rupees)	No. of options granted	98.00	1,11,000	117.00	25,000	156.00	1,14,000	Total	2,50,000
Exercise price (Rupees)	No. of options granted											
98.00	1,11,000											
117.00	25,000											
156.00	1,14,000											
Total	2,50,000											
c	Options Vested	1,11,000										
d	Options exercised	1,79,290										
e	Total number of shares arising as a result of exercise of option	1,79,290										
f	Options lapsed	1,06,700										
g	Variation of terms of options	Not Applicable										
h	Money realized by exercise of options	Rupees 1,41,15,790 (Rupees One Crore Forty One Lacs Fifteen Thousand Seven Hundred Ninety only)										
i	Total number of options in force	2,50,000										
j	Employee wise details of options granted to :											
	i. Senior Managerial Personnel	Mr. Devesh Kumar 2,25,000 Mr. Pankaj Wadhawan 25,000										
	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 option calculated in accordance with [Accounting Standard (AS) 20 'Earnings Per Share']	Rupees 4.93										
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 shall be disclosed separately 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">● risk-free interest rate,● expected life,● expected volatility,● expected dividends, and the price of the underlying share in market at the time of option grant.	Not Applicable

Note : The ESOP Options (2,25,000) granted & vested in favour of Mr. Devesh Kumar have now been lapsed as he has left the services of the Company.

Annexure II

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 2011	March 31 2011	March 31 2011	March 31 2011
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 Rs.10 each	30,00,000 equity shares Rs.10 each	2,42,50,000 equity shares Rs.10 each	6,00,000 equity shares Rs.10 each
		5,00,000 10% Redeemable cumulative preference shares Rs. 10 each.	–	–	–
		9,00,000 12.50% Redeemable cumulative preference shares 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.				
	a) Not dealt in the accounts of Fortune Financial Services (India) Ltd for the year ended March 31 2011, amounted to :- (Rupees in lacs)				
	• For the subsidiaries' financial year ended March 31 2011	145.82	149.42	512.51	2.12
	• For the previous financial years of the subsidiaries since they became the holding company's subsidiaries.	1,529.26	121.80	277.54	11.52
	b) Dealt in the accounts of Fortune Financial Services (India) Ltd for the year ended March 31 2011, amounted to :-				
	• For the subsidiaries' financial year ended March 31 2011	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

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 2011

Sr. No.	Name & Designation	Remuneration (Rupees)	Qualification	Experience in years	Date of commencement of employment	Age	Last employment, Designation / No. of years & No. of shares held
I. Employed throughout the year :							
1.	Mr. J. T. Poonja Executive Chairman	50,74,297	M.A (Eco)	44	01-08-1992	69	Vijaya Bank Asst. General Manager 19 years 16,07,040 (13.09%)

Notes :

- 1) The above employment is contractual.
- 2) The above employment is subject to the rules and regulations of the Company as in force from time to time.
- 3) Mr. J. T. Poonja, is a 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.

REPORT ON CORPORATE GOVERNANCE

Corporate Philosophy:

Your Company converge good corporate governance, focus on enhancement of long term value creation for all stakeholders and conduct the business in accordance with the highest ethical standards and sound corporate governance practice. Clause 49 of the Listing Agreement, which relates to Corporate Governance, was revised in October 2004, making far reaching amendments in the code.

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 & revenues of the Company year after year.

Your Company confirms the compliance of Corporate Governance, in all material aspects, with the revised Clause 49 of the Listing Agreement, the details of which are given below:

I Board of Directors:

a) Composition of the Board

The Board is headed by an Executive Chairman and comprises eminent persons with considerable professional experience from varied disciplines. The present strength of the Board as on March 31 2011 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 to the requirements of Corporate Governance Report under the Listing Agreement with the Stock Exchange.

b) Number of Board Meetings:

The Board of Directors met four times during the year ended March 31 2011 on May 20 2010, July 30 2010, October 28 2010, and January 27 2011. The maximum gap between any two meetings was not more than four months and all meetings were well attended.

c) Directors attendance record and details of other directorship/membership in committees

Table 1

Name	Category	Attendance		Other Directorships (other than Pvt. Ltd. Cos.)	Committees (as on March 31 2011)	
		Board Meetings	Last AGM		Membership	Chairmanship
Mr. J. T. Poonja	Promoter & Executive Chairman	4	Yes	4	1	2
Mr. Nimish C. Shah	Promoter & Managing Director	4	Yes	4	2	1
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	Yes	1	1	3
Mr. Ramesh Venkat	Independent Director	2	No	5	3	–
Mr. H. R. Prasad	Independent Director	4	No	3	1	2
Mr. Manoj G. Patel	Independent Director	–	No	–	–	–
Mr. Shailesh Haribhakti	Independent Director (Alternate Director to Mr. Manoj G. Patel)	4	No	14	5	5
Mr. Sanjay Kothari	Director	3	No	4	1	–

**Notes:**

- ❖ As on March 31 2011 the Company had ten Directors (including one Alternate Director). The Chairman of the Company is an Executive Director. The composition of the Board is in conformity with Clause 49 of the listing agreement.
- ❖ None of the Directors on the Board holds memberships of more than ten committees or Chairmanships of more than five committees. The Company has received the necessary declarations from the respective Directors.
- ❖ Other directorships do not include directorships in private limited companies, section 25 companies, companies incorporated outside India and alternate directorships.
- ❖ Memberships and/or Chairmanships of the Board Committees include Audit Committee and Shareholders' Grievances Committees only.

d) Remuneration to Directors for the year ended March 31 2011**Table 2**

Name of Directors	Remuneration	Sitting fees of the Board & Committee meetings
	(Rupees)	
Mr. J. T. Poonja	50,74,297	-
Mr. Nimish C. Shah	-	75,000
Mrs. Sangeeta J. Poonja	-	75,000
Mr. Sohan C. Mehta	-	40,000
Mr. Ramesh Venkat	-	80,000
Mr. Shailesh Haribhakti	-	75,000
Mr. C.R. Mehta	-	145,000
Mr. H R Prasad	-	145,000
Mr. Sanjay Kothari	-	55,000
Mr. Manoj Patel	-	-

e) No. of shares held by non promoter Directors : Nil**f) 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.

II Committees of the Board:

The Board has four major Board level Committees a) Audit Committee b) Remuneration / Compensation Committee c) Shareholders 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:

a) Audit committee:

The broad terms and reference of Audit Committee are to review the financial statements before submission to Board, to review reports of the Auditors and Internal Audit department and to review the weaknesses in internal controls, if any, reported by Internal and Statutory Auditors etc. In addition, the powers and role of the Audit Committee includes references made under Clause 49 of the Listing Agreement as well as Section 292A of The Companies Act, 1956.

The Audit Committee met four times during the year under review on May 20, 2010, July 30, 2010, October 28, 2010, and January 27, 2011.

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

Table 3

Name	Status attended	No. of meetings
Mr. H R Prasad	Chairman	4
Mr. J. T. Poonja	Member	4
Mr. Ramesh Venkat	Member	2
Mr. C.R. Mehta	Member	4

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 the Secretary of the Committee.

b) Shareholders Grievances Committee:

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.

The committee consist one independent Director, one non executive promoter Director and two Senior Executives of the Company. During the year under review five meetings were held on May 20 2010, July 30 2010, October 28 2010, January 27 2011 and February 21 2011

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

Table 4

Name	Status	No. of meetings attended
Mr. C. R. Mehta (@)	Chairman	4
Mr. Nimish C. Shah	Member	5
Mr. B.B. Tantri	Member	5
Mr. S. G. Muthu Kummar	Member	5

(@) Mr. C. R. Mehta was appointed as a member and Chairman of the Committee w. e. f. May 20 2010.

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

During the year under review, 4 complaints were received from shareholders. The complaints have been replied to the satisfaction of the shareholders. There were no pending complaints as on March 31 2011.

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.

c) Remuneration/ Compensation Committee:

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 if 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.

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 three independent Directors and one non-executive promoter Director:

Table 5

Name	Status	No. of meetings attended
Mr. Ramesh Venkat	Chairman	2
Mr. Nimish C. Shah	Member	4
Mr. C.R. Mehta	Member	4
Mr. Sanjay Kothari (@)	Member	2

(@) Mr. Sanjay Kothari was appointed as a member w. e. f. May 20 2010.

During the year under review four meetings were held on April 15 2010, April 28 2010, September 28 2010 and February 9 2011.

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

d) Internal Finance Committee:

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 only one meeting was held which was attended by all of its members.

III Management:

Management Discussion and Analysis:

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

Disclosures

a) Subsidiary Companies:

In accordance with Clause 49 (III) of the Listing Agreement, Fortune Equity Brokers (India) Limited and Fortune Credit Capital Limited are materially non-listed subsidiary companies.

Mr. Ramesh Venakt an Independent Director of the holding company is a Director on the Board of these two subsidiary companies.

The financial statements, investments, a statement of significant transactions and the minutes of the subsidiary companies are placed in the quarterly Board meetings for review by the Board of Directors of the holding Company.

b) Related party transactions

- 1) Transactions with the related parties are disclosed in Notes to Accounts in the Annual Report as required under Accounting Standard 18 ("AS 18") issued by The Institute of Chartered Accountants of India.
- 2) There were no transactions of material nature which have been entered into by the Company with its Promoters, Directors, Management, Subsidiaries or relatives etc. that may have potential conflict with the interest of the Company.

c) Accounting treatment in preparation of financial statement

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.

d) Risk Management

Risk assessment and minimization procedures are periodically reviewed by the Internal Finance Committee and the Board of Directors of the Company.

e) Code for prevention of Insider Trading

In compliance with the SEBI regulations on prevention of insider trading, the Company has adopted a code 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. The Company regularly issues Trading Window Closure Notice to all concerned and also the same is uploaded in the Company's website.

f) Certification by Executive Chairman & CFO

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 2011 the Company has complied with the requirements of the said sub clause.

g) Pledge of equity shares of the Company

1,57,600 equity shares of Rs. 10/- each fully paid up of the Company held by one of promoters and his relatives are pledged. The same has been disclosed in the shareholding pattern of the Company.

IV Shareholder Information

a) Disclosure regarding appointment/re-appointment of Directors

At the ensuing Annual general Meeting of the members of the Company, scheduled to be held on August 27 2011, Mr. H. R. Prasad & Mr. Manoj Patel, Directors of the Company, retire by rotation and being eligible offered themselves for re-appointment.

b) Means of communication

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

● **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.fortune.co.in

● **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 reports and Management Discussion and Analysis is posted on the Company's website – www.fortune.co.in .

Apart from Quarterly Results and Annual Reports of the Company, the Company's website also contains summary of financial performance for the last five years, shareholding pattern and contact information.



c) General Body Meetings

- The details of the last three Annual General Meetings :

Table 6

Year	Date & Time	Venue	Details of the special resolutions passed
2010	Aug 28 2010 at 11.00 a.m.	K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai 400 001	a) Issue of equity warrants to the promoters. b) Issue of ESOP grants to one particular employee in excess of 1% of the paid up capital of the Company..
2009	Aug 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	Aug 30 2008 at 11.00 a.m.	K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai 400 001	No special resolution passed.

During the year the company has not passed any resolution through Postal Ballot.

During the year no extra ordinary general meeting was held.

d) General Shareholder Information

- **Annual General Meeting:**

Day & Date : Saturday, August 27 2011

Time : 11.00 a. m.

Venue : K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai - 400 001

- **Last date for receipt of proxies**

The proxy duly filled and signed by the members be sent to the Company at its registered office latest by Thursday, August 25 2011 (before 11.00 a m).

- **Financial Calendar:**

Table 7

Financial year	April 2010 – March 2011	April 2011 – March 2012
First quarter results	July 30 2010	Last week of July 2011
Second quarter results	October 28 2010	Last week of October 2011
Third quarter results	January 27 2011	Last week of January 2012
Annual audited results	May 26 2011	By end of May 2012

- **Book closure** August 22 2011 – August 27 2011
- **Dividend funding date** September 2 2011
- **Listing of shares** The Bombay Stock Exchange Ltd.
- **Stock Code** 530023
- **ISIN** INE924D01017
- **Dividend** The Board of Directors in their meeting held on May 26 2011 have subject to the members approval recommended a dividend of Rs.2/- per equity share of Rs.10/- each fully paid up on 1,22,79,290 equity shares of the Company.
- **Issue of equity shares under FFSIL ESOP Scheme 2006**

During the year under review, the Company has allotted 162,890 equity shares of Rs. 10/- each under the FFSIL ESOP Scheme 2006 upon exercise of options by the employees.

The details of the total grants, vesting, exercise of options and lapse of options during the financial year ending March 31 2011 is given in the **Annexure I** to the Directors Report.

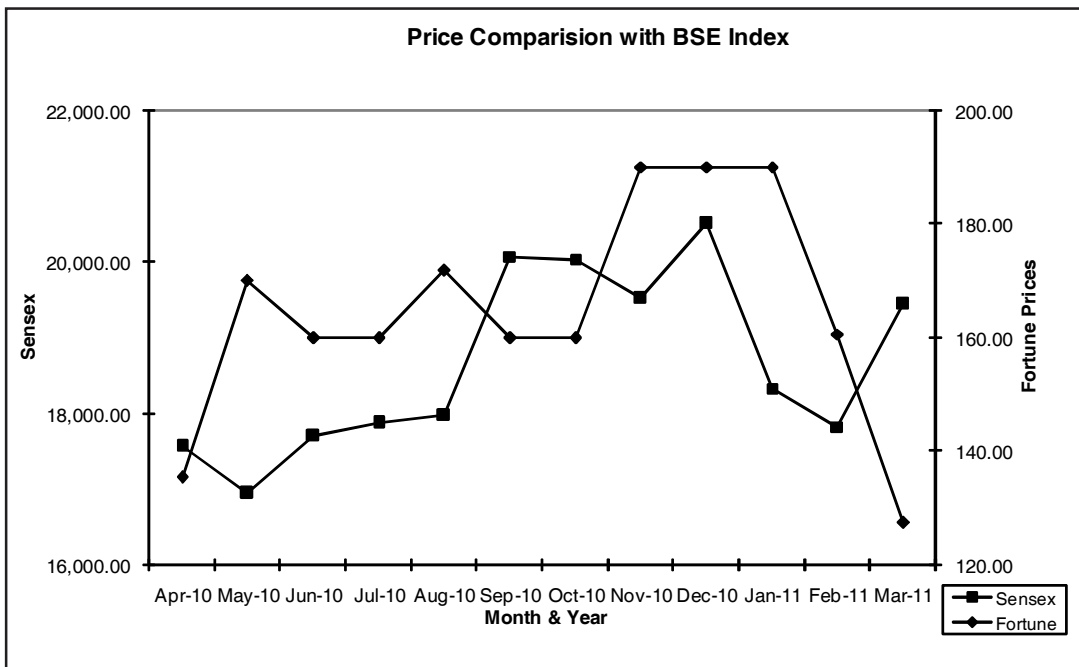
- **FFSIL share price vis a vis Sensex April 2010 to March 2011:**

Table 8

Month	BSE Sensex		FFSIL share price		No. of shares traded	No. of trades
	High	Low	High	Low		
			(Rupees)	(Rupees)		
April 2010	18,047.86	17,276.80	135.35	90.10	13,772	191
May 2010	17,536.86	15,960.15	187.95	135.00	75,196	470
June 2010	17,919.62	16,318.39	177.95	152.05	11,756	93
July 2010	18,237.56	17,395.58	168.00	158.00	10,934	68
August 2010	18,475.27	17,819.99	171.80	155.00	15,494	99
September 2010	20,267.98	18,027.12	173.95	155.00	22,381	107
October 2010	20,854.55	19,768.96	174.25	152.10	14,426	97
November 2010	21,108.64	18,954.82	210.00	160.00	16,464	140
December 2010	20,552.03	19,074.57	206.00	181.00	9,815	105
January 2011	20,664.80	18,038.48	204.60	190.00	6,018	66
February 2011	18,690.97	17,295.62	185.00	160.60	99	13
March 2011	19,575.16	17,792.17	184.50	127.35	7,11,468	169

- **Performance of share price of the Company in comparison to BSE Sensex:**

Table 9



- **Shareholding pattern as on March 31 2011:**

Table 10

Category	No. of shares	% of shareholding
Promoters		
Indian Promoters & Promoter Group	58,48,207	47.63
Non Promoters		
NRIs (including Foreign Corporate Bodies)	49,21,206	40.08
Corporate Bodies	6,60,545	5.38
Indian Public	8,49,332	6.91
Total	122,79,290	100.00

- **Distribution of shareholding as on March 31 2011:**

Table 11

Category	No. of shareholders	% to total	Shareholding (Rupees)	% to total
Up to 500	1165	83.21	20,52,700	1.67
501 - 1,000	93	6.64	7,49,820	0.61
1001 - 2,000	46	3.29	7,34,750	0.60
2001 - 3,000	19	1.36	4,95,660	0.40
3001 - 4,000	10	0.71	3,60,380	0.29
4001 - 5,000	4	0.29	1,93,980	0.16
5001 - 10,000	18	1.29	13,19,050	1.08
10001 and above	45	3.21	11,68,86,560	95.19
Total	1400	100.00	12,27,92,900	100.00

- **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).

- **The break up of the shares held in physical & demat form as on March 31 2011:**

Table 12

Particulars	No. of shares	Percentage
Held in demat form		
- CDSL	87,93,196	25.15
- NSDL	30,88,239	71.61
Held in physical form	3,97,855	3.24
Total	122,79,290	100.00

- **Details of funds raised during the last three financial years :**
- **Preferential allotment**

The Company has raised the funds through issue of equity shares on preferential basis to the strategic investors detailed as under:

- Issue of Equity shares under preferential allotment

Table 13

Financial year	No. of equity shares issued	Amount (Rupees in lacs)
2008-2009	11,00,000	2,420.00
2009-2010	10,00,000	800.00
Total	21,00,000	3,220.00

- Issue of shares under FFSIL ESOP Scheme 2006

Table 14

Financial year	No. of shares issued on exercise of options	Amount (Rupees in lacs)
2009-2010	16,400	9.02
2010-2011	1,62,890	132.14
Total	1,79,290	141.16

- Issue of equity warrants

In Nineteenth Annual General Meeting, held on August 28 2010, the Company has obtained members approval for issue of 4,00,000 equity warrants of Rs. 10 each at a premium of Rs. 170 per warrant aggregating to Rs. 720.00 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 September 13 2010, allotted 4,00,000 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.

The equity warrant holders have an option to convert their warrants in to equity shares by paying the balance amount within a period of eighteen months from the date of allotment at the warrants.

As on March 31 2011, none of the allottees have exercised their options to convert their holding of equity warrants in to equity shares of the Company.

- The amount received on allotment of equity warrants is as under :

Table 15

Date of allotments	No. of equity warrants issued	Amount	Amount received on application
		(Rupees in lacs)	
July 04 2008 (@)	4,00,000	880.00	88.00
February 05 2010	6,00,000	480.00	120.00
September 13 2010	4,00,000	720.00	180.00
Total	14,00,000	2,080.00	388.00
(@) Amount forfeited			

- Outstanding GDRs /ADRs etc.:

The Company has not issued any GDRs or ADRs.



- Dividend record for the last six financial years :

Table 16

Financial year ended	Dividend per equity share of Rs. 10 each
	(Rupees)
March 31 10	2.50
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

As required under section 205A (5) of the Companies Act, 1956 no amount was due to be transferred to Investor Education and Protection Fund (IEPF) during the year under review.

- **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.

- **Address for shareholders' correspondence:**

Table 17

Registered Office : Company Secretary Fortune Financial Services (India) Ltd. K. K. Chambers, 2nd Floor, Sir P. T. Marg, Fort, Mumbai 400 001 Tel Nos.: +91 -22- 2207 7931 Fax No.: +91-022 2207 2948 / 1776 Email : cosecretary@ffsil.com Web site : www.fortune.co.in	Registrar and Share Transfer Agent : 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. Telephone : +91-22-2301 6761 / 8261 Fax No. +91-22-2301 2517 e-mail : busicomp@vsnl.com Web site : www.purvashare.com
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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

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

The Company has exclusive e-mail id viz. cosecretary@ffsil.com for the shareholders grievances & complaints.

- **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.

V Compliance

- **Compliance under Clause 49 of the Listing Agreement**

The Company has complied with all mandatory requirements under Clause 49 of the Listing Agreement with Stock Exchange.

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.

The Company does not follow Whistle Blower Policy.

Compliance Report

Table 18

Particulars	Clause of Listing Agreement	Compliance Status Yes/No
I Board of Directors	49 I	
(A) Composition of Board	49(IA)	Yes
(B) Non-executive Directors' compensation and disclosures	49 (IB)	Yes
(C) Other provisions as to Board and Committees	49 (IC)	Yes
(D) Code of Conduct	49 (ID)	Yes
II. Audit Committee	49 (II)	
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes
(B) Meeting of Audit Committee	49 (IIB)	Yes
(C) Powers of Audit Committee	49 (IIC)	Yes
(D) Role of Audit Committee	49 II (D)	Yes
(E) Review of information by Audit Committee	49 (IIE)	Yes
III. Subsidiary Companies	49 (III)	Yes
IV. Disclosures	49 (IV)	
(A) Basis of related party transactions	49 (IV A)	Yes
(B) Disclosure of accounting treatment	49 (IV B)	N.A.
(C) Board disclosures	49 (IV C)	Yes
(D) Proceeds from public issues, rights issues, preferential issues etc.	49 (IV D)	Yes
(E) Remuneration of Directors	49 (IV E)	Yes
(F) Management	49 (IV F)	Yes
(G) Shareholders	49 (IV G)	Yes
V. CEO/CFO Certification	49 (V)	Yes
VI. Report on Corporate Governance	49 (VI)	Yes

- **Auditors' certificate on Corporate Governance :**

The Company has obtained a certificate from the Auditors of the Company, certifying the compliance with the requirements of clause 49 of the Listing Agreement. The said certificate is annexed to the corporate governance report and forms part of the annual report.

- **Compliance of Clause 5A of the Listing Agreement**

In terms of Clause 5A of the listing agreement, the Company has sent two reminders to the shareholders whose share certificates are returned undelivered. The third reminder will be sent shortly. The Company has received few responses from the shareholders, intimating their new address.

The provisions of Clause 5A will be complied in due course by the Company.

- **Disclosure under Clause 53 of the Listing Agreement**

The Company has not entered in to any contract, agreement, back to back treaties / contracts / agreements / MOUs or similar instruments with any media companies and / or their associates.

The disclosures as required under Clause 53 of the listing agreement are not applicable to the Company.

**VI Shareholders' safeguard and other information**

- **Nomination facility for shareholders :**

As required under the applicable provisions of the Companies Act, 1956, a nomination facility is made available to the shareholders of the Company. Shareholder holding shares in physical form may avail this facility.

- **E mail address**

In view of the Circular Nos. 17/2011 & 18/2011 dated 21st April 2011 & 29th April 2011 respectively issued by the Ministry of Corporate Affairs on "Green Initiative in Corporate Governance" whereby the Company is permitted to send the notices, annual reports and other documents in electronic mode.

In this connection the members who are holding the shares in physical form are requested to register their e mail ids and/or intimate for the change if any, of the e mail ids already registered, quoting their folio nos. and other details to the Registrar and Share Transfer Agent viz. Purva Sharegistry (India) Private Limited and those holding the shares in demat form are requested to register their e mail ids with their Depository Participants.

The Company proposes to send the notices, annual reports and other documents in electronic mode in future.

- **Unclaimed dividend transfer to Investor Education & Protection Fund**

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.

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.

Dates of declaration of dividends from the financial year 2004-2005 and corresponding dates when unclaimed dividends are due for transfer to the fund are given in the below mentioned table.

- **Details of unclaimed dividend :**

Table 19

Financial year ended	Type of dividend	Date of declaration	Dividend Amount	Unclaimed Dividend	Last date for claiming the dividend amount	Last date for transfer to the Fund
			(Rupees in lacs)			
31/03/2010	Final	28/08/2010	304.71	6.73	03/10/2017	02/10/2017
31/03/2009	Final	29/08/2009	122.10	3.15	04/10/2016	03/10/2016
31/03/2008	Final	30/08/2008	220.00	4.17	01/10/2015	30/09/2015
31/03/2007	Final	11/08/2007	100.00	1.73	12/09/2014	11/09/2014
31/03/2007	Interim	13/02/2007	77.66	1.73	14/03/2014	13/03/2014
31/03/2006	Final	23/09/2006	38.83	0.97	24/10/2013	23/10/2013
31/03/2006	Interim	29/10/2005	42.71	0.85	28/11/2012	27/11/2012
31/03/2005	Final	13/08/2005	19.42	0.68	12/09/2012	11/09/2012
31/03/2005	Interim	08/02/2005	38.83	0.82	10/03/2012	10/03/2012

- **Payment of dividend through ECS mandate**

Members who are holding the shares in physical form are requested to register their bank account details and/or intimate for the change if any, in the bank accounts details already registered, quoting their Folio Nos. and other details to the Registrar and Share Transfer Agent viz. Purva Sharegistry (India) Private Limited,

Members holding the shares in demat form are requested to register their bank account details and/or intimate for the change if any, in the bank accounts details already registered, quoting their with their DPs.

This will enable the members to receive dividend in fast and secured mode.

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 2011.

Mumbai, May 26 2011

J. T. Poonja
Executive Chairman

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 2011 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. that there are no significant changes in accounting policies during the year; and
 - iii. that there were no instances of significant fraud of which we have become aware.

Mumbai, May 26 2011

J. T. Poonja
Executive Chairman

S. G. Muthu Kummar
Chief Financial Officer

AUDITOR'S 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 2011, 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
ICAI Registration Number: 0126168W

Sudhir V. Nair
Partner
(Membership No. 45893)

Mumbai, May 26 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Macroeconomic outlook

After suffering a major fall in the growth rate in FY09 on account of the global financial crisis, the growth rebounded from 6.8% in FY09 to 8.0% in FY10 due to the sizeable stimulus imparted by the Government and the improvement in the global economic climate. The recovery became self-sustaining in FY11 with the aggregate GDP growing close to 9% in the first three quarters of FY11. Growth in FY11 has been led by impressive performance of the Agriculture and the Services sector. However, the Industry sector has started exhibiting signs of a slowdown with the growth coming down from 11.3% in Q1FY11 to 8.9% in Q2FY11 and further to 6.4% in Q3FY11.

GDP grew at robust rate in FY11

GDP at factor cost at 2004-05 prices (in %)	FY 09	FY 10	Q1 FY 11	Q2 FY 11	Q3 FY 11
Gross Domestic Product	6.80	8.00	8.90	8.90	8.20
Agriculture, Forestry & Fishing	(0.20)	0.40	2.50	4.40	9.00
Industry	4.40	8.00	11.30	8.90	6.40
Mining & Quarrying	1.30	7.00	8.50	7.90	6.00
Manufacturing	4.30	8.80	13.00	9.80	5.60
Electricity, Gas & Water supply	4.90	6.40	6.30	3.40	6.40
Services	10.10	10.10	9.30	9.80	8.90
Construction	5.40	7.00	10.30	8.70	8.00
Trade, Hotel, Transport & Communication	7.50	9.70	11.00	12.10	9.40
Finance, Insurance, Real Estate & Business Services	12.50	9.20	7.90	8.30	11.20
Social & Personal Services	12.70	11.80	7.80	7.40	4.80

Source: Business Beacon, CMIE

Exports grew at rapid clip due to global recovery

The Indian economy enjoyed the benefits of a robust pick in the global economic growth from around 2.5% in CY09 to around 4.5% in CY10. Consequently, Indian exports (in USD terms) grew by 37.7% in FY11 – the highest growth rate in the past couple of decades. Imports also grew by 21.8% on account of the recovery in the domestic economy.

Unprecedented growth in exports

In USD Terms (%)	FY07	FY08	FY09	FY10	FY11
Imports	24.1	35.0	19.8	(3.9)	21.8
Exports	22.5	29.1	12.3	(2.6)	37.7

Source: Business Beacon, CMIE

Owing to the superior growth rate of exports, the aggregate trade deficit declined from USD 109.3 billion in FY09 to USD 104.9 billion in FY11.

Inflation has accelerated

	FY07	FY08	FY09	FY10	FY11
WPI	6.5%	4.8%	8.0%	3.6%	9.9%
Primary articles	9.6%	8.3%	11.0%	12.7%	17.7%
Fuel & Power	6.5%	0.0%	11.6%	-2.1%	12.3%
Manufactured products	5.6%	4.9%	6.1%	1.8%	6.2%

Source: Business Beacon, CMIE

Inflation in India accelerated from 3.6% in FY10 to 9.9% in FY11 due to the confluence of multiple factors like structural food inflation, soaring commodity prices and the transmission of the structural and supply driven inflation to core inflation through the channel of aggregate inflationary expectations.

Merchant Banking

After the robust growth in FY10 due to the ongoing stabilization of the global financial and economic systems and consequent pick-up in risk appetite across the various financial market participants, financial markets were steady for the better part of FY11.

(‘in crores)

	FY07	FY08	FY09	FY10	FY11
Domestic Primary Market	144,361	206,120	182,151	321,210	334,465
Equity	82,073	137,644	34,590	105,015	110,253
Debt	62,288	68,476	147,561	216,195	224,212

Source: Business Beacon, CMIE

Domestic capital raising increased by 4.1% from Rs.321,210 in FY10 to Rs.334,465 crores in FY11. The tepid rise in domestic capital raising is attributable to a 5.0% rise in equity capital raising and 3.7% rise in debt capital raising.

(‘ in crores)

	FY07	FY08	FY09	FY10	FY11
Public Issues	29,793	50,261	3,486	47,320	49,131
Right Issues	2,930	26,764	11,809	5,784	11,611
Private Placement	111,638	129,096	166,856	268,106	273,723

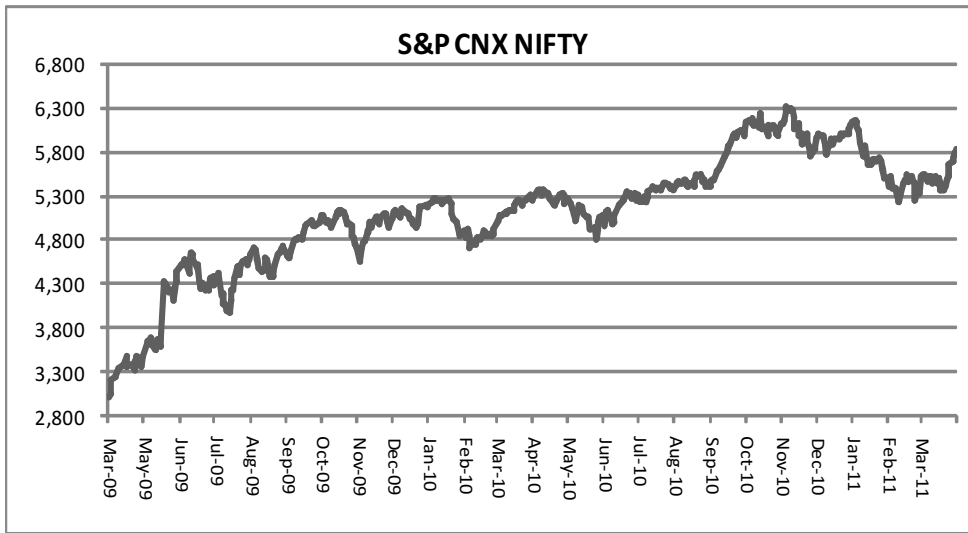
Source: Business Beacon, CMIE

In terms of instruments, capital raising through public issues and private placements remained tepid with a growth rate of 3.8% and 2.1% respectively. Rights issues witnessed a growth rate of 101% from Rs.5,784 crores in FY10 to Rs.11,611 crores in FY11.

Most market participants expect that the current tepid conditions will continue in the near-term. Pickup in growth in the markets will be dependent on the ability of the Government to control the rampant inflation, 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 undertake various policy initiatives like investment in infrastructure and urbanization projects and structural reforms.



Capital market



Source: Business Beacon, CMIE

After the stupendous recovery in FY10 when the S&P CNX NIFTY returned a growth of 73.8%, normal service resumed in FY11 as the index exhibited a modest return of 11.1% only. The aggregate markets suffered some setbacks in the first quarter of FY11 and then staged a recovery which went till the fag end of the third quarter of FY11 before succumbing to the growing concerns regarding inflation and slowdown in economic growth in the last quarter of the year.

The above-mentioned developments in the equity markets had an impact on the aggregate turnover as well. Overall daily turnover in equity markets declined by 18.4% from Rs.22,547 crores in FY10 to Rs.18,397 crores in FY11 as the lack of appreciable movements in the equity markets and the increasing bearish sentiments prevented the market participants from increasing their allocation to equities. Both the BSE and the NSE suffered a decline in average daily turnover by 22.8% and 16.9% in FY11 respectively.

Cash Market daily turnover declines

(‘ in crores)

Year	BSE	NSE	Total
FY08	6,264	14,097	20,361
FY09	4,501	11,272	15,773
FY10	5,637	16,910	22,547
FY11	4,349	14,048	18,397

Source: Business Beacon, CMIE

Commodity Market

The FY11 witnessed a 53.9% increase in the total value of trade to Rs.119.5 lakh crores in commodities across 22 exchanges in India. As the global recovery is under way, we expect it will have a positive impact on the volume of trade in commodities across exchanges. FMC estimates the growth rate for 2011-12 to be around 20-25% on a conservative basis. As banks and foreign institutions are expected to be allowed to trade in commodities, the growth rate could climb up further.

Growth of commodities turnover during past 5 years

Year	2007-08	2008-09	2009-10	2010-11
Turnover (in ‘ Lakh Crore)	40.66	52.49	77.65	119.49
Growth (in %)	-	29.10	47.90	53.90

Source- Reuters, Forward Market Commission website

The major commodities that were traded in India were bullion and energy which comprised 46% and 19% respectively of total trade. Trade in bullion grew 74% over the last year and led among other major commodities. The gold jewelry export grew by 33% in 2010-11. We expect the growth in trade volume in bullion could slow in the coming year, as gold and silver are at their historically high prices. The agriculture commodities grew at the lowest pace among other commodities last year despite a good monsoon and harvest.

Sectoral Break up and Growth of Different Commodities

(‘ in crores)

	2010-11	% age share in overall trade	2009-10	% age share in overall trade	Growth in 2010-11
Agriculture	1,456,390	12.188%	1,217,949	15.6856%	19.6%
Bullion	5,493,892	45.978%	3,164,152	40.7502%	73.6%
Metals	2,687,673	22.493%	1,801,636	23.2027%	49.2%
Energy	2,310,959	19.340%	1,577,882	20.3211%	46.5%
Others	29.04	0.0002%	3134.4	0.0404%	-99.1%
Overall	11,948,942		77,64,754		53.9%

The government of India is planning a new legislation this year which would allow banks and foreign players to participate in commodity trading. The mini contract introduced by exchanges will help small investors like farmers to participate in the commodity market as well. The option contract in commodities which is under review by government will help improve the trade volume by attracting hedgers and speculators. Option contract can be a perfect tool for the commodity risk management market in India. This would help bring the equity, debt and commodity market together spurring the business for the many market participants.

Despite having a strong and growing economy, India's share in global commodity market is not much encouraging. Except gold, India's share in other commodities compared to its global peers is insignificant. Although India's production of agriculture products is large its contribution to international trade is miniscule. Various development projects on and off the farm will be the key growth driver in the near future.

Challenges ahead

Introduction of Commodity Options- The matter is said to be under the active consideration of the Government and the options trading may be introduced in the near future.

The Warehousing and Standardization- Central Warehousing Corporation of India has 476 warehouses across the country with a storage capacity of 10.18 million tones which is presently inadequate. To resolve the problem, a Gramin Bhandaran Yojana (Rural Warehousing Plan) has been introduced to construct new and expand the existing rural godowns. This will help local farmers to store their farm inputs and processed farm produce.

Tax and Legal bottlenecks - Regulatory changes are needed to bring uniformity in octroi and sales taxes etc. VAT is yet to be adopted by all states.

Wholesale Debt Market (WDM)

Indian wholesale debt market is at Rs.6 lakh crore market. Government securities (G-sec) hold a major share of approx 54% of total traded value and 60.8% of total market capitalization. RBI regulations require banks to keep a min 25% SLR which is the major reason behind the popularity of G-sec. Also the less developed corporate bond market helps G-sec to take a major share of bond market. The share of top 10 securities in total trade value is steadily decreasing over the years signaling a more broad based market evolution. In year 2010-11 the share of top 10 securities accounts for 38.6% as compared to 53% in 2007-08. Indian debt market is the third largest in Asia, yet the volumes are abysmally low. Last year the average turnover was 1.67% of total market cap which is significantly lower than other developed markets.



Market Capitalization as on March-31, 2011

(' in crores)

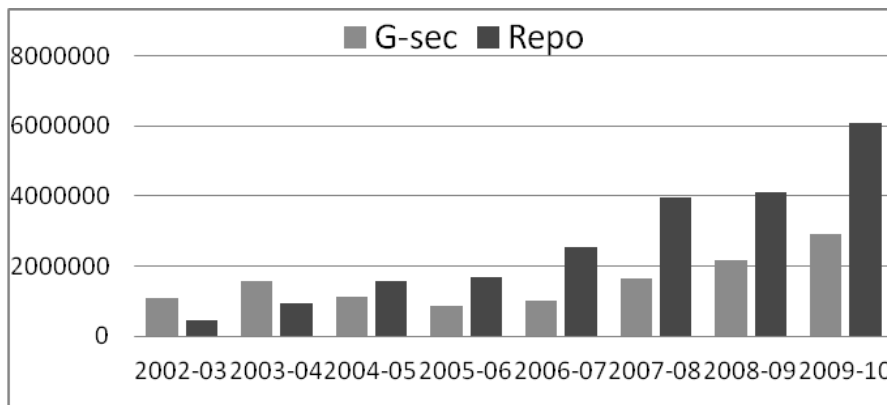
Security Type	No of Securities	Mkt Cap	%age of total
G-Sec	120	218,57,214.04	60.8
PSU Bonds	852	19,09,215.79	5.31
State Loans	1388	62,20,693.14	17.3
Treasury Bills	54	13,76,770.32	3.83
Local Bodies	19	30,283.16	0.09
Fin Inst	361	10,09,923.62	2.81
Bank Bonds	518	18,36,669.94	5.11
Supranational Bonds	1	3,912.22	0.01
Corporate Bonds	1166	17,04,089.28	4.74
Total	4479	359,48,771.51	100

Source- NSE Website

There are normally two types of transactions, which are executed in the Wholesale Debt Market An outright sale, or purchase and a repo trade. Over the last five years the growth in volume in repo trade has outperformed the direct sale.

Growth in outright and repo settlement volumes

(' in crores)



Source-CCIL Year Book

Trading members dominated the WDM segment with a share of 60.8% in total turnover in 2010-11 as compared to 49.3% in 2009-10. The share of foreign banks in the total turnover is consistently increasing over the years while Indian banks share has declined.

Financing Activities (NBFC)

NBFCs have been playing a very important role both from the macro economic perspective and the structure of the Indian financial system. NBFCs are the preferred alternatives to the conventional banks as a financial intermediary for meeting various financial requirements of a business enterprise as they provide a hassle free credit. A sales driven approach and quick & efficient service offered by NBFC without complex formalities make them a better alternative to traditional banks. To withstand the competition, NBFCs need to constantly innovate in terms of their product as well as improve their operational efficiencies. The coming years will be very crucial for NBFCs and only those who will be able to face the challenge and prove themselves by standing the test of time will survive in the long run. The changing and tougher banking regulation can be a major impediment to the growth of NBFC in India.

Number of NBFC registered with RBI

End June	Number of Registered NBFC	Number of NBFC-D	Number of NBFCs ND-SI
2005	13,261	507	-
2006	13,014	428	149
2007	12,968	401	173
2008	12,809	364	189
2009	12,740	336	234
2010	12,630	308	260

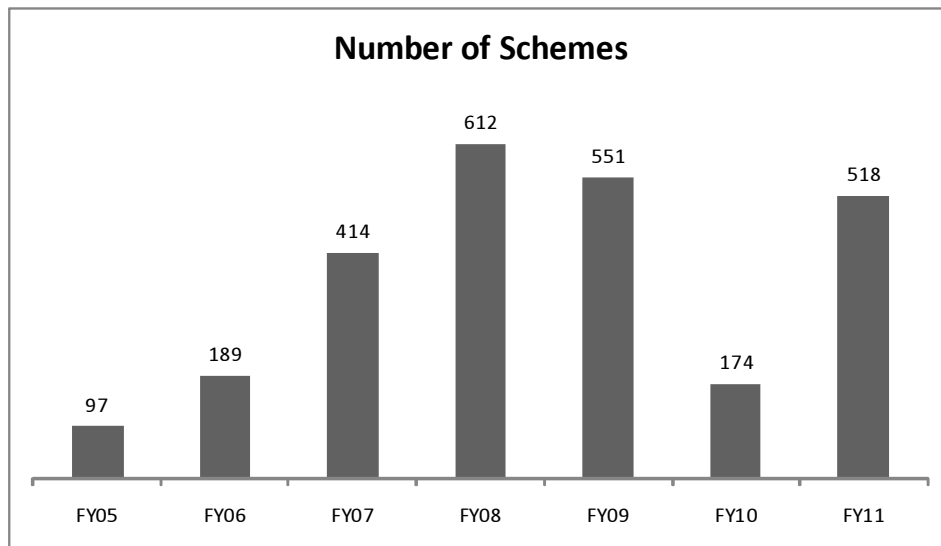
Source-RBI Annual Report on trends and progress of banks.

The number of NBFCs has decreased over the last 2 years. Cancellation of certification of registration of some NBFCs coupled with RBI's unwillingness to give new NBFC licenses are the main reason behind the decrease in total number of NBFC. In the coming year we expect to see more consolidation in the NBFC sector which will help the stronger players to gain significant market share. Despite the decrease in total number of NBFCs the net asset held by all the NBFC has increased from Rs.97048 crore in 2008-09 to Rs.109324 crore in 2009-10. The financial performance of the FI sector improved during 2009-10 as compared with 2008-09. The increase in net profits of FI is mainly attributed to increase in interest income.

The maturity of public deposits is mainly from short to medium term. In 2009-10 there is a increase in the share of deposit of maturity less than 1 year and 2-3 year range. At the end of 2009-10, only 7% of deposit taking NBFCs had the asset size of more than 500 crore that accounted almost 98% of the total asset held by all the NBFC-D. Hire purchase and loans and advances by NBFCs witnessed a growth of 7.6% and 42.7% respectively while equipment and leasing saw a decline of 60% during 2009-10. Loans and hire purchase constitute 75% of their lending. The CRAR is above the statutory minimum ratio which will help the NBFC to improve their credit dispensation.

Mutual Funds

The year FY11 was witness to the launch of 518 schemes - substantial growth over the previous year and one of the highest in the past decade.



Source: Business Beacon, CMIE

The significant increase in the number of schemes allowed the industry to limit the decline in aggregate sales of mutual funds to 11.5% only. But the trend of significant redemptions which started in FY10 continued unabated and the industry suffered redemptions of Rs.8,908,921 crores in FY11 – a 10.4% decline over the level witnessed in FY10. Thus, the industry suffered a significant decline in net resource mobilization by Rs.49,406 crore in FY11 – significant change from the increase in net resource mobilization of Rs.83,081 crores in FY10.



(' in crores)

Year	Sales	Redemptions	Net Resource Mobilization
FY05	840,694	837,508	3,186
FY06	1,099,559	1,045,336	54,223
FY07	1,938,592	1,844,512	94,080
FY08	4,464,376	4,310,575	153,801
FY09	5,426,353	5,454,650	(28,297)
FY10	10,019,023	9,935,942	83,081
FY11	8,859,515	8,908,921	(49,406)

Source: Business Beacon, CMIE

Insurance

Total life insurance (new policies) collected for the FY11 has grown by 15.1% to Rs.1258bn. A substantial portion of this growth (about 53.9%) has been contributed by a large jump in Group non-single premiums. Else the growth in individual premiums (single + non-single) has been a mere 1.1% to Rs.826.5bn. In fact individual non-single premium has fallen by 10% to Rs.467.8bn. Insurance penetration in India has improved from 4.6% in 2008 to 5.2% in 2009 as against a dip in world average insurance penetration from 7.1% in 2008 to 7.0% in 2009. India's insurance penetration is still lower than world average, which indicates further potential of insurance in India.

Improved insurance penetration; rattled recently by global meltdown

Insurance Penetration as % to GDP	2004	2005	2006	2007	2008	2009
India (fiscal year)	3.17	3.14	4.8	4.7	4.6	5.2
World	7.99	7.52	7.5	7.5	7.1	7.0

Source: IRDA

Challenges & Outlook

The Indian economy looks poised for the continuation of the slowdown that started getting manifested from the last quarter of FY11. Even though the government and the RBI have been trying more than a year, inflation remains at elevated levels and is shaping up to be the biggest macroeconomic challenge in front of the Indian economy in FY12. Inflation is likely to plateau at elevated levels due to the confluence of multiple factors like structural food inflation, soaring commodity prices and the transmission of the structural and supply driven inflation to core inflation through the channel of aggregate inflationary expectations.

The efforts by the RBI and the Government to tame inflation have started impacting the aggregate demand in the country resulting in a slowdown of the aggregate economic growth. This process is likely to continue for the best part of the FY12. Further, soaring commodity prices and elevated inflation levels have led a significant increase in the overall fiscal deficit.

The situation is further complicated by the weakening global growth on account of the removal of monetary accommodation in the advanced countries, monetary tightening by the developing countries to tackle the high rates of inflation and the continuation of the sovereign crisis in the Eurozone.

Even though the structural potential of the Indian economy remains intact, the economy is set to face cyclical headwinds resulting in weakening of the near-term growth. Robust policy initiatives by the Government can go a long way in helping the Indian economy to withstand these cyclical challenges.

Financial Performance on Consolidated Basis

The various activities of the Company showed marked improvement in operational revenue despite tough and volatile market conditions prevailed during the year under review. The consolidated revenue increased by 26.49% over PY from Rs.7,226.43 lacs to Rs.9,140.47 lacs. Due to new initiatives undertaken by your Company during the year the overall expenditure resulting in increase from Rs.4,886.35 lacs to Rs.7,346.63 lacs.

Risk and Concern

The overall economic outlook for the ensuing year 2011-12 appears to be positive but challenging. Though timely and aggressive policy responses by the RBI and the Government have aided the growth process, currently certain upside risks have come to the fore such as surge in the domestic international prices, high current account deficit, uncertainty over the pace of recovery in certain advanced countries, volatility in the short term foreign funds inflows coupled with moderation in the FDI's. Risk is inevitable in business and risk management is all about risk reduction and avoidance. 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.

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 2011

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 constitute the "Fortune Group") as at 31 March 2011 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 reports 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 therein, 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 2011;
- 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
ICAI Registration Number: 0126168W

Mumbai, May 26 2011

Sudhir V. Nair
Partner
(Membership Number 45893)



CONSOLIDATED BALANCE SHEET AS AT MARCH 31 2011

(Rupees in lacs)

	Schedules	As at 31-Mar-11		As at 31-Mar-10	
SOURCES OF FUNDS					
Shareholders' Funds					
Share capital	A	1,227.93		1,211.64	
Equity warrants		300.00		120.00	
Reserves and surplus	B	10,007.90		9,044.54	
			11,535.83		10,376.18
Loan Funds					
Secured loans	C	11,785.90		7,456.88	
Unsecured loans	D	3,009.61	14,795.51	2,064.71	9,521.59
TOTAL			26,331.34		19,897.77
APPLICATION OF FUNDS					
Fixed Assets					
Gross block	E	1,738.45		1,556.92	
Less : Depreciation and amortisation		979.36		988.56	
Add : Capital work -in-progress		12.48		13.48	
Net block			771.57		581.84
Investments	F		1,023.83		491.87
Deferred Tax Asset (Net)			105.11		55.32
Current Assets, Loans and Advances					
Current assets	G	24,022.83		17,834.28	
Loans and advances	H	11,636.27		8,044.04	
			35,659.10		25,878.32
Less : Current Liabilities and Provisions					
Current liabilities	I	10,842.80		6,811.43	
Provisions	J	493.79		406.09	
			11,336.59		7,217.52
Net Current Assets			24,322.51		18,660.80
Miscellaneous Expenditure (to the extent not written off or adjusted)	K		108.32		107.94
TOTAL			26,331.34		19,897.77
Notes to Accounts	R				

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 26 2011J.T. Poonja
Executive ChairmanS.G.Muthu Kummar
Chief Financial OfficerNimish C. Shah
Managing DirectorHaroon Mansuri
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31 2011

(Rupees in lacs)

	Schedules	Year ended 31-Mar-11	Year ended 31-Mar-10
INCOME			
Income from operations	L	9,011.05	6,948.89
Other Income	M	128.97	277.54
TOTAL		9,140.02	7,226.43
EXPENDITURE			
Operational expenses	N	2,444.24	1,382.60
Personnel expenses	O	2,289.84	1,455.07
Administrative and other expenses	P	1,513.70	1,142.48
Financial expenses	Q	812.93	615.16
Depreciation		285.47	291.04
TOTAL		7,346.18	4,886.35
PROFIT BEFORE TAX		1,793.84	2,340.08
PROVISION FOR TAXATION			
Current tax		672.80	779.38
Deferred tax		(49.80)	(45.64)
PROFIT AFTER TAX		1,170.84	1,606.34
Balance brought forward from previous year		3,117.85	2,115.70
Tax in-respect of earlier years (Net)		34.02	17.21
BALANCE AVAILABLE FOR APPROPRIATION		4,254.67	3,704.83
APPROPRIATIONS			
Transfer to statutory reserve		102.50	38.46
Transfer to general reserve		142.10	183.24
Proposed equity dividend (Refer Note II.16 Schedule 'R')		247.39	302.91
Dividend distribution tax		41.93	62.37
Balance carried to balance sheet		3,720.75	3,117.85
TOTAL		4,254.67	3,704.83
EARNINGS PER SHARE			
Profit after tax		1,170.84	1,606.34
Weighted average number of equity shares			
Basic		12,224,953	11,248,799
Diluted		12,429,474	11,470,992
Nominal value per share (in rupees)		10.00	10.00
Earnings per share			
Basic		9.58	14.28
Diluted		9.42	14.00
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

Sudhir V. Nair
Partner
Membership No.45893
Mumbai, May 26 2011

J.T. Poonja
Executive Chairman

S.G.Muthu Kummar
Chief Financial Officer

Nimish C. Shah
Managing Director

Haroon Mansuri
Company Secretary



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31 2011

(Rupees in lacs)

	31-Mar-11	31-Mar-10
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	1,793.84	2,340.08
Adjustments for :		
Depreciation and amortisation	285.47	291.04
Miscellaneous expenses written off	15.27	13.67
Loss on sale of assets (net)	11.55	18.05
Provision for diminution in value of current investments/ stock/derivatives (net)	48.21	(5.80)
Profit/(Loss) on sale of current investments/stock/derivatives (net)	197.66	(572.46)
Provision for doubtful debts	3.04	(7.90)
Provision for doubtful advances	0.42	-
Bad Debts/Sundry balances written off (net)	71.36	147.96
Provisions for employee benefits	86.86	8.95
General provision against standard assets	24.86	-
Interest received	(2,410.88)	(1,696.25)
Interest expense	682.81	547.70
Dividend income	(9.25)	(9.89)
Operating Profit before Working Capital Change	801.22	1,075.15
Adjustments for :		
(Increase)/Decrease in trade and other receivables	(6,017.84)	(6,720.11)
(Increase)/Decrease in investments/stock	(752.50)	545.10
(Increase)/Decrease in margin money deposit and fixed deposits	(4,081.14)	(2,152.02)
(Increase)/Decrease in operating liabilities	(1,002.22)	3,939.90
Increase/(Decrease) in trade payables	4,101.66	2,789.18
	(6,950.82)	(522.80)
Interest income	2,410.88	1,696.25
Dividend income	9.25	9.89
Direct taxes paid (net of refunds)	(789.90)	(703.14)
	(5,320.59)	480.20
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(5,320.59)	480.20
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (Including capital work-in-progress)	(494.76)	(260.80)
Sale of fixed assets	8.01	12.20
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(486.75)	(248.60)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31 2011 (Contd...)
(Rupees in lacs)

	31-Mar-11	31-Mar-10
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	132.15	809.02
Proceeds from issue of equity warrants	180.00	120.00
Net borrowing from banks	6,276.14	707.05
Interest expense	(682.81)	(547.70)
Dividend and distribution tax paid	(359.18)	(141.55)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	5,546.30	946.82
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(261.04)	1,178.42
CASH AND CASH EQUIVALENTS		
Balance at the beginning of the year	1,549.78	371.36
Balance at the end of the year	1,288.74	1,549.78
	(261.04)	1,178.42

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 necessary.

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 26, 2011

J.T. Poonja
Executive Chairman

S.G.Muthu Kummar
Chief Financial Officer

Nimish C. Shah
Managing Director

Haroon Mansuri
Company Secretary



SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in lacs)

	As at 31-Mar-11	As at 31-Mar-10
SCHEDULE "A" SHARE CAPITAL		
Authorised		
15,000,000 (Previous year 15,000,000) equity shares of Rs.10 each	1,500.00	1,500.00
TOTAL	<u>1,500.00</u>	<u>1,500.00</u>
Issued, Subscribed and fully Paid-up		
1,22,79,290 (Previous year 1,21,16,400) equity shares of Rs.10 each	1,227.93	1,211.64
TOTAL	<u>1,227.93</u>	<u>1,211.64</u>
Notes :		
1 Of the above, 199,400 equity shares were allotted as fully paid-up bonus shares by capitalization of general reserve		
2 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		
3 Of the above, 38,83,004 (Previous year 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.		
4 Of the above, 179,290 (Previous year 16,400) equity shares of Rs.10 each were allotted as fully paid up shares under FFSIL ESOP Scheme 2006.		
SCHEDULE "B" RESERVES AND SURPLUS		
General Reserve		
As per last balance sheet	590.31	407.07
Add: Transferred during the year	<u>142.10</u> 732.41	<u>183.24</u> 590.31
Capital Reserve		
As per last balance sheet	88.00	
Add: Addition on forfeiture of equity warrants	<u>-</u> 88.00	<u>88.00</u> 88.00
Statutory Reserve (U/s 45-1C of the RBI Act, 1934)		
As per last balance sheet	54.72	16.26
Add: Transferred during the year	<u>102.50</u> 157.22	<u>38.46</u> 54.72
Share Premium Account		
As per last balance sheet	5,193.66	4,486.28
Add: Additions during the year	<u>115.86</u> 5,309.52	<u>707.38</u> 5,193.66
Profit and Loss Account		
	3,720.75	3,117.85
TOTAL	<u>10,007.90</u>	<u>9,044.54</u>
SCHEDULE "C" SECURED LOANS		
Working Capital Loans		
From banks	8,390.96	-
From others	3,287.95	7,393.09
(Secured against pledge of fixed deposits, book debts, personal guarantee of two directors and certain shares and corporate guarantee of the holding company)		

SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in lacs)

	As at 31-Mar-11	As at 31-Mar-10
Interest accrued and due on above	49.59	12.83
Vehicle Loans	57.40	50.96
(Secured against hypothecation of vehicles, net of deferred interest of Rs. 5.93 lacs (Previous year Rs. 4.53 lacs)) (Repayable within one year Rs. 29.81 lacs (Previous year Rs. 28.41 lacs))		
TOTAL	<u>11,785.90</u>	<u>7,456.88</u>
SCHEDULE "D" UNSECURED LOANS		
Inter corporate loans	2,877.87	2,059.11
Interest accrued and due on above	131.74	5.60
TOTAL	<u>3,009.61</u>	<u>2,064.71</u>

SCHEDULE "E" FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions during the year	Deductions/ Adjustments during the year	As at 31.03.2011	As at 01.04.2010	For the period/ Adjustments	On deductions/ Adjustments	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Tangible Assets										
Electrical installations	2.84	-	1.00	1.84	2.49	0.02	0.72	1.79	0.05	0.35
Computers	370.41	98.83	5.08	464.16	244.42	76.56	3.95	317.03	147.13	125.99
Office equipments	222.09	92.85	9.27	305.67	63.96	33.20	5.08	92.08	213.59	158.13
Furniture and fixtures	110.49	15.85	13.73	112.61	58.60	15.61	8.63	65.58	47.03	51.89
Leasehold improvements	253.87	169.99	15.48	408.38	144.23	82.72	10.74	216.21	192.17	109.64
Vehicles	111.84	92.27	8.67	195.44	32.75	37.20	4.55	65.40	130.04	79.09
Intangible Assets										
Computer software	224.38	25.97	-	250.35	181.11	40.16	-	221.27	29.08	43.27
Goodwill on business acquisition	261.00	-	261.00	-	261.00	-	261.00	-	-	-
TOTAL	1,556.92	495.76	314.23	1,738.45	988.56	285.47	294.67	979.36	759.09	568.36
Previous year	1,383.52	247.33	73.93	1,556.92	741.20	291.04	43.68	988.56	568.36	642.32
Capital Work-In-Progress	13.48	-	1.00	12.48	-	-	-	-	12.48	-
Previous year	-	13.48	-	13.48	-	-	-	-	13.48	-

	As at 31-Mar-11	As at 31-Mar-10
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
CURRENT INVESTMENTS (NON TRADE)		
A) Equity Shares (unquoted)	996.53	466.82
B) Debentures (quoted)	2.25	-
C) Mutual Fund Units (unquoted)	25.00	25.00
TOTAL	<u>1,023.83</u>	<u>491.87</u>



SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in lacs)

	As at 31-Mar-11		As at 31-Mar-10	
	Number	Amount	Number	Amount
LONG TERM INVESTMENTS (TRADE)				
Name of the Company	Number	Amount	Number	Amount
A) EQUITY SHARES (UNQUOTED)				
Bombay Stock Exchange Limited (Under lien with a bank)	70,694	0.05	70,694	0.05
TOTAL		0.05		0.05
CURRENT INVESTMENT (NON TRADE)				
A) EQUITY SHARES (QUOTED)				
Arishya International Limited	–	–	4,000	5.96
Anant Raj Industries Limited	93,000	77.47	–	–
Aurionpro Solutions Limited	12,000	35.18	10,000	29.65
Bharati Shipyard Limited	61,000	91.72	–	–
Ess Dee Aluminium Limited	25,000	105.00	20,000	79.01
Graphite India Limited	–	–	39,000	35.04
Housing Development & Infrastructure Limited	2,000	3.25	–	–
Jai Corp Limited	24,000	39.46	–	–
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
LIC Housing Finance Limited	1,250	2.66	–	–
Madhucon Projects Limited	–	–	10,000	18.07
Marg Construction Limited	103,000	132.89	67,000	117.51
Nitesh Estate Limited	20,000	9.03	–	–
Nagarjuna Fertilizers & Chemicals Limited	224,000	60.16	–	–
Ruchi Soya Industries Limited	–	–	9,000	7.80
Sarda Energy & Minerals Limited	31,500	63.00	–	–
State Bank of India	1,370	36.97	–	–
Strides Arcolab Limited	–	–	22,000	40.91
Sujana Tower Limited	–	–	17,000	9.33
Tata Consultancy Limited	500	5.43	–	–
Technocraft Industries India Limited	10,000	9.11	–	–
Tricom Finance Limited	64,500	12.58	–	–
Unitech Limited	60,000	20.87	–	–
UTV Software Communication Limited	51,500	288.42	–	–
VA Tech Wabag Limited	200	3.33	–	–
TOTAL		996.53		466.82
(Market value of current investments Rs. 963.96 lacs (Previous year Rs. 511.59 lacs))				

SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in lacs)

	As at 31-Mar-11		As at 31-Mar-10	
	Number	Amount	Number	Amount
B) DEBENTURES (QUOTED)				
Name of the Company	Number	Amount	Number	Amount
Jyoti Structures Limited (Market value Rs. 2.09 lacs (previous year Nil))	1,875	2.25	-	-
TOTAL		<u>2.25</u>		<u>-</u>
C) MUTUAL FUND UNITS (UNQUOTED)				
Name of the Fund	Number	Amount	Number	Amount
Axis Equity Fund	250,000	25.00	250,000	25.00
TOTAL		<u>25.00</u>		<u>25.00</u>
(Net asset value of mutual fund units Rs.27.58 lacs (Previous year Rs.26.00 lacs))				
SCHEDULE "G" CURRENT ASSETS				
Stock of Shares (at Cost)		-		25.33
(Market value Nil (Previous year Rs.26.40 lacs))				
Debtors				
(Unsecured)				
Outstanding for a period exceeding six months :				
Considered good	52.98		73.42	
Considered doubtful	40.82		37.78	
Others :				
Considered good	8,778.98		6,516.04	
	<u>8,872.78</u>		<u>6,627.24</u>	
Less : Provision for doubtful debts	<u>40.82</u>		<u>37.78</u>	
		8,831.96		6,589.46
(Debtors include Rs.204.99 lacs (Previous year Nil) due from Director/Companies in which Directors are interested.)				
(Maximum amount outstanding from directors at any time during the year Rs. 314.28 lacs (Previous year Rs. 623.97 lacs))				
Cash and Bank Balances				
Cash on hand	3.47		1.24	
Balance with Scheduled Banks				
In current accounts	1,285.27		1,548.54	
In deposit accounts	6,397.38		5,440.26	
(Of the above Rs.5,684.01 lacs (Previous year Rs. 4,005.47 lacs) under lien with banks for overdraft facilities)				
Margin money deposit accounts	6,991.46		3,867.44	
(Under lien with Bombay Stock Exchange Limited, National Securities Clearing Corporation Limited and certain banks)				
		<u>14,677.58</u>		<u>10,857.48</u>



SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in lacs)

	As at 31-Mar-11	As at 31-Mar-10
Other Assets		
Interest accrued but not due	513.29	362.01
TOTAL	<u>24,022.83</u>	<u>17,834.28</u>
SCHEDULE "H" LOANS AND ADVANCES		
Loan Portfolio		
Secured	5,705.01	6,216.01
Unsecured	2,724.06	628.65
	<u>8,429.07</u>	<u>6,844.66</u>
Loan and advances to employees	177.81	142.20
Deposits		
Exchange/Clearing member deposits (Includes margin paid for proprietary trades)	2,277.83	405.99
Others	267.25	198.20
	<u>2,545.08</u>	<u>604.19</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	3.45	9.74
Less: Provision for loss on equity Index/stock options	3.45	9.74
	<u>–</u>	<u>–</u>
Advances recoverable in cash or in kind or for value to be received	186.44	238.20
Advance tax and tax deducted at source (Net of provision for tax of Rs 1,594.00 lacs (Previous year Rs. 1,944.03 lacs))	297.87	214.79
TOTAL	<u>11,636.27</u>	<u>8,044.04</u>
SCHEDULE "I" CURRENT LIABILITIES		
Sundry creditors	9,746.46	4,841.55
Unclaimed dividends	20.83	11.76
(As on March 31 2011, no amount was due and outstanding for transfer to investor Education and Protection Fund)		
Book overdraft	412.20	1,183.50
Other liabilities	663.31	774.62
TOTAL	<u>10,842.80</u>	<u>6,811.43</u>
SCHEDULE "J" PROVISIONS		
Provision for proposed equity dividend	245.59	302.91
Provision for dividend distribution tax	40.71	62.32
Provision for doubtful advances	0.42	–
Provision for employee benefits	121.44	34.58
Provision for diminution in value of current investments/ stock/derivatives	60.77	6.28
Contingent provision against standard assets	24.86	–
TOTAL	<u>493.79</u>	<u>406.09</u>

SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in lacs)

	As at 31-Mar-11	As at 31-Mar-10
SCHEDULE "K" MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Opening Balance	107.94	119.83
Add: Additions during the year	15.65	1.78
Less: Written off during the year	15.27	13.67
TOTAL	108.32	107.94
	Year ended 31-Mar-11	Year ended 31-Mar-10
SCHEDULE "L" INCOME FROM OPERATIONS		
Brokerage and related operational income	5,338.07	4,013.48
Investment and merchant banking income	1,041.74	614.28
Interest on loans	1,482.63	1,001.26
(Tax deducted at source Rs. 48.05 lacs (Previous year Rs. 118.61 lacs))		
Interest on fixed deposits and others	816.58	686.86
(Tax deducted at source Rs. 83.07 lacs (Previous year Rs. 85.31 lacs))		
Provision for diminution in value of current investments / stocks / derivatives written back (net)	-	5.80
Profit on sale of current investments / stock / derivatives (net)	-	572.46
Provision for bad debts written back (net)	-	7.90
Distribution and professional income	312.60	46.85
Other operational income	19.43	-
TOTAL	9,011.05	6,948.89
SCHEDULE "M" OTHER INCOME		
Income from dividend	9.25	9.89
Bad debts recovered	5.00	-
Service income	-	53.00
Interest (others)	111.67	8.13
(Tax deducted at source Rs. 9.45 lacs (Previous year Nil))		
Miscellaneous income	3.05	206.52
TOTAL	128.97	277.54
SCHEDULE "N" OPERATIONAL EXPENSES		
Brokerage / Sub brokerage	118.64	90.11
Service charges	947.02	437.37
Loss on sale of current investments/stock/derivatives (Net)	197.66	-
Provision for diminution in value of current investments/stock/derivatives (net)	48.21	-
Other operating expenses	1,132.71	855.12
TOTAL	2,444.24	1,382.60



SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

(Rupees in lacs)

	Year ended 31-Mar-11	Year ended 31-Mar-10
SCHEDULE "O" PERSONNEL EXPENSES		
Salaries, bonus and allowances	2,102.40	1,367.70
Contribution to provident and other funds	151.39	61.49
Staff welfare and other expenses (Refer Note II.7 Schedule 'R')	36.05	25.88
TOTAL	2,289.84	1,455.07
SCHEDULE "P" ADMINISTRATIVE AND OTHER EXPENSES		
Rent	355.41	231.17
Rates and taxes	4.84	3.10
Printing and stationery	118.98	95.81
Travelling expenses		
Foreign travelling	42.80	8.45
Domestic travelling	15.69	33.33
Conveyance expenses	49.72	38.12
Motor vehicle expenses	37.50	23.97
Electricity charges	71.94	59.41
Communication expenses	146.24	106.56
Advertisement expenses	12.02	5.03
Legal and professional fees	168.27	128.62
Auditors' remuneration	17.33	14.18
Repairs and maintenance		
Office premises	13.30	4.35
Others	203.46	118.78
Insurance	14.76	12.55
Membership and subscription	12.45	11.85
Donations	0.24	-
Directors' sitting fees	6.90	5.75
Newspapers, books and periodicals	9.61	6.32
Business promotion expenses	67.54	46.69
Loss on sale of assets (net) (Includes loss on theft Rs. 4.12 lacs (Previous year Nil))	15.67	18.05
Bad debts / sundry balances written off (net)	76.36	147.96
Provision for doubtful debts	3.04	-
General provision against standard assets	24.86	-
Provision for doubtful advances	0.42	-
Exchange loss	-	2.36
Miscellaneous expenses	24.35	20.07
TOTAL	1,513.70	1,142.48
SCHEDULE "Q" FINANCIAL EXPENSES		
Interest	682.81	547.70
Bank charges and others	130.12	67.46
TOTAL	812.93	615.16

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 a 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	% of voting power held	
	As at March 31 2011	As at March 31 2010
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. Basis of Preparation of financial statements

The accompanying financial statements have been prepared under the historical cost convention on an accrual basis. The financial statements have been prepared in accordance with the generally accepted accounting principles to comply in all material aspects 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. Issue Management fee is accounted on the basis of the terms of agreement with the clients.
- b. Placement fees, Professional fees and other service charges are accounted when there is reasonable certainty of its ultimate realisation / collection.

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

- c. Income from broking activities is recognised on the trade dates.
- d. Income from distribution is accounted when there is reasonable certainty of its ultimate realisation/ collection.
- e. Interest income is recognised on accrual (time proportion) basis. In its 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.
- f. Commission income on first year premium on insurance policies is recognised, when insurance policies sold by the Company are accepted by the principal insurance company. Renewal commission is accounted for on receipt basis.
- 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
a) 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 like short-term compensated absences, estimated cost of bonus and ex-gratia are recognised in the period in which the employee renders the related service.

b) Post Employment Benefits
i) Defined Benefit Plans

The Company's net obligation in respect of its defined benefit plans, 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 plans is determined based on actuarial valuation using the 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 plans, 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.

ii) Defined contribution Plans

The Company contributes to defined contribution plan like the state governed employee's provident fund and pension fund schemes for all its employees who are eligible for the benefit. All such contributions are recognised during the period in which the employee renders the related service.

5. Employee Stock Option Scheme

The stock options granted by the Company are accounted for as per the accounting treatment prescribed by SEBI (Employee Stock Option Scheme and Employee 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 Reserves.

6. Tangible Fixed Assets

Tangible fixed assets are stated at cost of acquisition net of tax / duty credits availed 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 net of tax / duty credits availed 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. On intangible assets, 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. On asset costing less than Rs. 5,000, at hundred percent of the cost of the asset.
- e. On leasehold improvements, over the primary period of the lease.

9. Impairment of Assets

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 the 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

The basic earnings per share is computed and disclosed by dividing the net profit after tax attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings

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

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

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 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.

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	2010-2011	2009-2010
Deferred tax asset		
Provision for diminution in value of Current Investments / Stocks / Derivatives	21.33	5.44
Provision for doubtful debts	13.56	12.84
Provision for employee benefits	40.33	11.59
Provision for doubtful advances	0.14	-
Accumulated depreciation	29.75	25.45
Deferred tax asset (Net)	105.11	55.32

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 company does not have any separate geographical segment other than India.

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)

	Capital market activities		Investment and merchant banking activities		Financing activities		Total	
	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010	2010-2011	2009-2010
Segment revenue								
External revenue	6,466.83	5,278.93	1,540.32	1,442.37	1,735.49	1,043.28	9,743.09	7,764.58
Inter segment revenue	42.49	22.98	349.30	495.45	210.83	19.72	602.62	538.15
Total revenue	6,424.34	5,255.95	1,191.02	946.92	1,524.66	1,023.56	9,140.02	7,226.43
Segment result profit before tax	681.97	1,470.01	483.50	496.03	628.37	374.04	1,793.84	2,340.08
Provision for tax								
Current tax	216.10	458.47	189.20	221.86	267.50	99.05	672.80	779.38
Deferred tax	(47.10)	(29.89)	(2.46)	(15.71)	(0.24)	(0.04)	(49.80)	(45.64)
Total result	512.97	1,041.43	296.76	289.88	361.11	275.03	1,170.84	1,606.34
Segment assets	28,385.76	17,605.77	1,491.02	1,599.40	7,791.17	7,905.05	37,667.95	27,110.22
Segment liabilities	20,274.09	11,816.23	368.50	370.71	5,489.53	4,547.10	26,132.12	16,734.04
Net segment assets	8,111.67	5,789.54	1,122.52	1,228.69	2,301.64	3,357.95	11,535.83	10,376.18
Other information								
a) Capital expenditure	461.29	221.12	34.47	24.09	-	2.12	495.76	247.33
c) Depreciation and amortisation	263.10	270.41	21.92	19.91	0.45	0.72	285.47	291.04

3. Related party transactions

Details of the related parties with whom transactions were carried out during the year and description of the relationship and the amounts involved are provided below:

- a) Name of the related parties.
 - i) Enterprises having significant influence:
 - Fortune Capital Services
 - J T Poonja (HUF)
 - Mehra Capital Services Private Limited
 - Nimish C. Shah (HUF)
 - Umrigar Investment Pvt. Ltd
 - 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 transactions	80.41 (56.69)	4,908.74 (3,111.26)	4,989.15 (3,167.95)
– Sale transactions	48.05 (57.42)	4,680.90 (3,751.83)	4,728.95 (3,809.25)
Rent	51.00 (51.00)	– (–)	51.00 (51.00)
Interest	– (1.19)	– (–)	– (1.19)
Interest charged	11.78 (–)	– (–)	11.78 (–)
Remuneration	– (–)	119.81 (110.83)	119.81 (110.83)
Dividend paid	5.62 (1.88)	134.11 (59.27)	139.73 (61.15)
Loans given	1,628.50 (50.00)	– (–)	1,628.50 (50.00)
Loans taken	– (229.00)	– (–)	– (229.00)
Reimbursements	0.03 (0.06)	– (–)	0.03 (0.06)
Outstanding as on March 31			
a) Deposit receivable	84.70 (84.70)	– (–)	84.70 (84.70)
b) Loan receivable	926.19 (–)	– (–)	926.19 (–)
c) Sundry debtors	– (–)	209.99 (2.00)	209.99 (2.00)
d) Sundry creditors	1.29 (–)	12.13 (146.40)	13.42 (146.40)

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

4. Auditors' Remuneration

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Statutory audit	10.81	9.79
Tax audit	2.85	2.20
Certification and other matters	3.67	2.19
Total	17.33	14.18

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 2011		As at March 31 2010	
	Number	Amount	Number	Amount
Adhunik Metaliks Limited	-	-	1,522	1.85
Aegis Logistics Limited	-	-	955	1.87
Atul Limited	-	-	1,000	0.95
DCM Shriram Consolidated Limited	-	-	1,001	0.65
DQ Entertainment (International) Limited	-	-	200	0.22
Fedders Lloyd Corporation Limited	-	-	1,000	0.88
Fiem Industries Limited	-	-	998	0.97
Firstsource Solutions Limited	-	-	1,003	0.37
Global Vectra Helicorp Limited	-	-	550	0.28
Gujarat Investa Limited	-	-	100	0.01
HB Stockholdings Limited	-	-	1,000	0.25
HBL Power Systems Limited	-	-	756	0.29
Himachal Futuristic Communications Limited	-	-	1,000	0.16
Malu Paper Mills Limited	-	-	1,001	0.21
Navneet Publications India Limited	-	-	1,701	0.69
Omaxe Limited	-	-	1,275	1.56
Rane Madras Limited	-	-	5	0*
REI Agro Limited	-	-	2,250	1.09
Shri Lakshmi Cotsyn Limited	-	-	1,049	1.19
SKF India Limited	-	-	250	0.88
Supreme Industries Limited	-	-	2,315	10.30
Surya Roshni Limited	-	-	1,300	0.66
Total		-		25.33

Market value of quoted equity shares as at March 31 2011 is Nil (Previous year Rs. 26.40 lacs).

* Amount less than rupees thousand

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

Particulars	2010-2011		2009-2010	
	Nos.	(Rupees in lacs)	Nos.	(Rupees in lacs)
Opening stock of equity shares	22,231	25.33	666,838	480.38
Add: Purchases of equity shares *	6,338,902	7,510.41	27,828,491	45,789.46
Sub-Total	6,361,133	7,535.74	28,495,329	46,269.84
Less: Sale of equity shares *	6,361,133	7,535.74	28,473,098	46,244.51
Closing stock of equity shares	-	-	22,231	25.33

*Includes shares purchased/sold on arbitrage basis

SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)
c) Derivative Instruments

- i) Initial Margin on Equity Derivative Instruments contracts have been paid in cash only.
- ii) Open future contracts outstanding as on March 31, 2011

Name of the Equity Index / Stock Future	No. of contracts	No of Units	
		Long	Short
Aban Offshore Limited	14	7,000	–
ABB Limited	40	20,000	–
Alok Industries Limited	10	1,00,000	–
Areva T&D India Limited	5	5,000	–
Bharat Forge Limited	2	2,000	–
CESC Limited	53	26,500	–
Divi's Laboratories Limited	3	1,500	–
Gujarat Mineral Development Corporation Limited	16	32,000	–
Great Offshore Limited	21	21,000	–
Nifty	–	31,200	60,850
Punj Lloyd Limited	9	18,000	–
Reliance Communications Limited	42	84,000	–
Reliance Infrastructure Limited	27	13,500	–
United Phosphorus Limited	15	30,000	–

6. (a) Earnings in Foreign currency

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Investment banking income (on accrual basis)	189.47	230.73

(b) Expenditure incurred in foreign currency

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Travelling and business promotion expenses	4.93	3.83
Software / Subscription	0.43	1.49
Total	5.36	5.32

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

(c) Details of dividend remitted in foreign currency

Particulars	2010-2011	2009-2010
Type of dividend	Dividend for FY 2009-2010	Dividend for FY 2008-2009
Number of non-resident shareholders	3	3
Number of shares held	4,333,992	3,333,992
Gross amount of dividend (Rupees in lacs)	108.35	36.67

7. Managerial Remuneration:

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Salary, bonus and allowances	110.96	117.56
Contribution to provident and other funds	8.85	8.09
Sub total	119.81	125.65
Directors' sitting fees	6.90	5.75
Total	126.71	131.40

Managerial remuneration includes director remuneration and remuneration to Manager of subsidiary, appointed in accordance with provisions of the Companies Act, 1956.

8. Employee Benefits:

(a) Defined Benefit Plan for Gratuity as per Actuarial Valuation as at March 31, 2011

(i) Change in Present Value of Defined Benefit Obligation

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Liability at the beginning of the year	41.64	28.61
Interest cost	5.04	3.26
Current service cost	21.63	13.39
Benefit paid	(0.66)	-
Actuarial (gain) / loss on obligations	43.57	(3.62)
Liability at the end of the year	111.20	41.64

(ii) Change in Fair Value of Plan Assets

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Fair value of plan assets at the beginning of the year	40.07	24.84
Expected return on plan assets	4.03	2.52
Contributions	10.62	12.32
Benefit paid	(0.66)	-
Actuarial gain / (loss) on plan assets	0.48	0.39
Fair value of plan assets at the end of the year	54.54	40.07

SCHEDULE "R" NOTES TO CONSOLIDATED ACCOUNTS (Contd.)
(iii) Amount Recognised in the Balance Sheet

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Liability at the end of the year	111.20	41.64
Fair value of plan assets at the end of the year	54.54	40.53
Difference	(56.67)	(1.11)
Amount recognised in the balance sheet	(56.67)	(1.11)

(iv) Expenses recognised in the Profit and Loss Account

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Current service cost	21.63	13.39
Interest cost	5.04	3.26
Expected return on plan assets	(4.03)	(2.97)
Actuarial gain / (loss)	43.04	(4.01)
Expense recognised in profit and loss account	65.72	9.67

(v) Actuarial Assumptions

Particulars	2010-2011	2009-2010
Discount rate (per annum)	8.25%	7.75%
Rate of return on plan assets (per annum)	8.00%	8.00%
Attrition rate (per annum)	2.00%	2.00%
Salary escalation (per annum)	5.00%	5.00%

- (vi) The estimates of salary escalation considered in actuarial revaluation takes into account inflation, seniority, promotion and other relevant factors such as demand and supply of employee.

(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. 80.85 lacs (previous year Rs. 50.11 lacs).

(c) General description of significant defined benefit plans

Gratuity Plan: Gratuity is payable to all eligible employees of the Company in terms of the provisions of the Payment of Gratuity Act, 1972.

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. 355.41 lacs (previous year Rs. 231.17 lacs)

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

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

Particulars	(Rupees in lacs)	
	2010-2011	2009-2010
Not later than one year	413.34	229.02
Later than one year but not later than five years	1,225.19	575.75
Later than five years	26.90	13.97

10. a. During the year one of the subsidiary companies redeemed 476,500 & 23,500 10% Redeemable cumulative Preference Shares of Rs.10 each on September 12 2010 & January 17 2011 respectively out of the proceeds of a fresh issue of 476,500 & 23,500 10% redeemable cumulative preference shares redeemable at par on September 12 2013 and January 17 2014 respectively.
- b. The subsidiary also redeemed 400,000 12.5% redeemable cumulative preference shares of Rs. 10 each on March 28 2011 out of the proceeds of a fresh issue of 400,000 12.5% redeemable cumulative preference shares of Rs. 10 each redeemable at par on March 28 2014.

11. Earnings Per Share

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

	Particulars	2010-2011	2009-2010
A	Basic		
	Calculation of weighted average number of equity shares		
	Number of equity shares at the beginning of the year	12,116,400	11,100,000
	Addition during the year	162,890	10,16,400
	Number of equity shares at the end of the year	12,279,290	12,116,400
	Weighted average number of equity shares	12,224,953	11,248,799
	Net profit after tax (Rupees in lacs)	1,170.84	1,606.34
	Basic earning per share of Rs.10 each (Rupees)	9.58	14.28
B	Diluted		
	Calculation of weighted average number of equity shares		
	Number of equity shares at the beginning of the year	12,116,400	11,100,000
	Addition during the year	162,890	10,16,400
	Number of equity shares at the end of the year	12,279,290	12,116,400
	Addition for shares (convertible from equity warrants) (Refer note II.12)	250,000	22,603
	Addition for ESOP vested	111,000	199,590
	Weighted average number of equity shares	12,429,474	11,470,992
	Net profit after tax (Rupees in lacs)	1,170.84	1,606.34
		Diluted earning per share of Rs.10 each (Rupees)	9.42

12. The company has allotted 400,000 equity warrants of Rs.10 each at Rs. 180 per warrant (previous year 600,000 equity warrants of Rs. 10 each at Rs. 80 per warrant) convertible in one equity share of Rs. 10 each per warrant on a preferential basis to its promoters. 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 issue. Accordingly, 600,000 & 400,000 warrants are due for conversion on or before August 4 2011 and March 12 2012 respectively. As on March 31 2011 none of the allottees have exercised their option for conversion.

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

Details of options granted

Particulars	2010-2011	2009-2010
Options outstanding at the beginning of the year	111,000	266,690
Options granted during the year	139,000	111,000
Lapsed during the year	–	50,700
Options exercised during the year	162,890	16,400
Options outstanding at the end of the year	250,000	310,590
Options vested	111,000	199,590
Options yet to vest	139,000	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.

Of the 162,890 options (Previous year 16,400) exercised 155,590 options (Previous year 16,400) were exercised by employees of the subsidiary.

14. Contingent Liabilities

(Rupees in lacs)

Particulars	March 31 2011	March 31 2010
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 its subsidiaries.	5,008.75	3,708.75

15. Estimated amount of contracts to be executed Rs.12.52 (Previous year Rs.41.50 lacs)

16. a. Section 115-O of the Income Tax 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 the proposed dividend distribution by the Holding Company.

b. The amount of proposed equity dividend includes Rs.1.80 lacs on account of dividend for the year 2009-2010 on equity shares issued pursuant to Employee Stock Option Scheme of 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 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 of its dues.

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 2011

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	2,425.00	60.00
Reserves	2,967.98	204.62	1,850.16	13.62
Total Assets	27,356.08	1,025.90	10,300.00	76.38
Total Liabilities	22,583.10	521.28	6,024.84	2.76
Investments	647.13	376.64	–	–
Turnover	5,933.66	521.19	1,741.10	11.97
Profit before Tax	239.75	223.53	779.77	3.08
Provision for Tax (including deferred tax)	93.93	74.11	267.26	0.96
Profit after Tax	145.82	149.42	512.51	2.12
Proposed Dividend	66.60	24.00	145.50	–



Fortune Financial Services (India) Limited

Standalone Financial Statements
for the year ended March 31 2011

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 2011, 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. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act.
 - v. On the basis of written representations received from the directors, as at 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 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 Balance Sheet, of the state of affairs of the Company as at 31 March 2011;
 - 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
ICAI Registration Number: 0126168W

Mumbai, May 26 2011

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 2011

In our opinion and according to the explanations given to us, the Company's business / activities during the year are such that clauses (ii), (vi) (viii), (x), (xiii), (xvi), (xix) and (xx) of the Companies (Auditor's) Report Order 2003, are not applicable to the Company. In respect of the other clauses, we report as under:

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. 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 granted unsecured loans to two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding in respect of the loan given during the year was Rs.213,504,548 and the year end balance of such loan is Rs. 49,777,937.
b. In our opinion, the rate of interest and other terms and conditions of loans granted by the Company are not prima facie prejudicial to the interest of the Company.
c. The receipt 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 by the Company
e. In our opinion and according to the explanations given to us, the Company has taken unsecured loans from two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding in respect of the loan taken during the year was Rs. 102,590,000 and the year end balance of such loan is Nil.
f. In our opinion, the rate of interest and other terms and conditions of loans taken by the Company are not prima facie prejudicial to the interest of the Company.
g. The repayment of principal and interest is regular, wherever there are stipulations with respect to the same.
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 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. 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 there are no contracts or agreements which are required to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered. Accordingly, paragraph 4(v)(b) of the order is not applicable.
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, no order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal on the Company.
6. The Company has an adequate internal audit system commensurate with the size of the Company and the nature of its business. Further on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
7. a. According to the records of the Company and the information and explanations given to us, the Company has been 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 explanation given to us there are no arrears of statutory dues as at the last day of the financial year, outstanding for more than six months from the date they become payable

- c. According to the information and explanations given to us, there are no statutory dues, which are disputed by the company.
8. Based on our audit procedures and on the information and explanations given by the Management, the Company has not defaulted in repayment of dues to any bank during the year.
9. 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, securities and timely entries have been made in those records. We also report that the Company has held the securities, in its own name except those that are intended to be contracted or sold immediately.
10. 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 interest of the Company.
11. 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.
12. 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.
13. 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
ICAI Registration Number: 0126168W

Mumbai, May 26 2011

Sudhir V. Nair
Partner
(Membership Number 45893)



BALANCE SHEET AS AT MARCH 31 2011

(Rupees in lacs)

	Schedules	As at 31-Mar-11	As at 31-Mar-10
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	A	1,227.93	1,211.64
Equity warrants		300.00	120.00
Reserves and surplus	B	<u>8,476.17</u>	<u>7,992.44</u>
		10,004.10	9,324.08
Loan Funds			
Secured loans	C	18.89	10.03
TOTAL		<u>10,022.99</u>	<u>9,334.11</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	D	138.97	123.96
Less : Depreciation and amortisation		85.17	79.72
Add: Capital work-in-progress		-	1.00
Net block		<u>53.80</u>	<u>45.24</u>
Investments	E	8,094.75	6,444.75
Deferred Tax Asset		13.61	11.16
Current Assets, Loans and Advances			
Current assets	F	1,555.83	1,854.49
Loans and advances	G	652.13	1,336.31
		<u>2,207.96</u>	<u>3,190.80</u>
Less : Current Liabilities and Provisions			
Current liabilities	H	79.69	54.11
Provisions	I	269.92	306.57
		<u>349.61</u>	<u>360.68</u>
Net Current Assets		1,858.35	2,830.12
Miscellaneous Expenditure (to the extent not written off or adjusted)	J	2.48	2.84
TOTAL		<u>10,022.99</u>	<u>9,334.11</u>
Notes to Accounts	Q		

In terms of our Report of even date

For NIPUN SUDHIR & ASSOCIATES
Chartered AccountantsSudhir V. Nair
Partner
Membership No.45893
Mumbai, May 26 2011

For and on behalf of the Board

J.T. Poonja
Executive ChairmanNimish C. Shah
Managing DirectorS. G. Muthu Kummar
Chief Financial OfficerHaroon Mansuri
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31 2011

(Rupees in lacs)

	Schedules	Year ended 31-Mar-11	Year ended 31-Mar-10
INCOME			
Income from operations	K	1,131.67	741.01
Other income	L	417.29	702.65
TOTAL		1,548.96	1,443.66
EXPENDITURE			
Operational expenses	M	96.18	60.54
Personnel expenses	N	302.31	182.24
Administrative and other expenses	O	293.41	186.13
Financial expenses	P	35.07	3.54
Depreciation & amortisation		21.92	19.91
TOTAL		748.89	452.36
PROFIT BEFORE TAX		800.07	991.30
PROVISION FOR TAXATION			
Current tax		189.20	221.86
Deferred tax		(2.46)	(15.71)
PROFIT AFTER TAX		613.33	785.15
Balance brought forward from previous year		2,332.93	1,946.39
Tax in-respect of earlier years (net)		(1.93)	17.19
BALANCE AVAILABLE FOR APPROPRIATION		2,948.19	2,714.35
APPROPRIATIONS			
Transfer to general reserve		61.33	78.51
Proposed dividend (Refer Note II.15 schedule 'Q')		247.39	302.91
Balance carried to balance sheet		2,639.47	2,332.93
TOTAL		2,948.19	2,714.35
EARNINGS PER SHARE			
Profit after tax		613.33	785.15
Weighted average number of equity shares			
Basic		12,224,953	11,248,799
Diluted		12,429,474	11,470,992
Nominal value per share (in rupees)		10.00	10.00
Basic and diluted earning per share (in rupees)			
Basic		5.02	6.98
Diluted		4.93	6.84
Notes to Accounts	Q		

In terms of our Report of even date

For NIPUN SUDHIR & ASSOCIATES
Chartered AccountantsSudhir V. Nair
Partner
Membership No.45893
Mumbai, May 26 2011

For and on behalf of the Board

J.T. Poonja
Executive ChairmanS. G. Muthu Kummar
Chief Financial OfficerNimish C. Shah
Managing DirectorHaroon Mansuri
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31 2011**

(Rupees in lacs)

	31-Mar-11	31-Mar-10
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	800.07	991.30
Adjustments for :		
Depreciation and amortisation	21.92	19.91
Miscellaneous expenses written off	0.36	0.34
Profit on sale on assets (net)	(0.45)	(0.78)
Profit on sale of current investments/derivatives (net)	(8.19)	(9.71)
Provision for employee benefits(net)	21.23	1.00
Bad debts/sundry balances written off	1.05	-
Interest income	(243.37)	(244.68)
Interest expense	34.74	3.26
Dividend income	(255.18)	(370.02)
Operating Profit before working capital change	372.18	390.62
Adjustments for :		
(Increase)/Decrease in trade and other receivables	824.17	(679.19)
Increase/(Decrease) in trade payables	37.74	33.12
	1,234.09	(255.45)
Interest income	243.37	244.68
Direct tax paid (net of refunds)	(220.06)	(163.36)
NET CASH INFLOW /(OUTFLOW) FROM OPERATING ACTIVITIES	1,257.40	(174.13)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(33.48)	(25.09)
Sale of fixed assets	3.45	5.30
(Increase)/Decrease in investments	(1,641.81)	(848.66)
Dividend received	255.18	370.02
NET CASH INFLOW /(OUTFLOW) FROM INVESTING ACTIVITIES	(1,416.66)	(498.43)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	132.15	809.02
Proceeds from issue of equity warrants	180.00	120.00
Net borrowing from banks	8.86	(56.20)
Dividend paid	(295.64)	(120.49)
Interest expense	(34.74)	(3.26)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	(9.37)	749.07

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31 2011 (Contd...)

(Rupees in lacs)

	31-Mar-11	31-Mar-10
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(168.63)	76.51
Cash and Cash Equivalents		
Balance at the beginning of the year	1,436.23	1,359.72
Balance at the end of the year	1,267.60	1,436.23
	(168.63)	76.51

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. Cash and cash equivalents include fixed deposits of Rs. 1,089.10 lacs (Previous year Rs. 891.84 lacs) pledged with bank for overdraft facility for a subsidiary
3. Previous year's figures have been regrouped / reclassified wherever necessary , to confirm 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

Sudhir V. Nair
Partner
Membership No.45893
Mumbai, May 26 2011

J.T. Poonja
Executive Chairman

Nimish C. Shah
Managing Director

S. G. Muthu Kummar
Chief Financial Officer

Haroon Mansuri
Company Secretary



SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in lacs)

	As at 31-Mar-11	As at 31-Mar-10
SCHEDULE "A" SHARE CAPITAL		
Authorised		
15,000,000 (Previous year 15,000,000) equity shares of Rs.10 each	<u>1,500.00</u>	<u>1,500.00</u>
Issued, Subscribed and Fully Paid Up		
1,22,79,290 (Previous year 1,21,16,400) equity shares of Rs. 10 each (Refer Notes below)	<u>1,227.93</u>	<u>1,211.64</u>
TOTAL	<u><u>1,227.93</u></u>	<u><u>1,211.64</u></u>
Note :		
1. Of the above, 199,400 (Previous year 199,400) equity shares were allotted as fully paid-up bonus shares by capitalisation of General Reserve.		
2. The Company has bought back till March 31, 2002 16,09,900 Equity shares of Rs. 10 each under Section 77A of the amended Companies Act, 1956		
3. Of the above, 38,83,004 (Previous year 38,83,004) equity shares of Rs.10 each were allotted as fully paid up shares by capitalisation of share premium.		
4. Of the above, 179,290 (Previous year 16,400) equity shares of Rs. 10/- each were allotted as fully paid up on exercise of grants under Employees Stock Option Scheme.		
SCHEDULE "B" RESERVES AND SURPLUS		
General Reserve		
As per last balance sheet	377.85	299.34
Add: Transferred from profit and loss account	<u>61.33</u>	<u>78.51</u>
	<u>439.18</u>	377.85
Capital Reserve		
As per last balance sheet	88.00	-
Add: Addition on forfeiture of equity warrants	<u>-</u>	<u>88.00</u>
	<u>88.00</u>	88.00
Share Premium Account		
As per last balance sheet	5,193.66	4,486.28
Add: Additions during the year	<u>115.86</u>	<u>707.38</u>
	<u>5,309.52</u>	5,193.66
Profit and Loss Account		
	<u>2,639.47</u>	<u>2,332.93</u>
TOTAL	<u><u>8,476.17</u></u>	<u><u>7,992.44</u></u>
SCHEDULE "C" SECURED LOANS		
Vehicle loans (Secured against hypothecation of vehicles, net of deferred interest of Rs. 2.01 lacs (Previous year Rs. 2.55 lacs)) (Repayable within one year Rs. 8.79 lacs (Previous year Rs. 4.16 lacs))	<u>18.89</u>	<u>10.03</u>
TOTAL	<u><u>18.89</u></u>	<u><u>10.03</u></u>

SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in lacs)

SCHEDULE "D" FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions during the year	Deductions/ adjustments during the year	As at 31.3.2011	As at 01.04.2010	For the year	On deductions/ adjustments	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Tangible Assets										
Computers	18.96	2.08	1.72	19.32	13.22	2.67	1.08	14.81	4.51	5.74
Office equipments	14.79	1.34	2.30	13.83	9.57	1.04	1.61	9.00	4.83	5.22
Furniture and fixtures	36.31		6.35	29.96	27.87	1.31	4.78	24.40	5.56	8.44
Leasehold improvements	20.19	0.61	8.29	12.51	15.06	3.94	8.28	10.72	1.79	5.13
Electrical installations	0.80	–	0.80	–	0.72	–	0.72	–	–	0.08
Vehicles	21.74	24.98	–	46.72	3.95	10.11	–	14.06	32.66	17.79
Intangible Assets										
Computer software	11.17	5.46	–	16.63	9.33	2.85	–	12.18	4.45	1.84
TOTAL	123.96	34.47	19.46	138.97	79.72	21.92	16.47	85.17	53.80	44.24
Previous year	118.18	24.09	18.31	123.96	73.60	19.91	13.79	79.72	44.24	44.58
Capital work-in-progress	1.00	–	(1.00)	–	–	–	–	–	–	–
Previous year		1.00	–	1.00	–	–	–	–	1.00	–

	As at 31-Mar-11		As at 31-Mar-10	
SCHEDULE "E" 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)		7,954.70		6,304.70
B) Preference shares (unquoted)		140.00		140.00
TOTAL		<u>8,094.75</u>		<u>6,444.75</u>
LONG TERM INVESTMENTS (TRADE)				
A) EQUITY SHARES (UNQUOTED)				
Name of the Company	Number	Amount	Number	Amount
Bombay Stock Exchange Limited (Lien with a bank for overdraft facility to a subsidiary)	70,694	0.05	70,694	0.05
TOTAL		<u>0.05</u>		<u>0.05</u>



SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in lacs)

	As at 31-Mar-11		As at 31-Mar-10	
SCHEDULE "E" INVESTMENTS (Contd...)				
LONG TERM INVESTMENTS (NON TRADE)				
A) EQUITY SHARES (UNQUOTED)				
Subsidiary Companies				
Name of the Company	Number	Amount	Number	Amount
Fortune Equity Brokers (India) Limited	16,650,000	3,769.70	16,650,000	3,769.70
Fortune Commodities & Derivatives (India) Limited	3,000,000	300.00	3,000,000	300.00
Fortune Credit Capital Limited	24,250,000	3,825.00	18,750,000	2,175.00
Fortune Financial India Insurance Brokers Limited	600,000	60.00	600,000	60.00
TOTAL		7,954.70		6,304.70
B) PREFERENCE SHARES (UNQUOTED)				
Subsidiary Company				
Fortune Equity Brokers (India) Limited				
10% Redeemable cumulative preference shares	500,000	50.00	500,000	50.00
12.50% Redeemable cumulative preference shares	900,000	90.00	900,000	90.00
TOTAL		140.00		140.00
SCHEDULE "F" CURRENT ASSETS				
Debtors (Unsecured)				
Outstanding for a period exceeding six months :				
Considered good	-		2.36	
Considered doubtful	0.97		3.85	
Others :				
Considered good	15.45		1.79	
	16.42		8.00	
Less: Provision for doubtful debts	0.97		3.85	
		15.45		4.15
Cash and Bank Balances				
Cash and cheques on hand	0.41		0.22	
Balance with scheduled banks				
In Current accounts	35.17		83.98	
In Deposit accounts	1,232.02		1,352.03	
(of the above Rs.1,089.10 lacs (previous year Rs. 891.84 lacs) pledged with bank for overdraft facility for a subsidiary)		1267.60		1,436.23
Other Assets				
Interest accrued but not due		27.73		47.42
Dividend receivable		245.05		366.69
TOTAL		1,555.83		1,854.49

SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in lacs)

	As at 31-Mar-11	As at 31-Mar-10
SCHEDULE "G" LOANS AND ADVANCES		
Loans and advances to subsidiaries	498.29	1,281.00
Loans and advances to employees	38.58	12.40
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	15.11
Advances recoverable in cash or in kind or for value to be received (Includes Rs. 43.54 lacs receivable from a subsidiary (Previous year Nil))	67.92	27.80
Advance tax and tax deducted at source (Net of provision for tax Rs.479.96 lacs)	32.23	-
TOTAL	652.13	1,336.31
SCHEDULE "H" CURRENT LIABILITIES		
Sundry creditors	37.60	14.65
Unclaimed dividends (As at March 31 2011, no amount was due and outstanding for transfer to investor education and protection fund)	20.83	11.76
Other liabilities	21.26	27.70
TOTAL	79.69	54.11
SCHEDULE "I" PROVISIONS		
Provision for taxation (Net of advance tax and tax deducted at source for previous year Rs. 684.18 lacs)	-	0.56
Provision for proposed equity dividend (Refer Note II. 15 schedule 'Q')	245.59	302.91
Provision for employee benefits	24.33	3.10
TOTAL	269.92	306.57
SCHEDULE "J" MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
As per last balance sheet	2.84	2.26
Add: Addition during the year	-	0.92
Less: Written off during the year	0.36	0.34
TOTAL	2.48	2.84



SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in lacs)

	Year ended 31-Mar-11	Year ended 31-Mar-10
SCHEDULE : "K" INCOME FROM OPERATIONS		
Investment and merchant banking income	1,041.74	614.28
Interest on fixed deposits and others (Tax deducted at source Rs. 9.54 lacs (Previous year Rs. 16.17 lacs))	81.29	116.24
Profit on sale of assets (net)	0.45	0.78
Profit on sale of current investments (net)	8.19	9.71
TOTAL	1,131.67	741.01
SCHEDULE : "L" OTHER INCOME		
Income from dividend		
Subsidiaries	252.35	367.02
Others	2.83	3.00
Sundry balances written back (net)	–	0.51
Interest Income (Tax deducted at source Rs. 14.20 lacs (previous year Rs. 12.84 lacs))	162.08	128.44
Miscellaneous income	0.03	203.68
TOTAL	417.29	702.65
SCHEDULE : "M" OPERATIONAL EXPENSES		
Service charges	72.20	45.75
Other operating expenses	23.98	14.79
TOTAL	96.18	60.54
SCHEDULE : "N" PERSONNEL EXPENSES		
Salaries, bonus and allowances (Refer Note II.6 schedule 'Q')	261.37	171.85
Contribution to provident and other funds	33.89	7.22
Staff welfare and other expenses	7.05	3.17
TOTAL	302.31	182.24
SCHEDULE : "O" ADMINISTRATIVE AND OTHER EXPENSES		
Rent	51.30	54.15
Rates and taxes	0.24	0.60
Printing and stationery	20.01	12.70
Travelling expenses		
Foreign travelling	6.85	6.86
Domestic travelling	9.44	1.02
Conveyance expenses	8.82	5.29
Motor vehicle expenses	9.11	4.52
Electricity charges	16.77	16.19
Communication expenses	19.92	7.50
Advertisement expenses	1.17	1.60

SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in lacs)

	Year ended 31-Mar-11	Year ended 31-Mar-10
SCHEDULE : "O" ADMINISTRATIVE AND OTHER EXPENSES (Contd...)		
Legal and professional fees	55.74	26.52
Auditors' remuneration	5.84	4.21
Repairs and maintenance		
Office premises	4.88	1.76
Others	42.70	13.74
Insurance	0.83	0.62
Membership and subscription	11.40	10.93
Donations	0.12	-
Directors' sitting fees	6.90	5.75
Newspapers, books and periodicals	2.36	1.03
Business promotion expenses	14.29	6.67
Bad debts / Sundry balances written off (net) (Net of provision for doubtful debts written back of Rs. 2.88 lacs)	1.05	-
Exchange loss	-	2.36
Miscellaneous expenses	3.67	2.11
TOTAL	293.41	186.13
SCHEDULE : "P" FINANCIAL EXPENSES		
Interest	34.74	3.26
Bank charges and others	0.33	0.28
TOTAL	35.07	3.54



NOTES TO ACCOUNTS

SCHEDULE "Q" NOTES TO ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of financial Statements

The accompanying financial statements have been prepared under the historical cost convention on an accrual basis. The financial statements have been prepared in accordance with the generally accepted accounting principles to comply in all material aspects 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 on the date of the financial statements and the reported amount of revenues and expense during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

3. Revenue Recognition

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

- a. Issue Management fee is accounted on the basis of the terms of agreement with the clients.
- b. Placement fees, professional fees and other service charges are accounted when there is reasonable certainty of its ultimate realisation / collection.
- c. Income from distribution is accounted when there is reasonable certainty of its ultimate realisation/collection.
- d. Interest income is recognised on an accrual (time proportion) basis.
- e. Dividend income is recognised when the right to receive dividend is established.

4. Employee Benefits

a) 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 like short-term compensated absences, estimated cost of bonus and ex-gratia are recognised in the period in which the employee renders the related service.

b) Post Employment Benefits

i) 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 plans is determined based on actuarial valuation using the 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 plans, 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.

ii) Defined Contribution Plans

The Company contributes to defined contribution plans like the state governed employees provident fund and pension fund schemes for all its employees who are eligible for the benefit. All such contributions are recognised during the period in which the employee renders the related service.

5. Employee Stock Option Scheme.

The stock options granted by the Company are accounted for as per the accounting treatment prescribed by SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

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 Option 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 net of tax / duty credits availed 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 net of tax / duty credits availed 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. On intangible assets, 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. On assets costing less than Rs.5,000, at hundred percent of the cost of the asset in the year of purchase.
- e. On leasehold improvements, over the primary period of the lease.

9. Impairment of Assets

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 is a change in the estimate of the 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 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.

13. Earnings Per Share

The basic earnings per share is computed and disclosed by dividing the net profit after tax attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings



SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

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

14. Miscellaneous Expenditure

Expenditure in connection with the raising of capital / additional capital are amortised over a period of ten years 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) 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	2010-2011	2009-2010
Deferred tax asset		
Accumulated depreciation	5.21	8.79
Provision for doubtful debts	0.32	1.31
Provision for employee benefits	8.08	1.06
Net deferred tax asset	13.61	11.16

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 segment 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 Transaction

Details of the related parties with whom transactions were carried out during the year alongwith a description of the relationship and the amounts involved are provided below.

- a) Name of the Related parties
 - i) 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
 - ii) Other related parties
 - Enterprises having significant influence

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

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

iii) Key management personnel and their relatives:

Mr. J.T. Poonja, Executive Chairman
 Mr. Nimish C. Shah, Managing Director
 Mrs. 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

b) 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	– (15.87)	– (–)	– (–)	– (15.87)
– Sale	– (63.48)	– (–)	– (–)	– (63.48)
Rent	– (–)	51.00 (51.00)	– (–)	51.00 (51.00)
Remuneration	– (–)	– (–)	50.74 (52.56)	50.74 (52.56)
Interest	32.73 (0.20)	– (–)	– (–)	32.73 (0.20)
Interest charged	96.95 (128.44)	– (–)	– (–)	96.95 (128.44)
Dividend paid	– (–)	5.62 (1.88)	134.11 (59.27)	139.73 (61.15)
Dividend income	252.35 (367.02)	– (–)	– (–)	252.35 (367.02)
Investment in equity shares of subsidiaries	1,650.00 (862.00)	– (–)	– (–)	1,650.00 (862.00)
Investment in preference shares	90.00 (30.00)	– (–)	– (–)	90.00 (30.00)
Redemption of preference Shares	90.00 (30.00)	– (–)	– (–)	90.00 (30.00)



SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

(Rupees in lacs)

Nature of Transactions	Subsidiaries	Enterprises having significant influence	Key management personnel and their relatives	Total
Loans given	4,703.86 (5,094.56)	– (–)	– (–)	4,703.86 (5,094.56)
Loans taken	1,145.67 (–)	– (–)	– (–)	1,145.67 (–)
Reimbursement	69.24 (362.39)	0.03 (0.06)	– (–)	69.27 (362.45)
Outstanding as on March 31				
a) Loan receivables	497.78 (1,281.00)	– (–)	– (–)	497.78 (1,281.00)
b) Deposit receivable	– (–)	14.70 (14.70)	– (–)	14.70 (14.70)
c) Dividend receivable	245.05 (366.69)	– (–)	– (–)	245.05 (366.69)
d) Guarantees given	5,008.75 (3,708.75)	– (–)	– (–)	5,008.75 (3,708.75)

Note: Figures in brackets represent previous year's amounts

4. Auditors' remuneration

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Statutory audit	2.50	2.25
Tax audit	0.70	0.60
Certification and other matters	2.64	1.36
Total	5.84	4.21

5. (a) Earnings in foreign currency

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Investment banking income (on accrual basis)	55.52	230.73

(b) Expenditure incurred in foreign currency

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Travelling and business promotion	4.09	2.32

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

(c) Details of dividend remitted in foreign currency

Particulars	2010-2011	2009-2010
Type of dividend	Dividend for FY 2009-2010	Dividend for FY 2008-2009
Number of non-resident shareholders	3	3
Number of shares held	4,333,992	3,333,992
Gross amount of dividend (Rupees in lacs)	108.35	36.67

6. Director's remuneration

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Salary, bonus and allowances	47.00	48.82
Contribution to provident and other funds	3.74	3.74
Sub total	50.74	52.56
Directors' sitting fees	6.90	5.75
Total	57.64	58.31

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 Plan for Gratuity as per Actuarial Valuation as at March 31 2011

(i) Change in Present Value of Defined Benefit Obligation

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Liability at the beginning of the year	9.43	7.64
Interest cost	1.03	0.80
Current service cost	3.41	2.64
Actuarial (gain) / loss on obligations	22.16	(1.65)
Liability at the end of the year	36.02	9.43

(ii) Change in Fair Value of Plan Assets

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Fair value of plan assets at the beginning of the year	17.56	13.59
Expected return on plan assets	1.54	1.29
Contributions	1.67	2.52
Actuarial gain / (loss) on plan assets	0.20	0.16
Fair value of plan assets at the end of the year	20.97	17.56

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)
(iii) Amount Recognised in the Balance Sheet

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Fair value of plan assets at the end of the year	20.97	17.56
Liability at the end of the year	36.02	9.43
Difference	(15.05)	8.13
Amount recognised in the balance sheet	(15.05)	8.13

(iv) Expenses recognised in the Profit and Loss Account

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Current service cost	3.41	2.64
Interest cost	1.03	0.80
Expected return on plan assets	(1.54)	(1.29)
Actuarial gain / (loss)	21.96	(1.81)
Expense recognised in profit and loss account	24.86	0.34

(v) Actuarial Assumptions

Particulars	2010-2011	2009-2010
Discount rate (per annum)	8.25%	7.75%
Rate of return on plan assets (per annum)	8.00%	8.00%
Attrition rate (per annum)	2.00%	2.00%
Salary escalation (per annum)	5.00%	5.00%

(vi) The estimates of salary escalation considered in actuarial revaluation takes into account inflation, seniority, promotion and other relevant factors such as demand and supply of employee.

(b) Defined Contribution Plans

The amount recognised as expense and included in Schedule 'N' under the head "Contribution to provident and other funds" of the Profit and Loss Account is Rs. 8.91 lacs (Previous year Rs. 3.06 lacs).

(c) General Description of significant defined benefit plan

Gratuity Plan: Gratuity is payable to all eligible employees of the Company in terms of the provisions of the Payment of Gratuity Act, 1972.

8. a. The Company has taken office premises under operating leases 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 "O" is Rs. 51.30 lacs (previous year Rs. 54.15 lacs)

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

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

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Not later than one year	51.00	51.00
Later than one year but not later than five years	38.25	89.25
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" issued by ICAI

	Particulars	2010-2011	2009-2010
A	Basic		
	Calculation of weighted average number of equity shares		
	Number of equity shares at the beginning of the year	12,116,400	11,100,000
	Addition during the year	162,890	10,16,400
	Number of equity shares at the end of the year	12,279,290	12,116,400
	Weighted average number of equity shares	12,224,953	11,248,799
	Net profit after tax (Rupees in lacs)	613.33	785.15
	Basic earning per equity share of Rs.10 each (Rupees)	5.02	6.98
B	Diluted		
	Calculation of weighted average number of equity shares		
	Number of equity shares at the beginning of the year	12,116,400	11,100,000
	Addition during the year	162,890	10,16,400
	Number of equity shares at the end of the year	12,279,290	12,116,400
	Addition for shares (convertible from equity warrants) (Refer note II.12)	250,000	22,603
	Addition for ESOP vested	111,000	199,590
	Weighted average number of equity shares	12,429,474	11,470,992
	Net profit after tax (Rupees in lacs)	613.33	785.15
		Diluted earning per share of Rs.10 each (Rupees)	4.93

10. The company has allotted 400,000 equity warrants of Rs.10 each at Rs. 180 per warrant (previous year 600,000 equity warrants of Rs. 10 each at Rs. 80 per warrant) convertible in one equity share of Rs. 10 each per warrant on a preferential basis to its promoters. 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 issue. Accordingly, 600,000 & 400,000 warrants are due for conversion on or before August 4 2011 and March 12 2012 respectively. As on March 31 2011 none of the allottees have exercised their option for conversion.

11. 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 "Q" NOTES TO ACCOUNTS (Contd.)

Details of options granted

Particulars	2010-2011	2009-2010
Options outstanding at the beginning of the year	111,000	266,690
Options granted during the year	139,000	111,000
Lapsed during the year	-	50,700
Options exercised during the year	162,890	16,400
Options outstanding at the end of the year	250,000	310,590
Options vested	111,000	199,590
Options yet to vest	139,000	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.

Of the 162,890 options (Previous year 16,400) exercised 155,590 options (Previous year 16,400) were exercised by employees of the subsidiary.

12. Contingent Liabilities

(Rupees in lacs)

Particulars	March 31 2011	March 31 2010
Guarantee given by the banks on behalf of Fortune Group in respect of capital adequacy, daily margin and other contractual commitments for capital market operations of its Subsidiaries	5,008.75	3,708.75

13. Estimated amount of contracts remaining to be executed on capital account Nil (Previous year Rs.23.98 lacs)

14. Disclosure required under clause 32 of the Listing Agreement:

Loan and advances in the nature of loans given to subsidiary companies:

(Rupees in lacs)

Name of subsidiary companies	Outstanding as at March 31 2011	Maximum outstanding during the year
Fortune Equity Brokers (India) Limited	231.78	716.00
Fortune Credit Capital Limited	266.00	515.00

15. a. 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 dividend distribution by the Company.
- b. The amount of proposed equity dividend includes Rs.1.80 lacs on account of dividend for the year 2009-2010 on equity shares issued pursuant to Employee Stock Option Scheme of the company.

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

16. 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 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 of its dues.
 17. 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.
 18. Balances standing in debtors, creditors and loans and advances are subject to confirmations.
 19. 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 2011.

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**

Registration No.	62067	State Code	11
Balance Sheet Date	March 31 2011		

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

Public Issue	NIL	Rights Issue/Pref. Issue	NIL
Bonus Issue	NIL	Private Placement / ESOP	1,629

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

Total Liabilities	1,002,299	Total Assets	1,002,299
Paid-up Capital	122,793	Reserves and Surplus	847,617
Equity Warrants	30,000	Secured Loans	1,889

Application of Funds

Net Fixed Assets	5,380	Investments	809,475
Net Current Assets	185,835	Miscellaneous Expenditure	248
Deferred tax assets	1,361		

IV. Performance of Company (Amount rupees in thousands)

Turnover	154,896	Total Expenditure	74,889
Profit before Tax	80,007	Profit after Tax	61,333
Basic earning per share (in rupees)	5.02	Dividend rate %	20%

V. Generic Names of Principal Services of Company

1. Investment and Merchant Banking Activities

NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the members of Fortune Financial Services (India) Limited will be held on Saturday, August, 27 2011 at 11.00 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 2011 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. H. R. Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Manoj Patel who retires by rotation and being eligible, offers himself 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.

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING 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. The register of members and the share transfer books of the Company will remain closed from August 22 2011 to August 27 2011 (both days inclusive).
4. The Annual Report containing stand-alone accounts & consolidated accounts for the financial year ended March 31 2011 together with the reports of Auditors and Directors Report and notice of the ensuing AGM and accounts of the subsidiary companies are available on company's website, www.fortune.co.in
5. 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.
6. Dividend after declaration, will be paid to those members of the Company whose names appear in the Register of Members on August 27 2011. The dividend in respect of the shares held in dematerialized form will be paid to the beneficial owners of shares as on August 21 2011 as per the statement provided by the Depositories.
7. 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:
 - a. Name of the Sole/First joint holder and Folio number
 - b. Particulars of Bank account viz.
 - i. name of the Bank and Branch with complete address
 - ii. Account type, whether Saving Account (SB) or Current Account(CA) and Bank Account number.

8. Green Initiative in the Corporate Governance

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing the companies the paperless compliance and the said Ministry has issued a circular stating that the service of notice / documents including annual reports can be sent by e mail to the members.

In order to abide by the circular, the members are requested to register their e mail address , to enable the company to send the annual reports by e mail. The members holding shares in demat form may register their e mail address with their respective DPs and members who hold the shares in physical form are requested to register their e mail address with the Company or Registrar & Share Transfer Agents. This will enable the Company to send the annual reports and other documents by email in future.

By Order of the Board

Haroon Mansuri
Company Secretary

Mumbai, May 26 2011



ANNEXURE TO THE NOTICE

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

1.	Name	Mr. H. R. Prasad	Mr. Manoj Patel
2.	Date of Birth	November 1 1934	December 19 1951
3.	Profession	Corporate Group Advisor to the Anand Group of Companies	Industrialist
4.	Qualifications	Graduate in Electrical Engineering, Master of Science in Management and Diploma in Social Service.	Science Graduate in Civil Engineering from U K.
5.	List of other Directorships held (excluding Private companies)	1) Uni Abex Alloy Products Limited 2) Uni Deritend Limited 3) Gabriel India Limited	Nil
6.	Chairman / Member of the Committee of Board of Directors of the Company	Chairman – Audit Committee	Nil
7.	Chairman / Member of the Committee of Board of Directors of other Companies.	Chairman – Audit Committee 1) Uni Deritend Limited Member – Audit Committee 1) Uni Abex Alloy Products Limited Chairman - Shareholders'/Investors Grievances/ Share Transfer Committee NIL Chairman–Remuneration Committee 1) Uni Deritend Limited	Nil
8.	Expertise in functional areas	<p>Mr. H R Prasad is a graduate in Electrical Engineering from the University of Madras, and graduated with a Master of Science in Management from the MIT Sloan School of Management. He also holds a Diploma in Social Service from the University of Madras.</p> <p>Mr. Prasad is the Corporate Group Advisor to the Anand Group of Companies. Earlier he was Managing Director and CEO of Schrader Duncan Ltd, and Joint Managing Director of Gabriel India Ltd,</p> <p>He served as Chairman and Director of many public and private limited companies He was a Member of the All India Board of Technician Education, Government of India, and of the Governing Council of Central Manufacturing Technology Institute, Government of India.</p> <p>Mr. Prasad was a Founding Member of the Advisory Committee of the School of Management, Indian Institute of Technology, Bombay. He has also experience of teaching MBA students.</p>	<p>Mr. Manoj Patel is a Science Graduate in Civil Engineering from U K. At present he is the Chairman of C Tiles Limited a wholly owned subsidiary of G A K Patel & Co. Ltd., the Company is engaged in manufacturing coloured cement and tiles. Earlier he has handled the business of building and civil contracts, funds investment, bottling plant and other distribution activities.</p>
9.	No. of shares held		
	a) Own	Nil	Nil
	b) In Trust for other persons having beneficial interest	Nil	Nil

Fortune Equity Brokers (India) Limited

Financial Statements for the
year ended March 31 2011



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. J.T. Poonja

Managing Director

Mr. Nimish C. Shah

Non Executive Director

Mr. Ramesh Venkat

Company Secretary

Mr. Sanjay Kumar Shah

Registered Office

K. K. Chambers, 2nd Floor
Sir P. T. Marg, Fort
Mumbai - 400 001

Auditors

M/s. Nipun Sudhir & Associates
Chartered Accountants

Bankers

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

Website

www.fortune.co.in

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Seventeenth Annual Report and Audited Accounts on the business and operations of the Company for the year ended March 31 2011.

Financial Highlights

(Rupees in lacs)

	2010-11	2009-10
Total Income	5,933.66	4,909.27
Profit before depreciation, amortisation and tax	498.13	1,518.99
Depreciation & amortization	258.38	266.78
Profit before tax	239.75	1,252.21
Provision for tax - Current tax	138.05	408.98
- Deferred tax	(44.12)	(29.38)
Profit after tax	145.82	872.61
Balance brought forward from previous year	711.32	217.62
Tax in respect of earlier years (Net)	35.95	0.02
Balance available for appropriations	821.19	1,090.21
Transfer to general reserve	14.58	87.26
Dividend - Equity shares	66.60	233.10
- Preference shares	16.25	16.17
Dividend distribution tax	13.76	42.36
Balance carried to balance sheet	710.00	711.32
Weighted average number of equity shares	16,650,000	15,150,726
Nominal value per share (in rupees)	10.00	10.00
Basic and diluted earnings per share (in rupees)	0.76	5.63

Financial Performance

For the financial year ended March 31 2011, your Company earned profit before tax of Rs.239.75 lacs as against Rs.1252.21 lacs in the previous year. The profit after tax was at Rs.145.82 lacs as against Rs.872.61 lacs compared to the previous year. The total income for the year under consideration was Rs.5,933.66 lacs as against Rs.4,909.27 lacs in a previous year.

Dividend

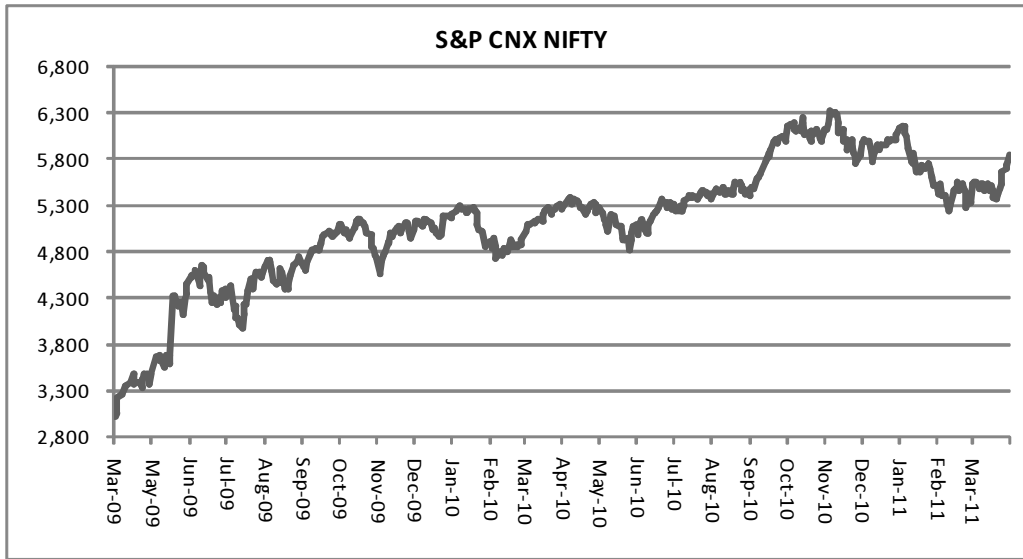
A dividend of Rs. 0.40 per share on 1,66,50,000 equity shares of Rs.10 each has been recommended for payment aggregating to Rs.66.60 lacs, subject to approval of the members of the Company.

Your Directors also recommend a dividend on redeemable cumulative preference shares as per the contracted rates aggregating to Rs.16.25 lacs subject to members' approval at the annual general meeting.



Business Outlook

Capital market



Source: Business Beacon, CMIE

After the stupendous recovery in FY10 when the S&P CNX NIFTY returned a growth of 73.8%, normal service resumed in FY11 as the index exhibited a modest return of 11.1% only. The aggregate markets suffered some setbacks in the first quarter of FY11 and then staged a recovery which went till the third quarter of FY11 before succumbing to the growing concerns regarding inflation and slowdown in economic growth in the last quarter of the year.

The above-mentioned developments in the equity markets had an impact on the aggregate turnover as well. Overall daily turnover in equity markets declined by 18.4% from Rs.22,547 crores in FY10 to Rs.18,397 crores in FY11 as the lack of appreciable movements in the equity markets and the increasing bearish sentiments prevented the market participants from increasing their allocation to equities. Both the BSE and the NSE suffered a decline in average daily turnover by 22.8% and 16.9% in FY11 respectively.

Cash Market Turnover Declines

Year	BSE	NSE	Total
FY08	6,264	14,097	20,361
FY09	4,501	11,272	15,773
FY10	5,637	16,910	22,547
FY11	4,349	14,048	18,397

Source: Business Beacon, CMIE

Wholesale Debt Market (WDM)

Indian wholesale debt market is at Rs.6 lakh crore market. Government securities (G-sec) hold a major share of approx 54% of total traded value and 60.8% of total market capitalization. RBI regulations require banks to keep a min 25% SLR which is the major reason behind the popularity of G-sec. Also the less developed corporate bond market helps G-sec to take a major share of bond market. The share of top 10 securities in total trade value is steadily decreasing over the years signaling a more broad based market evolution. In year 2010-11 the share of top 10 securities accounts for 38.6% as compared to 53% in 2007-08. Indian debt market is the third largest in Asia, yet the volumes are abysmally low. Last year the average turnover was 1.67% of total market cap which is significantly lower than other developed markets.

Market Capitalization as on March-31, 2011

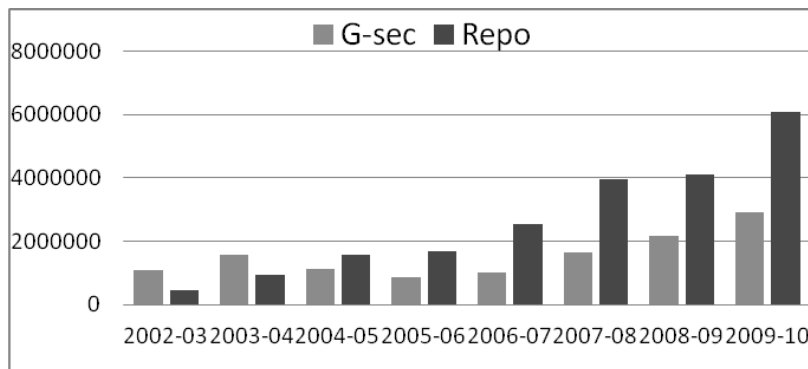
(` in crores)

Security Type	No of Securities	Mkt Cap	% age of total
G-Sec	120	21,857,214.04	60.8
PSU Bonds	852	1,909,215.79	5.31
State Loans	1,388	6,220,693.14	17.3
Treasury Bills	54	1,376,770.32	3.83
Local Bodies	19	30,283.16	0.09
Fin Inst	361	1,009,923.62	2.81
Bank Bonds	518	1,836,669.94	5.11
Supranational Bonds	1	3,912.22	0.01
Corporate Bonds	1,166	1,704,089.28	4.74
Total	4,479	35,948,771.51	100

Source: NSE Website

There are normally two types of transactions, which are executed in the Wholesale Debt Market. An outright sale, or purchase and a repo trade. Over the last five years the growth in volume in repo trade has outperformed the direct sale.

Growth in outright and repo settlement volumes (` in crores)

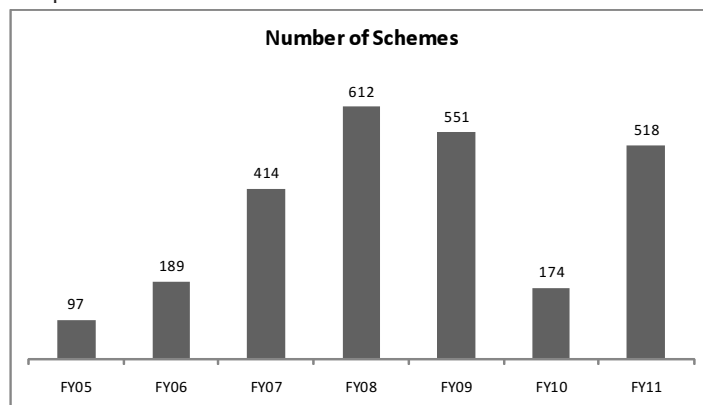


Source: CCIL Year Book

Trading members dominated the WDM segment with a share of 60.8% in total turnover in 2010-11 as compared to 49.3% in 2009-10. The share of foreign banks in the total turnover is consistently increasing over the years while Indian banks share has declined.

Mutual Funds

The year FY11 was witness to the launch of 518 schemes - substantial growth over the previous year and one of the highest in the past decade.



Source: Business Beacon, CMIE



The significant increase in the number of schemes allowed the industry to limit the decline in aggregate sales of mutual funds to 11.5% only. But the trend of significant redemptions which started in FY10 continued unabated and the industry suffered redemptions of Rs.8,908,921 crores in FY11 - a 10.4% decline over the level witnessed in FY10. Thus, the industry suffered a significant decline in net resource mobilization by Rs.49,406 crore in FY11 - significant change from the increase in net resource mobilization of Rs.83,081 crores in FY10.

(in crores)

Year	Sales	Redemptions	Net Resource Mobilization
FY05	840,694	837,508	3,186
FY06	1,099,559	1,045,336	54,223
FY07	1,938,592	1,844,512	94,080
FY08	4,464,376	4,310,575	153,801
FY09	5,426,353	5,454,650	(28,297)
FY10	10,019,023	9,935,942	83,081
FY11	8,859,515	8,908,921	(49,406)

Source: Business Beacon, CMIE

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.

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.

Directors

Mr. Ramesh Venkat 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.

Auditors Report

The notes to the accounts referred to in the Auditor's Report are self explanatory and therefore do not call for any further explanation on auditors observations, as required under section 217(3) of the Companies Act, 1956.

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 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 committee.

Conservation of Energy, Technology Absorption

The information required under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to the matters specified therein are not applicable to the Company.

Foreign Exchange Earnings and Outgo

The details of foreign exchange earnings & outgo are provided in Notes forming part of accounts..

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, to the best of their knowledge and belief confirm that:

- in the preparation of the annual accounts, the applicable Accounting Standards have been followed with explanation for deviation, if any;
- appropriate accounting policies have been selected and applied consistently, and such judgments and estimates that are reasonable and prudent have been made 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 the year ended on that date.
- proper and sufficient care has 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 have 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), MCX Stock Exchange Limited, Central Depository Services (India) Limited, Association of Mutual Funds of India, business associates and clients for their valued co-operation.

On behalf of the Board

Mumbai, May 26 2011

J. T. Poonja
Chairman

**Annexure I**

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 2011.

Sr. No.	Name & Designation	Remuneration (Rupees)	Qualification	Experience in years	Date of commencement of employment	Age	Last employment, Designation / No. of years
I. Employed throughout the year :							
1.	Mr. Nimish C. Shah Managing Director	57,42,751	MBA(USA)	24	01-07-2008	47	Fortune Financial Services (India) Limited Vice Chairman and Managing Director 16 years
2.	Mr. Vishal Trehan Chief Executive Officer	71,39,900	MBA	14	01-04-2008	38	Fortune Financial Services (India) Limited Country Head - Retail and Broking 1 year

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. 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.
4. None of the above employees hold any equity shares of the Company except Mr. Nimish C. Shah, who holds one equity share of Rs. 10 as a nominee of Fortune Financial Services (India) Limited.
5. 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 26 2011

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 2011, 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 as appears from our examination of those books;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act.
 - v. On the basis of written representations received from the directors, as at 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 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 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 2011;
 - 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
ICAI Registration Number: 0126168W

Mumbai, May 26 2011

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 2011

In our opinion and according to the explanation given to us, the Company's business/ activities during the year are such that clauses (ii),(viii),(xii),(xiii),(xv),(xvi) (xviii)(xix),(xx) of the Companies (Auditor's) Report Order 2003 are not applicable to the Company. In respect of the other clauses we report as under

1. a. The Company has maintained proper record showing full particulars including quantitative details and situations of fixed assets.
- b. The Management has 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 granted unsecured loans 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 granted during the year was Rs.2,050.82 lacs (2 parties) and the year end balance of such loan is Rs 926.19 lacs
- b. In our opinion , the rate of interest and other terms and condition of loans granted by the Company are not prima facie prejudicial to the interest of the Company.
- c. The receipt 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 by the Company.
- e. In our opinion and according to the explanations given to us, the Company has taken unsecured loans from two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding in respect of the loan taken during the year was Rs 4,370.74 lacs and the year end balance of such loan is Rs. 2676.81 lacs.
- f. The repayment of principal and interest is regular wherever there are stipulations with respect to the same.
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. 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 there are no contracts or agreements which are required to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered. Accordingly, paragraph 4(v) (b) of the order is not applicable.
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, no Order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal on the Company.
6. The Company has an adequate internal audit system commensurate with the size of the Company and the nature of its business. Further on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
7. a. According to the records of the Company and the information and explanations given to us, the Company has been 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 arrears of statutory dues as at the last day of the financial year, outstanding for more than six months from the date they become payable.
 - c. According to the information and explanations given to us, there are no statutory dues, which are disputed by the company.
8. The Company does not have any accumulated loss as at 31 March 2011. The Company has not incurred any cash loss during the financial year covered by our audit and in the immediately preceding financial year.
 9. 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.
 10. 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.
 11. 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.
 12. 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
ICAI Registration Number: 0126168W

Sudhir V. Nair
Partner
(Membership Number 45893)

Mumbai, 26 May 2011



BALANCE SHEET AS AT MARCH 31 2011

(Rupees in lacs)

	Schedules	As at 31-Mar-11		As at 31-Mar-10	
SOURCES OF FUNDS					
Shareholders' Funds					
Share capital	A	1,805.00		1,805.00	
Reserves and surplus	B	2,967.98		2,954.72	
			4,772.98		4,759.72
Loan Funds					
Secured loans	C	9,340.42		5,091.61	
Unsecured loans	D	2,676.80	12,017.22	205.37	5,296.98
TOTAL			16,790.20		10,056.70
APPLICATION OF FUNDS					
Fixed Assets					
Gross block	E	1,439.19		1,084.44	
Less : Depreciation		747.29		569.17	
Add : Capital work-in-progress		7.48		7.48	
Net block			699.38		522.75
Investments	F		647.13		491.82
Deferred Tax Assets (Net)			88.27		44.15
Current Assets, Loans and Advances					
Current assets	G	21,860.23		14,641.84	
Loans and advances	H	3,986.39		1,006.27	
		25,846.62		15,648.11	
Less : Current Liabilities and Provisions					
Current liabilities	I	10,328.26		6,409.53	
Provisions	J	237.62		325.94	
		10,565.88		6,735.47	
Net Current Asset			15,280.74		8,912.64
Miscellaneous Expenditure (to the extent not written off or adjusted)	K		74.68		85.34
TOTAL			16,790.20		10,056.70
Notes to Accounts	R				

In terms of our Report of even date

For NIPUN SUDHIR & ASSOCIATES
Chartered AccountantsSudhir V. Nair
Partner
Membership No.45893
Mumbai, May 26 2011

For and on behalf of the Board

J.T. Poonja
ChairmanNimish C. Shah
Managing DirectorSanjay Kumar Shah
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31 2011

(Rupees in lacs)

	Schedules	Year ended 31-Mar-11	Year ended 31-Mar-10
INCOME			
Income from operations	L	5,876.29	4,888.63
Other income	M	57.37	20.64
TOTAL		5,933.66	4,909.27
EXPENDITURE			
Operational expenses	N	1,494.26	752.62
Personnel expenses	O	1,846.80	1,164.77
Administrative and other expenses	P	1,034.26	803.55
Financial expenses	Q	1,060.21	669.34
Depreciation		258.38	266.78
TOTAL		5,693.91	3,657.06
PROFIT BEFORE TAX		239.75	1,252.21
PROVISION FOR TAX			
Current tax		138.05	408.98
Deferred tax		(44.12)	(29.38)
PROFIT AFTER TAX		145.82	872.61
Balance brought forward from previous year		711.32	217.62
Tax in respect of earlier years (net)		35.95	0.02
BALANCE AVAILABLE FOR APPROPRIATION		821.19	1,090.21
APPROPRIATIONS			
Transfer to general reserve		14.58	87.26
Proposed equity dividend		66.60	233.10
Preference dividend		16.25	16.17
Dividend distribution tax		13.76	42.36
Balance carried to balance sheet		710.00	711.32
TOTAL		821.19	1,090.21
EARNINGS PER SHARE			
a) Profit after tax		126.87	853.69
b) Weighted average number of equity shares (Refer schedule "R" note II.11)		16,650,000	15,150,726
c) Nominal value per share (In rupees)		10.00	10.00
d) Basic and diluted earnings per share (In rupees)		0.76	5.63
Notes to Accounts	R		

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 26 2011J.T. Poonja
ChairmanNimish C. Shah
Managing DirectorSanjay Kumar Shah
Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31 2011**

(Rupees in lacs)

	31-Mar-11	31-Mar-10
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax and extraordinary items	239.75	1,252.21
Adjustments for :		
Depreciation and amortisation	258.38	266.78
Miscellaneous expenses written off	10.66	10.66
Loss on sale of assets(net)	16.12	18.83
(Profit)/Loss on sale current investment/stocks/derivatives (net)	211.44	(564.08)
Bad debts / sundry balances written off (net)	39.16	97.04
Provision for employee benefits	64.21	6.04
Provision for diminution in value of investment/stock/derivatives (net)	43.92	(5.80)
Provision for doubtful debts	2.73	-
Provision for doubtful advances	0.42	-
Interest income	(739.62)	(532.11)
Interest expense	937.20	608.17
Dividend income	(6.42)	(6.88)
Operating Profit before Working Capital Change	1,077.95	1,150.86
Adjustments for :		
(Increase) / Decrease in trade and other receivables	(5,328.79)	(2,008.49)
(Increase) / Decrease in investments / stock	(385.34)	540.10
Increase / (Decrease) in margin money and fixed deposits	(4,099.51)	(1,971.29)
Increase / (Decrease) in trade payables	3,968.93	2,636.03
	(4,766.76)	347.21
Interest income	739.62	532.11
Dividend income	6.42	6.88
Direct tax paid (net of refunds)	(314.33)	(387.55)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(4,335.05)	498.65
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(451.59)	(230.72)
Sale of fixed assets	0.46	6.88
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(451.13)	(223.84)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds from Issue of shares	-	412.00
Increase / (Decrease) in borrowings	6,720.24	260.36
Interest expenses	(937.20)	(608.17)
Dividend and distribution tax paid	(299.76)	(74.03)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	5,483.28	(9.84)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	697.10	264.97
CASH AND CASH EQUIVALENTS		
Balance at the beginning of the year	457.83	192.86
Balance at the end of the year	1,154.93	457.83
	697.10	264.97

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 necessary.

In terms of our Report of even date

For and on behalf of the Board

For NIPUN SUDHIR & ASSOCIATES
Chartered Accountants

J.T. Poonja
Chairman

Nimish C. Shah
Managing Director

Sudhir V. Nair
Partner
Membership No.45893
Mumbai, May 26, 2011

Sanjay Kumar Shah
Company Secretary

SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in lacs)

	As at 31-Mar-11	As at 31-Mar-10
SCHEDULE "A" SHARE CAPITAL		
Authorised		
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 6,00,000) 10% Redeemable cumulative preference shares of Rs.10 each	60.00	60.00
9,00,000 (Previous year 9,00,000) 12.50% Redeemable cumulative preference shares of Rs.10 each	90.00	90.00
TOTAL	<u>2,400.00</u>	<u>2,400.00</u>
Issued, Subscribed and Fully Paid-up		
1,66,50,000 (Previous year 1,66,50,000) 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	1,665.00
5,00,000 (Previous year 5,00,000) 10% redeemable cumulative preference shares of Rs.10 each (of which 4,76,500 Shares redeemable at par on 12.09.2013, 23,500 shares redeemable at par on 17.01.2014)	50.00	50.00
9,00,000 (Previous year 9,00,000) 12.50% redeemable cumulative preference shares of Rs.10 each (of which 2,00,000 shares redeemable at par on 19.08.2011, 4,00,000 shares redeemable at par on 28.03.2014 and 3,00,000 shares redeemable on 18.08.2014)	90.00	90.00
TOTAL	<u>1,805.00</u>	<u>1,805.00</u>
SCHEDULE "B" RESERVES AND SURPLUS		
General Reserve		
As per last balance sheet	186.70	99.44
Add: Transferred from profit and loss account	14.58	87.26
	201.28	186.70
Share Premium		
As per last balance sheet	2,056.70	1,696.20
Add: Received during the year	-	360.50
	2,056.70	2,056.70
Profit and Loss Account		
	710.00	711.32
TOTAL	<u>2,967.98</u>	<u>2,954.72</u>


SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in lacs)

	As at 31-Mar-11	As at 31-Mar-10
SCHEDULE "C" SECURED LOANS		
Working capital loans		
From banks	8,390.96	5,050.68
From others	892.38	-
(Secured against pledge of fixed deposits, book debts, personal guarantee of two directors and certain shares and corporate guarantee of the holding Company)		
Interest accrued and due on above	18.57	-
Vehicle Loans	38.51	40.93
(Secured against hypothecation of vehicles, net of deferred interest of Rs. 3.92 lacs previous year Rs. 1.98 lacs) (repayable within one year Rs. 21.02 lacs (Previous year Rs.24.25 lacs))		
TOTAL	9,340.42	5,091.61
SCHEDULE "D" UNSECURED LOANS		
From holding company	209.19	-
From fellow subsidiary	2,374.13	200.00
Interest accrued and due on above	93.48	5.37
TOTAL	2,676.80	205.37

SCHEDULE "E" FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions during the year	Deductions/ Adjustments during the year	As at 31.03.2011	As at 01.04.2010	For the year/ Adjustments	On deductions Adjustments	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Tangible assets										
Electrical installation	0.36	-	0.20	0.16	0.09	0.02	-	0.11	0.05	0.27
Computers	289.05	93.62	3.36	379.31	173.68	71.25	2.88	242.05	137.26	115.37
Office equipments	189.48	91.23	6.97	273.74	40.63	31.56	3.49	68.70	205.04	148.85
Furniture and fixtures	66.28	15.85	7.38	74.75	22.84	14.30	3.85	33.29	41.46	43.44
Leasehold improvements	222.37	169.38	7.19	384.56	117.87	78.77	2.42	194.22	190.34	104.50
Vehicles	76.26	61.00	8.67	128.59	14.25	25.79	4.55	35.49	93.10	62.01
Intangible Assets										
Computer software	177.57	20.51	-	198.08	136.74	36.69	-	173.43	24.65	40.83
Goodwill on business acquisition	63.07	-	63.07	-	63.07	-	63.07	-	-	-
TOTAL	1,084.44	451.59	96.84	1,439.19	569.17	258.38	80.26	747.29	691.90	515.27
Previous year	916.82	223.24	55.62	1,084.44	332.30	266.78	29.91	569.17	515.27	584.52
Capital Work-in-Progress	7.48	-	-	7.48	-	-	-	-	7.48	7.48
Previous year	-	7.48	-	7.48	-	-	-	-	7.48	-

SCHEDULE FORMING PART OF ACCOUNTS

(Rupees in lacs)

	As at 31-Mar-11		As at 31-Mar-10	
SCHEDULE "F" INVESTMENTS (At cost, unless otherwise specified) (Fully paid up, unless otherwise state)				
CURRENT INVESTMENTS (NON TRADE)				
a) Equity shares (quoted)		619.88		466.82
b) Debentures (quoted)		2.25		-
c) Mutual fund units (unquoted)		25.00		25.00
TOTAL		647.13		491.82
A) EQUITY SHARES QUOTED				
Name of the Company / Fund	Number	Amount	Number	Amount
Arishya International Limited	-	-	4,000	5.96
Aurionpro Solutions Limited	12,000	35.18	10,000	29.65
Ess Dee Aluminium Limited	-	-	20,000	79.01
Graphite India Limited	-	-	39,000	35.04
Housing Development & Infrastructure Limited	2,000	3.25	-	-
JBF Industries Limited	-	-	12,000	13.21
JSE 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
LIC Housing Finance Limited	1,250	2.66	-	-
Madhucon Projects Limited	-	-	10,000	18.07
Marg Construction Limited	103,000	132.89	67,000	117.51
Nagarjuna Fertilizers & Chemicals Limited	224,000	60.16	-	-
Nitesh Estate Limited	20,000	9.03	-	-
Ruchi Soya Industries Limited	-	-	9,000	7.80
State Bank of India	1,370	36.97	-	-
Strides Arcolab Limited	-	-	22,000	40.91
Sujana Tower Limited	-	-	17,000	9.33
Tata Consultancy Limited	500	5.43	-	-
Technocraft Industries India Limited	10,000	9.11	-	-
Tricom Finance Limited	64,500	12.58	-	-
Unitech Limited	60,000	20.87	-	-
UTV Software Communication Limited	51,500	288.42	-	-
VA Tech Wabag Limited	200	3.33	-	-
TOTAL		619.88		466.82
(Market value of current investments Rs. 591.51 lacs (Previous year Rs. 511.59 lacs))				
B) Debentures (quoted)				
Jyoti Structures Limited	1,875	2.25	-	-
(Market value Rs. 2.09 lacs (Previous year Nil))				
TOTAL		2.25		-



SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in lacs)

Name of the Company / Fund	As at 31-Mar-11		As at 31-Mar-10	
	Number	Amount	Number	Amount
C) Mutual Fund Units (unquoted)				
Axis Equity Fund	250,000	25.00	250,000	25.00
(Net asset value of mutual fund units Rs. 27.58 lacs (Previous year Rs.26.00 lacs))				
TOTAL		25.00		25.00
SCHEDULE "G" CURRENT ASSETS				
Stock of Shares				
Closing stock (at cost)		-		25.33
(Market value Nil (Previous year Rs.26.40 lacs))				
Debtors				
(Unsecured)				
Outstanding for a period exceeding six months :				
Considered good	51.34		71.06	
Considered doubtful	36.66		33.93	
Others				
Considered good	8,740.28		6,427.54	
	8,828.28		6,532.53	
Less : Provision for doubtful debts	36.66		33.93	
		8,791.62		6,498.60
(Debtors include Rs.204.99 lacs (Previous year Nil) due from Director/Companies in which Directors are interested)				
(Maximum amount due from Directors at any time during the year Rs. 314.28 lacs (Previous year Rs.623.97 lacs))				
Cash and Bank Balances				
Cash on hand	2.91		0.70	
Balance with scheduled banks				
In Current accounts	1,152.02		457.13	
In Deposit accounts	4,739.46		3,662.38	
(Of the above Rs. 4,583.91 lacs (Previous year Rs. 3,053.69 lacs) under lien with bank)				
In margin money deposit accounts	6,734.87		3,712.44	
(Under lien with Bombay Stock Exchange Limited and National Securities Clearing Corporation Limited and certain banks)				
		12,629.26		7,832.65
Other Assets				
Interest accrued but not due		439.35		285.26
TOTAL		21,860.23		14,641.84

SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in lacs)

	As at 31-Mar-11	As at 31-Mar-10
SCHEDULE "H" LOANS AND ADVANCES		
Other loans	929.19	-
(Includes loan to firm in which directors are interested Rs. 926.19 lacs (Previous year Nil))		
(Maximum amount due at any time during the year Rs. 926.19 lacs (Previous year Rs.623.97 lacs))		
Loans and advances to employees	126.78	128.79
Deposits		
Exchange/Clearing member deposits	2,197.50	302.50
(Includes margin paid on proprietary trades)		
Others	251.70	182.55
(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))	2,449.20	485.05
Mark to market margin-equity index/stock future	3.45	9.74
Less: Provision for loss on equity index/stock options	3.45	9.74
Advances recoverable in cash or in kind or for value to be received	144.53	196.07
Advance tax and tax deducted at source	336.69	196.36
(Net of provision for tax Rs. 562.36 lacs (Previous year Rs. 827.67 lacs))		
TOTAL	3,986.39	1,006.27
SCHEDULE "I" CURRENT LIABILITIES		
Sundry creditors	9,277.13	4,545.57
Book overdraft	412.20	1,183.50
Other liabilities	638.93	680.46
TOTAL	10,328.26	6,409.53
SCHEDULE "J" PROVISIONS		
Provision for proposed equity dividend	66.60	233.10
Provision for preference dividend	8.95	15.84
Provision for dividend distribution tax	12.55	42.31
Provision for doubtful advances	0.42	-
Provision for employee benefits	92.62	28.41
Provision for diminution in value of current investments/ stocks/derivatives	56.48	6.28
TOTAL	237.62	325.94
SCHEDULE "K" MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
As per last balance sheet	85.34	95.59
Add: Additions during the year	-	0.41
Less: Written off during the year	10.66	10.66
TOTAL	74.68	85.34



SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in lacs)

	Year ended 31-Mar-11	Year ended 31-Mar-10
SCHEDULE "L" INCOME FROM OPERATIONS		
Brokerage and related operational income	4,872.20	3,744.05
Distribution and professional Income	312.60	46.85
Profit on sale of stock, current investments/derivatives (net)	–	564.08
Interest on fixed deposits	691.49	519.95
(Tax deducted at source Rs. 68.93 lacs (Previous year Rs. 64.16 lacs))		
Provision for diminution in value of current investments/stocks/ derivatives wrtitten back (net)	–	5.80
Provision for doubtful debts written back	–	7.90
TOTAL	5,876.29	4,888.63
SCHEDULE "M" OTHER INCOME		
Income from dividend	6.42	6.88
Other interest income	48.13	12.16
(Tax deducted at source Rs.3.39 lacs (Previous year Rs. 0.23 lacs))		
Miscellaneous income	2.82	1.60
TOTAL	57.37	20.64
SCHEDULE "N" OPERATIONAL EXPENSES		
Brokerage / Sub-Brokerage	118.64	90.11
Service charges	783.09	422.58
Other operating expenses	337.17	239.93
Loss on sale of current investments/stocks/derivatives (net)	211.44	–
Provision for diminution in value of current investments/stocks/derivatives	43.92	–
TOTAL	1,494.26	752.62
SCHEDULE "O" PERSONNEL EXPENSES		
Salaries, bonus and allowances	1,705.81	1,088.83
Contribution to provident and other funds	112.15	53.61
Staff welfare expenses and others	28.84	22.33
TOTAL	1,846.80	1,164.77

SCHEDULES FORMING PART OF ACCOUNTS

(Rupees in lacs)

	Year ended 31-Mar-11	Year ended 31-Mar-10
SCHEDULE "P" ADMINISTRATIVE AND OTHER EXPENSES		
Rent	304.11	177.02
Rates and taxes	4.27	2.24
Printing and stationery	74.75	55.47
Travelling expenses		
Domestic travelling	35.95	28.14
Foreign travelling	1.32	1.59
Conveyance expenses	37.13	27.62
Motor vehicle expenses	28.39	19.45
Electricity charges	55.17	43.22
Communication expenses	124.76	97.98
Advertisement expenses	10.85	3.38
Legal and professional fees	68.93	68.26
Auditors remuneration	3.98	3.54
Repairs and maintenance		
Office premises	8.42	2.59
Others	130.68	90.20
Insurance	12.69	10.99
Membership and subscription	1.05	0.42
Donations	0.12	-
Newspapers, books and periodicals	7.02	5.01
Business promotion expenses	50.70	38.24
Bad Debts/Sundry balances written Off (net)	39.16	97.04
Loss on sale of assets	16.12	18.83
(Includes loss on theft Rs.4.12 lacs (Previous year Nil))		
Provision for doubtful debts	2.73	-
Provision for doubtful advances	0.42	-
Miscellaneous expenses	15.54	12.32
TOTAL	1,034.26	803.55
SCHEDULE "Q" FINANCIAL EXPENSES		
Interest	937.20	608.17
Bank charges and others	123.01	61.17
TOTAL	1,060.21	669.34



NOTES TO ACCOUNTS

SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of financial Statements

The accompanying financial statements have been prepared under the historical cost convention on an accrual basis. The financial statements have been prepared in accordance with the generally accepted accounting principles to comply in all material aspects with the Accounting Standards (AS) 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 on the date of the financial statements and the reported amount of revenues and expense during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

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 dates.
- 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 an accrual (time proportion) basis.

4. Employee Benefits

a) 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 like short-term compensated absences, estimated cost of bonus and ex-gratia are recognised in the period in which the employee renders the related service.

b) Post Employment Benefits

i) Defined Benefit Plans

The Company's net obligation in respect of its defined benefit plan, 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 Unit Credit Methods, 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 recognized immediately in the Profit and Loss Account.

ii) Defined Contribution Plans

The Company contributes to defined contribution plan like the state governed employees provident fund and pension fund schemes for all its employees who are eligible for the benefit. All such contributions are recognized during the period in which the employee renders the related service.

5. Tangible Fixed Assets

Tangible Fixed Assets are stated at cost of acquisition net of tax / duty credits availed 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 net of tax / duty credits availed 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. On intangible assets, 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. On asset costing less than Rs.5,000/- at hundred percent of cost of the asset.
- e. On leasehold improvements, over the primary period of the lease.

8. Impairment of Assets

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 the 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. 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 /index wise) on open futures contracts, credit balances if any, in the account attributable to anticipated income being ignored keeping in view the consideration of prudence.

12. 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.

13. Earnings Per Share

The basic earnings per share is computed and disclosed by dividing the net profit after tax attributable to equity shareholders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed and disclosed using the weighted average number of equity 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 raising of additional capital are amortised over a period of ten years from the year of commencement of the business operations or from the year of raising of capital / additional capital.



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	2010-2011	2009-2010
Deferred Tax Assets		
Provision for Employee Benefits	30.76	9.66
Provision for Doubtful Debts	12.18	11.53
Provision for Diminution in Value of Current Investments/Shares/Derivatives	19.91	5.44
Provision for Doubtful Advances	0.14	-
Accumulated Depreciation	25.28	17.52
Net Deferred Tax Assets (Net)	88.27	44.15

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 segment other than India. 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

Details of the related parties with whom transactions were carried out during the year and description of the relationship and the amounts involved are provided below:

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

SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

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

iii) 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

b) 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 transactions	- (15.87)	457.05 (56.69)	4,900.57 (3,091.27)	5,357.62 (3,163.83)
– Sale transactions	- (63.41)	72.66 (57.42)	4,669.29 (3,732.62)	4,741.95 (3,853.45)
Remuneration	- (-)	- (-)	57.43 (58.27)	57.43 (58.27)
Professional charges	- (-)	- (2.50)	- (-)	- (2.50)
Dividend paid	82.85 (233.10)	- (-)	- (-)	82.85 (233.10)
Interest	46.35 (38.42)	211.76 (28.49)	- (-)	258.11 (66.91)
Interest charged	- (-)	14.07 (4.08)	- (-)	14.07 (4.08)
Reimbursement	66.47 (356.18)	24.93 (4.49)	- (-)	91.40 (360.67)
Redemption of preference shares	90.00 (30.00)	- (-)	- (-)	90.00 (30.00)
Issue of preference shares	90.00 (30.00)	- (-)	- (-)	90.00 (30.00)
Loans given	- (-)	3,417.13 (1,910.80)	- (-)	3,417.13 (1,980.80)
Loans taken	1,105.56 (2,613.79)	20,228.19 (9,868.90)	-	21,333.75 (12,482.69)



SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

Nature of Transactions	Holding Company	Enterprises having significant influence	Key management personnel and their relatives	Total
Outstanding as on March 31				
a) Deposit given	- (-)	70.00 (70.00)	- (-)	70.00 (70.00)
b) Loans payable	231.78 (-)	2,445.02 (205.37)	- (-)	2,676.80 (205.37)
c) Dividend payable	75.55 (248.94)	- (-)	- (-)	75.55 (248.94)
d) Sundry debtors	- (-)	926.19 (0.01)	204.99 (0.02)	1,131.18 (0.03)
e) Sundry creditors	- (-)	1.29 (0.40)	10.67 (148.19)	11.96 (148.59)
f) Guarantees received	4,498.75 (3,398.75)	- (-)	- (-)	4,498.75 (3,398.75)

Note: Figures in brackets represents previous year amount.

4. Auditors Remuneration

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Statutory audit	2.50	2.25
Tax audit	0.90	0.70
Certification and other matters	0.58	0.59
Total	3.98	3.54

5. a) Details of Stock of Shares - Quoted Equity Shares

(Rupees in lacs)

Name of the Company	As at March 31 2011		As at March 31 2010	
	Number	Amount	Number	Amount
Adhunik Metaliks Limited	-	-	1522	1.85
Aegis Logistics Limited	-	-	955	1.87
Atul Limited	-	-	1000	0.95
DCM Shriram Consolidated Limited	-	-	1001	0.65
DQ Entertainment (International) Limited	-	-	200	0.22
Fedders Lloyd Corporation Limited	-	-	1000	0.88
Fiem Industries Limited	-	-	998	0.97
Firstsource Solutions Limited	-	-	1003	0.37
Global Vectra Helicorp Limited	-	-	550	0.28
Gujarat Investa Limited	-	-	100	0.01
HB Stockholdings Limited	-	-	1000	0.25
HBL Power Systems Limited	-	-	756	0.29
Himachal Futuristic Communications Limited	-	-	1000	0.16

SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

(Rupees in lacs)

Name of the Company	As at March 31 2011		As at March 31 2010	
	Number	Amount	Number	Amount
Malu Paper Mills Limited	-	-	1001	0.21
Navneet Publications India Limited	-	-	1701	0.69
Omaxe Limited	-	-	1275	1.56
Rane Madras Limited	-	-	5	0*
REI Agro Limited	-	-	2250	1.09
Shri Lakshmi Cotsyn Limited	-	-	1049	1.19
SKF India Limited	-	-	250	0.88
Supreme Industries Limited	-	-	2315	10.30
Surya Roshni Limited	-	-	1300	0.66
Total		-		25.33

Market value as at March 31 2011 is Nil (Previous year Rs. 26.40 lacs).

* Amount less than rupees thousand

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

(Rupees in lacs)

Particulars	2010-2011		2009-2010	
	Quantity	Amount	Quantity	Amount
Opening stock	22,231	25.33	666,838	480.38
Add: Purchases	6,338,902	7,510.41	27,828,491	45,789.46
Sub-Total	6,361,133	7,535.74	28,495,329	46,269.84
Less: Sale	6,361,133	7,535.74	28,473,098	46,244.51
Closing stock	-	-	22,231	25.33

*Includes shares purchased/sold on arbitrage basis

c) Derivative Instruments

a) Initial Margin on equity derivative contracts have been paid in cash only.

b) Open future contracts outstanding as on March 31 2011

Name of the Equity Index / Stock Future	No. of contracts	No of Units	
		Long	Short
Aban Offshore Limited	14	7,000	-
ABB Limited	40	20,000	-
Alok Industries Limited	10	100,000	-
Areva T&D India Limited	5	5,000	-
Bharat Forge Limited	2	2,000	-
CESC Limited	53	26,500	-
Divi's Laboratories Limited	3	1,500	-



SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

Name of the Equity Index / Stock Future	No. of contracts	No of Units	
		Long	Short
Gujarat Mineral Development Corporation Limited	16	32,000	-
Great Offshore Limited	21	21,000	-
Nifty		31,200	60,850
Punj Lloyd Limited	9	18,000	-
Reliance Communications Limited	42	84,000	-
Reliance Infrastructure Limited	27	13,500	-
United Phosphorus Limited	15	30,000	-

6. Expenditure incurred in foreign currency

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Travelling and business promotion	0.84	1.51
Software charges	0.43	1.49
Total	1.27	3.00

7. Director's Remuneration

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Salary, bonus and allowances	52.75	54.29
Contribution to provident and other fund	4.68	3.98
Total	57.43	58.27

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 Benefit Plan for Gratuity as per Actuarial Valuation as at March 31 2011

(i) Change in Present Value of Defined Benefit Obligation

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Liability at the beginning of the year	30.37	20.29
Interest cost	3.73	2.34
Current service cost	16.58	9.96
Benefit paid	(0.66)	-
Actuarial (gain)/loss on obligations	23.16	(2.23)
Liability at the end of the year	73.17	30.37

SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

(ii) Change in Fair Value of Plan Assets

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Fair value of plan assets at the beginning of the year	22.96	11.26
Expected return on plan assets	2.49	1.23
Contributions	8.50	9.80
Benefit paid	(0.66)	-
Actuarial gain/(loss) on plan assets	0.28	0.22
Fair value of plan assets at the end of the year	33.57	22.96

(iii) Amount recognised in the Balance Sheet

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Liability at the end of the year	73.17	30.37
Fair value of plan assets at the end of the year	33.57	22.97
Difference	39.60	7.40
Amount recognised in the balance sheet	39.60	7.40

(iv) Expenses recognised in the Profit and Loss Account

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Current service cost	16.58	9.96
Interest cost	3.73	2.34
Expected return on plan assets	(2.49)	(1.68)
Actuarial gain / (loss)	22.88	(2.45)
Expense recognised in profit and loss account	40.70	8.17

(v) Actuarial Assumptions

Particulars	2010-2011	2009-2010
Discount rate (per annum)	8.25%	7.75%
Rate of return on plan assets (per annum)	8.00%	8.00%
Attrition rate (per annum)	2.00%	2.00%
Salary escalation (per annum)	5.00%	5.00%

(vi) The estimates of salary escalation considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as demand and supply of the employees.

(b) Defined Contribution Plan

The amount recognised as expense and included in "Contribution to Provident and Other Funds" (Schedule "O") of the Profit and Loss Account is Rs. 70.51 lacs (previous year Rs. 43.46 lacs).

(c) General Description of significant defined benefit plans

Gratuity Plan: Gratuity is payable to all eligible employees of the Company in terms of the provisions of the Payment of Gratuity Act, 1972.

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. 304.11 lacs (previous year Rs. 177.02 lacs)



SCHEDULE "R" NOTES TO ACCOUNTS (Contd.)

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

(Rupees in lacs)

Particulars	2010-2011	2009-2010
Not later than one year	362.34	178.02
Later than one year but not later than five years	1,186.94	486.50
Later than five years	26.90	13.97

10. a. During the year, the Company redeemed 476,500 & 23,500 10% redeemable cumulative preference shares of Rs.10 each on September 12 2010 & January 17 2011 respectively out of the proceeds of a fresh issue of 476,500 & 23,500 10% redeemable cumulative preference shares redeemable at par on September 12 2013 and January 17 2014 respectively.
- b. The company also redeemed 400,000 12.5% redeemable cumulative preference shares at Rs. 10 each on March 28 2011 out of the proceeds of a fresh issue of 400,000 12.5% redeemable cumulative preference shares of Rs. 10 each redeemable at par on March 28 2014.

11. Earnings Per Share

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

Particulars	2010-2011	2009-2010
Basic and diluted		
Calculation of weighted average number of equity shares		
Number of shares at the beginning of the year	16,650,000	16,135,000
Addition during the year	-	515,000
Number of shares at the end of the year	16,650,000	16,650,000
Weighted average number of equity shares	16,650,000	15,150,726
Net profit after tax (Rupees in lacs) (Net of preference dividend and tax thereon)	126.87	853.69
Basic and diluted earnings per share of Rs.10 each	0.76	5.63

12. Contingent Liabilities

(Rupees in lacs)

Particulars	2010-2011	2009-2010
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	4,498.75	3,398.75

13. Estimated amount of contracts to be executed on capital Account Rs. 17.52 lacs (Previous year Rs. 17.52 lacs)
14. Under Micro, Small and Medium Enterprises Development Act, 2006 which came into force on 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 of its dues.
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 loan 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 2011.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. Registration Details**

Registration No.	77946	State Code	11
Balance Sheet Date	March 31 2011		

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	1,679,020	Total Assets	1,679,020
Paid-up Capital	180,500	Reserves and Surplus	296,798
Secured Loans	934,042	Unsecured Loans	267,680

Application of Funds

Net Fixed Assets	69,938	Investments	64,713
Net Current Assets	1,528,074	Miscellaneous Expenditure	7,468
Deferred Tax	8,827		

IV. Performance of Company (Amount Rupees in Thousands)

Turnover	593,366	Total Expenditure	569,391
Profit Before Tax	23,975	Profit After Tax	14,582
Earning Per Share in Rupees	0.76	Dividend rate % (on Equity)	4%

V. Generic Names of Principal Services of Company

1. Capital market activities
2. Distribution of financial products



Fortune Commodities & Derivatives (India) Limited

Financial Statements for the
year ended March 31 2011

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. J.T. Poonja

Directors

Mr. Nimish C. Shah

Mr. Gaurang A. Patel

Registered Office

K. K. Chambers, 2nd Floor
Sir P. T. Marg, Fort
Mumbai - 400 001

Auditors

M/s. Nipun Sudhir & Associates
Chartered Accountants

Bankers

Axis Bank Ltd.
HDFC Bank Ltd.
ICICI Bank Ltd.

Website

www.fortune.co.in

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting the Sixth annual report together with the audited accounts on the business and operations of the Company for the year ended March 31 2011.

Financial Highlights:

	(Rupees)	
	2010-2011	2009-2010
Total Income	52,118,803	30,196,941
Profit before depreciation and tax	22,799,781	12,265,675
Depreciation	446,601	323,158
Profit before tax	22,353,180	11,942,517
Provision for tax		
- Current tax	7,705,000	4,131,500
- Deferred tax	(293,893)	(44,541)
Profit after tax	14,942,073	7,855,558
Balance brought forward from previous year	7,163,108	2,900,986
Balance available for appropriations	222,105,181	10,756,544
Transfer to general reserve	1,494,207	785,576
Dividend	2,400,000	2,400,000
Dividend distribution tax	398,640	407,880
Balance carried to balance sheet	17,812,334	7,163,108
Weighted average number of equity shares	3,000,000	3,000,000
Nominal value per share (in rupees)	10.00	10
Basic and diluted earnings per share (in rupees)	4.98	2.62

Financial Performance

For the financial year ended March 31 2011, your company earned profit before tax of Rs.22,353,180 as against Rs.11,942,517 in the previous year. The profit after tax was at Rs. 14,942,073 as against Rs.7,855,558 compared to the previous year. The total income for the year under consideration was Rs.52,118,803 and total expenditure was Rs.29,765,623.

Transfer to General Reserve

The Board of Directors proposes to transfer a sum of Rs.1,494,207 out of current profits of the company.

Dividend

A dividend of Rs.0.80 per share on 30,00,000 equity shares of Rs.10 each has been recommended for payment aggregating to Rs. 24,00,000, subject to approval of the members of the Company.

Business outlook

The FY11 witnessed a 53.9% increase in the total value of trade to Rs.119.5 lakh crores in commodities across 22 exchanges in India. As the global recovery is under way, we expect it will have a positive impact on the volume of trade in commodities across exchanges. FMC estimates the growth rate for 2011-12 to be around 20-25% on a conservative basis. As banks and foreign institutions are expected to be allowed to trade in commodities, the growth rate could climb up further.

Growth of commodities turnover during past 5 years

Year	2007-08	2008-09	2009-10	2010-11
Turnover (in ' Lakh Crore)	40.66	52.49	77.65	119.49
Growth (in %)	-	29.1	47.9	53.9

Source- Reuters, Forward Market Commission website

The major commodities that were traded in India were bullion and energy which comprised 46% and 19% respectively of total trade. Trade in bullion grew 74% over the last year and led among other major commodities. The gold jewelry export grew by 33% in 2010-11. We expect the growth in trade volume in bullion could slow in the coming year, as gold and silver are at their historically high prices. The agriculture commodities grew at the lowest pace among other commodities last year despite a good monsoon and harvest.

Sectoral Break up and Growth of Different Commodities

(Rs. in crores)

	2010-11	% age share in overall trade	2009-10	% age share in overall trade	Growth in 2010-11
Agriculture	1,456,390	12.188%	1,217,949	15.6856%	19.6%
Bullion	5,493,892	45.978%	3,164,152	40.7502%	73.6%
Metals	2,687,673	22.493%	1,801,636	23.2027%	49.2%
Energy	2,310,959	19.340%	1,577,882	20.3211%	46.5%
Other	29	0.0002%	3,134	0.0404%	-99.1%
Overall	11,948,942		7,764,754		53.9%

The government of India is planning a new legislation this year which would allow banks and foreign players to participate in commodity trading. The mini contract introduced by exchanges will help small investors like farmers to participate in the commodity market as well. The option contract in commodities which is under review by government will help improve the trade volume by attracting hedgers and speculators. Option contract can be a perfect tool for the commodity risk management market in India. This would help bring the equity, debt and commodity market together spurring the business for the many market participants.

Despite having a strong and growing economy, India's share in global commodity market is not much encouraging. Except gold, India's share in other commodities compared to its global peers is insignificant. Although India's production of agriculture products is large its contribution to international trade is miniscule. Various development projects on and off the farm will be the key growth driver in the near future.

Challenges ahead

Introduction of Commodity Options- The matter is said to be under the active consideration of the Government and the options trading may be introduced in the near future.

The Warehousing and Standardization- Central Warehousing Corporation of India has 476 warehouses across the country with a storage capacity of 10.18 million tones which is presently inadequate. To resolve the problem, a Gramin Bhandaran Yojana (Rural Warehousing Plan) has been introduced to construct new and expand the existing rural go-downs. This will help local farmers to store their farm inputs and processed farm produce.

Tax and Legal bottlenecks - Regulatory changes are needed to bring uniformity in octroi and sales taxes etc. VAT is yet to be adopted by all states.

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. Gaurang A. Patel 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.

Auditors Report

The notes to the accounts referred to in the Auditor's Report are self explanatory and therefore do not call for any further explanation on Auditors observations, as required under section 217(3) of the Companies Act 1956.



Compliance Certificate

As required under section 383A of the Companies Act, 1956, the Compliance Certificate dated 26th May, 2011 issued by M/s. Mehta & Mehta, Practicing Company Secretaries, for the year ended 31st March, 2011 forms part of the Annual Report of the Company.

Conservation of Energy, Technology Absorption

The information required under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to these matters are not applicable to the Company.

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, to the best of their knowledge and belief confirm that:

- in the preparation of the annual accounts, the applicable Accounting Standards have been followed with explanation for deviation, if any;
- appropriate accounting policies have been selected and applied consistently, and such judgments and estimates that are reasonable and prudent have been made 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 the year ended on that date.
- proper and sufficient care has 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 have 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

J. T. Poonja
Chairman

Mumbai, May 26 2011

SECRETARIAL 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 register books and papers of **FORTUNE COMMODITIES AND DERIVATIVES (INDIA) LIMITED** (hereinafter refer as to "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, 2011. 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, it has the minimum prescribed paid-up capital and the maximum number of members during the financial year was (7) Seven.
4. The Board of Directors duly met **Seven** times on 06/04/2010, 20/05/2010, 30/07/2010, 30/08/2010, 28/10/2010, 03/11/2010 and 27/01/2011 and in respect of these 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, 2010 was held on 28th August, 2010 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. Extra Ordinary General Meeting was held by the Company on 11th March, 2011 to take the approval of members for making investments in other bodies corporate under Section 372A.
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 contract attracting the provisions of section 297 of the Act.
10. The Company has not entered into any transaction falling within the purview of Section 299 of the Act; hence no entries were required to be made in the registrar 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 not made transfer of equity shares during the year.
 - (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 warrants for the dividend declared during the year.
 - (iv) has not transferred the amount 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) has 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, provisions of the Act with regards 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 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 any 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 public and hence was not required to comply with the provisions of Sections 58A and 58AA read with Companies (Acceptance and Deposit) Rules 1975/ the applicable directions issued by the Reserve Bank of India/ any other authority in respect of deposits.
24. The Company has not borrowed money, which is beyond the limits prescribed under the provisions of Section 293 (1) (d) of the Act.
25. The Company has made investments in Shares of other bodies Corporate under Section 372A of the Act and the procedure for the same is being complied with.
26. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from 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 during the year under scrutiny.
31. As per our knowledge and the information provided to us, 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.

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 Directors, Manager and Secretary u/s 303(1)
7. Register of Directors Shareholding u/s 307(1)
8. Register of Directors' and Members' Attendance

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, 2011.

Document	Filed u/s	For the	Remarks
Form 23 AC & ACA	220	Balance sheet and Profit and Loss account for the Financial year ended 31 st March, 2010	Filed on 14/09/2010 with normal fees.
Form 66	383A	Compliance Certificate for the Financial year ended 31 st March, 2010	Filed on 08/09/2010 with normal fees.
Form 20B	159	Annual Return for the Annual General Meeting held on 28 th August, 2010	Filed on 16/10/2010 with normal fees.

For MEHTA & MEHTA
Company Secretaries

Place: Mumbai
Date: 26/05/2011

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

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 2011, 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 as appears from our examination of those books;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - v. On the basis of the written representations received from the directors of the Company, as at 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 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 2011;
 - 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
ICAI Registration Number 0126168W

Mumbai 26 May 2011

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 2011

In our opinion and according to the explanations given to us, the Company's business / activities during the year are such that clauses (ii), (viii),(x), (xiii), (xv), (xvi),(xix) and (xx) of the Companies (Auditor's) Report Order 2003, are not applicable to the Company. In respect of the other clauses, we report as under:

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. None of the assets of the company has been sold during the year.
2.
 - a. In our opinion and according to the explanations given to us, the Company has granted unsecured loan to one company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding in respect of the loan given during the year was Rs.40,900,000 and the year end balance of such loan is Nil.
 - b. 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.
 - c. The receipt of principal and interest is regular, wherever there are stipulations with respect to the same.
 - d. The company has not taken any loan during the year.
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 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. 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 there are no contracts or agreements which are required to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered. Accordingly, paragraph 4(v)(b) of the order is not applicable.
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, no Order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal on the Company.
6. The Company has an adequate internal audit system commensurate with the size of the Company and the nature of its business. Further on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
7.
 - a. According to the records of the Company and the information and explanations given to us, the Company has been 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 explanation given to us there are no arrears of statutory dues as at the last day of the financial year, outstanding for more then six months from the date they become payable
 - c. According to the information and explanations given to us, there are no statutory dues, which are disputed by the company.
8. Based on our audit procedures and on the information and explanations given by the Management, the Company has not defaulted in repayment of dues to any bank during the year.
9. 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.

10. 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, securities and derivatives and timely entries have been made in those records. We also report that the Company has held the securities, in its own name except those that are intended to be contracted or sold immediately.
11. 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.
12. The Company has not made a preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
13. 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
ICAI Registration Number 0126168W

Sudhir V. Nair

Partner

(Membership Number 45893)

Mumbai, 26 May 2011



BALANCE SHEET AS AT MARCH 31 2011

(Rupees)

	Schedules	As at 31-Mar-11	As at 31-Mar-10
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	A	30,000,000	30,000,000
Reserves and surplus	B	20,462,368	8,318,935
		50,462,368	38,318,935
LOAN FUNDS			
Secured loan	C	1,403,049	-
TOTAL		51,865,417	38,318,935
APPLICATION OF FUNDS			
Fixed Assets			
D			
Gross block		2,413,903	1,457,489
Less : Depreciation		1,205,418	758,817
Capital work-in-progress		500,000	500,000
Net block		1,708,485	1,198,672
Deferred Tax Asset (Net)		302,717	8,824
Investments	E	37,663,791	
Current Assets, Loans and Advances			
Current assets	F	52,527,817	60,476,630
Loans and advances	G	10,003,088	11,923,842
		62,530,905	72,400,472
Less : Current Liabilities and Provisions			
Current liabilities	H	45,919,343	32,204,663
Provisions	I	4,805,605	3,541,429
		50,724,948	35,746,092
Net Current Assets		11,805,957	36,654,380
Miscellaneous Expenditure (to the extent not written off or adjusted)	J	384,467	457,059
TOTAL		51,865,417	38,318,935
Notes to Accounts	Q		

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 26 2011J.T. Poonja
ChairmanNimish C. Shah
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31 2011

(Rupees)

	Schedules	Year ended 31-Mar-11	Year ended 31-Mar-10
INCOME			
Income from operations	K	48,726,047	28,664,574
Other income	L	3,392,756	1,532,367
TOTAL		<u>52,118,803</u>	<u>30,196,941</u>
EXPENDITURE			
Operational expenses	M	11,064,317	4,783,150
Personnel expenses	N	10,483,552	7,392,936
Administrative and other expenses	O	6,945,183	4,974,494
Financial expenses	P	825,970	780,686
Depreciation		446,601	323,158
TOTAL		<u>29,765,623</u>	<u>18,254,424</u>
PORFIT BEFORE TAX		22,353,180	11,942,517
PROVISION FOR TAX			
Current tax		7,705,000	4,131,500
Deferred tax		(293,893)	(44,541)
PROFIT AFTER TAX		14,942,073	7,855,558
Balance brought forward from previous year		7,163,108	2,900,986
BALANCE AVAILABLE FOR APPROPRIATION		<u>22,105,181</u>	<u>10,756,544</u>
APPROPRIATIONS			
Transfer to general reserve		1,494,207	785,556
Proposed equity dividend		2,400,000	2,400,000
Dividend distribution tax		398,640	407,880
Balance carried to balance sheet		17,812,334	7,163,108
TOTAL		<u>22,105,181</u>	<u>10,756,544</u>
EARNINGS PER SHARE			
Profit after tax		14,942,073	7,855,558
Weighted average number of equity shares (Refer note II.8 schedule "Q")		3,000,000	3,000,000
Nominal value per share		10	10
Basic and diluted earnings per share		4.98	2.62
Notes to Accounts	Q		

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 26 2011

J.T. Poonja
Chairman

Nimish C. Shah
Director



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31 2011

(Rupees)

	March 31 2011	March 31 2010
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	22,353,180	11,942,517
Adjustments for :		
Depreciation and amortisation	446,601	323,158
Miscellaneous expenses written off	72,592	72,592
Bad debts written off	22,205	3,572
Provision for diminution in value of investments	428,848	-
Provision for doubtful debts	318,683	-
Provision for employee benefits	70,258	150,374
Loss on sale of current investments (net)	653	133,024
Interest income	(6,050,201)	(4,481,577)
Interest expense	168,913	243,072
Operating Profit before Working Capital Change	17,831,732	8,386,732
Adjustments for :		
(Increase) / Decrease in trade and other receivables	747,626	10,221,026
Increase / (Decrease) in margin money and fixed deposits	(8,620,306)	(4,045,000)
Increase / (Decrease) in trade payables	13,714,681	10,664,126
Cash generated from / (utilised in) operations	23,673,733	25,226,884
Interest income	6,050,201	4,481,577
Direct tax paid (net of refunds)	(6,930,690)	(3,691,029)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	22,793,244	26,017,432
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(956,414)	-
Sale / (Purchase) of investments (net)	(37,664,444)	(133,024)
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	(38,620,858)	(133,024)
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds from borrowings	1,403,049	(4,611,987)
Dividend and distribution tax paid	(2,807,880)	(1,052,955)
Interest expense	(168,913)	(243,072)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	(1,573,744)	(5,908,014)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	(17,401,358)	19,976,394
Cash and Cash Equivalents		
Balance at the beginning of the year	21,662,555	1,686,161
Balance at the end of the year	4,261,197	21,662,555
	(17,401,358)	19,976,394

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 necessary.

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 26 2011

J. T. Poonja
Chairman**Nimish C Shah**
Director

SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	As at 31-Mar-11	As at 31-Mar-10
SCHEDULE "A" SHARE CAPITAL		
Authorised		
3,000,000 (Previous year 3,000,000) equity shares of Rs. 10 each	30,000,000	30,000,000
TOTAL	<u>30,000,000</u>	<u>30,000,000</u>
Issued, Subscribed and Paid-up		
30,00,000 (Previous year 30,00,000) equity shares of Rs. 10 each (All the shares are held by Fortune Financial Services (India) Limited, the holding company and its nominees)	30,000,000	30,000,000
TOTAL	<u>30,000,000</u>	<u>30,000,000</u>
SCHEDULE "B" RESERVES AND SURPLUS		
General Reserve		
As per last balance sheet	1,155,827	370,271
Add: Transferred from profit and loss account	<u>1,494,207</u>	<u>785,556</u>
	2,650,034	1,155,827
Profit and Loss Account	17,812,334	7,163,108
TOTAL	<u>20,462,368</u>	<u>8,318,935</u>
SCHEDULE "C" SECURED LOAN		
Working capital loan from bank (Secured against pledge of fixed deposit receipts)	1,403,049	-
TOTAL	<u>1,403,049</u>	<u>-</u>

SCHEDULE - D : FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	For the year	On deductions	As at 31.03.2011	As at 31.03.2011	As at 31.03.2010
Tangible Assets										
Office equipments	549,913	14,000	-	563,913	164,636	54,488	-	219,124	344,789	385,277
Computers	625,526	313,120	-	938,646	374,551	200,245	-	574,796	363,850	250,975
Motor vehicle	-	629,294	-	629,294	-	129,448	-	129,448	499,846	-
Intangible Assets										
Computer software	282,050	-	-	282,050	219,630	62,420	-	282,050	-	62,420
TOTAL	1,457,489	956,414	-	2,413,903	758,817	446,601	-	1,205,418	1,208,485	698,672
Previous year	1,457,489	-	-	1,457,489	435,659	323,158	-	758,817	698,672	1,021,830
Capital Work-in-Progress										
Capital Work-in-Progress	500,000	-	-	500,000	-	-	-	-	500,000	-
Previous year	-	500,000	-	500,000	-	-	-	-	500,000	-



SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	As at 31-Mar-11		As at 31-Mar-10	
	Number	Rupees	Number	Rupees
SCHEDULE "E" INVESTMENTS (At cost, unless otherwise specified) (Fully Paid up, unless otherwise stated) CURRENT INVESTMENTS (NON TRADE) EQUITY SHARES (QUOTED)				
Name of the Company	Number	Rupees	Number	Rupees
Anant Raj Industries Limited	93,000	7,746,504	-	-
Bharti Shipyard Limited	61,000	9,172,296	-	-
Ess Dee Aluminium Limited	25,000	10,499,648	-	-
Jai Corp Limited	24,000	3,945,704	-	-
Sarda Energy & Minerals Limited	31,500	6,299,639	-	-
(Market value of current investments as on Rs.37,245,150 March 31 2011 (Previous year Nil))				
		<u>37,663,791</u>		<u>-</u>
SCHEDULE "F" CURRENT ASSETS				
Sundry Debtors				
Unsecured				
Outstanding for a period exceeding six months :				
Considered good	163,505		1,087,158	
Considered doubtful	318,683		-	
Others :				
Considered good	2,317,750		2,320,045	
	<u>2,799,938</u>		<u>3,407,203</u>	
Less: Provision for doubtful debts	318,683		-	
(Debtors include Nil (Previous year Rs. 198,090) due from Director/Companies in which Directors are interested)		2,481,255		3,407,203
(Maximum amount due from directors at any time during the year Nil (Previous year Rs. Rs. 829,567))				
Cash and Bank Balances				
Cash on hand	1,157		12,755	
Balance with scheduled Banks				
In Current accounts	4,260,040		21,649,800	
In Deposit accounts	16,006,270		17,545,000	
(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	25,659,036		15,500,000	
(Under lien with a bank against guarantees to exchanges)		45,926,503		54,707,555

SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	As at 31-Mar-11	As at 31-Mar-10
Other Assets		
Interest accrued but not due	4,120,059	2,361,872
TOTAL	<u>52,527,817</u>	<u>60,476,630</u>
SCHEDULE "G" LOANS AND ADVANCES		
Loans and advances to employee	398,237	101,000
Deposits :		
Exchange/Clearing member deposits (Includes margin for proprietary trading)	8,032,834	10,348,692
Other deposits	44,000	54,000
Advances recoverable in cash or in kind or for value to be received	1,528,017	1,420,150
TOTAL	<u>10,003,088</u>	<u>11,923,842</u>
SCHEDULE "H" CURRENT LIABILITIES		
Sundry creditors	43,176,925	28,383,939
Other liabilities	2,742,418	3,820,724
TOTAL	<u>45,919,343</u>	<u>32,204,663</u>
SCHEDULE "I" PROVISIONS		
Provision for taxation (Net of advance tax and tax deducted at source Rs. 12,453,723 (Previous year Rs. Rs. 5,523,034))	1,262,277	487,967
Provision for diminution in value of current investments	428,848	-
Provision for proposed equity dividend	2,400,000	2,400,000
Provision for dividend distribution tax	398,640	407,880
Provision for employee benefits	315,840	245,582
TOTAL	<u>4,805,605</u>	<u>3,541,429</u>
SCHEDULE "J" MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
As per last balance sheet	457,059	529,651
Less: Written off during the year	72,592	72,592
TOTAL	<u>384,467</u>	<u>457,059</u>
	Year ended 31-Mar-11	Year ended 31-Mar-10
SCHEDULE "K" INCOME FROM OPERATIONS		
Brokerage and related operational income	46,054,784	25,710,328
Interest income (Tax deducted at source Rs. 296,112 (Previous year Rs. 268,881))	2,671,263	2,954,246
TOTAL	<u>48,726,047</u>	<u>28,664,574</u>



SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	Year ended 31-Mar-11	Year ended 31-Mar-10
SCHEDULE "L" OTHER INCOME		
Interest income (Tax deducted at source Rs. 334,577 (Previous year Rs. 198,134))	3,378,938	1,527,331
Miscellaneous income	13,818	5,036
TOTAL	3,392,756	1,532,367
SCHEDULE "M" OPERATIONAL EXPENSES		
Service charges	9,173,430	3,905,483
Other operating expenses	1,461,386	744,643
Loss on trading in derivatives	653	133,024
Provision for diminution in value of current investments	428,848	-
TOTAL	11,064,317	4,783,150
SCHEDULE "N" PERSONNEL EXPENSES		
Salaries, bonus and allowances	10,120,817	7,039,817
Contribution to provident and other funds	348,731	341,022
Staff welfare expenses and others	14,004	12,097
TOTAL	10,483,552	7,392,936
SCHEDULE "O" ADMINISTRATIVE AND OTHER EXPENSES		
Rates and taxes	15,371	15,683
Printing and stationery	1,252,042	1,761,384
Travelling expenses - Domestic	406,863	283,076
Conveyance expenses	169,082	282,299
Communication expenses	115,352	79,344
Legal and professional fees	1,973,400	999,686
Auditors' remuneration	328,500	285,000
Repairs and maintenance	2,098,026	941,236
Insurance	107,219	90,838
Newspaper books & other subscriptions	4,684	13,444
Business and sales promotion	49,691	99,688
Provision for doubtful debts	318,683	-
Bad debts written off (net)	22,205	3,572
Miscellaneous expenses	84,065	119,244
TOTAL	6,945,183	4,974,494
SCHEDULE "P" FINANCIAL EXPENSES		
Interest	168,913	243,072
Bank charges and others	657,057	537,614
TOTAL	825,970	780,686

NOTES TO ACCOUNTS

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of financial Statements

The accompanying financial statements have been prepared under the historical cost convention on an accrual basis. The financial statements have been prepared in accordance with the generally accepted accounting principles to comply in all material aspects 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 on the date of the financial statements and the reported amount of revenues and expense during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

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 dates.
- b) Interest income is recognised on an accrual (time proportion) basis.
- c) Dividend income is when the right to receive dividend is established.

4. Employee Benefits

a) 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 like short-term compensated absences, estimated cost of bonus and ex-gratia are recognised in the period in which the employee renders the related service.

b) Post Employment Benefits:

i) Defined Benefit Plans

The Company's net obligation in respect of its defined benefit plans, 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 plans is determined based on actuarial valuation using the 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.

ii) Defined contribution Plans

The Company contributes to defined contribution plans like the state governed employee's provident fund and pension fund schemes for all its employees who are eligible for the benefit. All such contributions are recognised during the period in which the employee renders the related service.

5. Tangible Fixed Assets

Tangible Fixed Assets are stated at cost of acquisition net of tax /duty credits availed 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 net of tax / duty credits availed less amortisation.

**SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)****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. On 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. On assets costing less than Rs. 5,000, at hundred percent of cost of the asset.

8. Impairment of Assets

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 is a change in the estimate of the 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. Earnings Per Share

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

12. Miscellaneous Expenditure

Preliminary expenditure is amortized over a period of ten years from the year of commencement of the business operation.

13. 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 recognized 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 recognized, nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

II. OTHER NOTES

1. Deferred Tax Asset (Net) comprises:

(Rupees)

	2010-2011	2009-2010
Deferred Tax Asset		
Provision for diminution in value current investments	142,453	-
Provision for doubtful debts	105,859	-
Provision for employee benefits	104,914	67,473
Sub Total	353,226	67,473
Deferred Tax Liability		
Accumulated depreciation	50,509	58,649
Net Deferred Tax Asset	302,717	8,824

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

Details of the related parties with whom transactions were carried out during the year and description of the relationship and the amounts involved are provided below:

a) Name of the related parties

- i) Related party where control exists:

Holding Company : Fortune Financial Services (India) Limited

- ii) Other related parties

Enterprises having significant influence:

Fortune Equity Brokers (India) Limited

- iii) Key management personnel and their relatives:

Ms. Jalpa Shah, Relative

b) 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 transactions	- (-)	- (-)	816,836 (1,998,771)	816,836 (1,998,771)
- Sale transactions	- (-)	- (-)	1,161,359 (1,921,177)	1,161,359 (1,921,177)
Dividend paid	2,400,000 (2,400,000)	- (-)	- (-)	2,400,000 (2,400,000)



SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

(Rupees)

Nature of Transactions	Holding Company	Enterprises having significant influence	Key management personnel and their relatives	Total
Loans taken	- (-)	- (18,400,000)	- (-)	- (18,400,000)
Loans given	- (-)	228,900,000 (152,390,000)	- (-)	229,900,000 (152,390,000)
Interest charged	- (-)	3,345,729 (1,522,006)	- (-)	3,345,729 (1,522,006)
Interest	- (-)	- (26,171)	- (-)	- (26,171)
Reimbursement	51,275 (35,339)	758,295 (409,179)	- (-)	809,570 (444,518)
Outstanding as on March 31				
a) Sundry debtors	- (-)	- (-)	- (198,090)	- (198,090)
b) Sundry creditors	51,275 (-)	- (1,113)	146,434 (-)	197,709 (1,113)
c) Dividend payable	2,400,000 (2,400,000)	- (-)	- (-)	2,400,000 (2,400,000)
d) Guarantee received	51,000,000 (31,000,000)	- (-)	- (-)	51,000,000 (31,000,000)

Note: Figures in brackets represents previous year's amount.

- c) Services are rendered by the holding company by providing resources like manpower, assets, etc for which the complete amount is not recovered from the holding company.

4. Auditor's Remuneration

(Rupees)

Particulars	2010-2011	2009-2010
Statutory audit	250,000	225,000
Tax audit	65,000	40,000
Certification and other matters	13,500	20,000
Total	328,500	285,000

5. Employee Benefits:

- (a) Defined Benefit Plan for Gratuity as per Actuarial Valuation as at March 31 2011:

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

(Rupees)

Particulars	2010-2011	2009-2010
Liability at the beginning of the year	141,846	47,074
Interest cost	21,253	6,907
Current service cost	123,818	42,046
Actuarial (gain)/loss on obligations	(163,090)	45,819
Liability at the end of the year	123,897	141,846

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

(ii) Change in Fair Value of Plan Assets

(Rupees)

Particulars	2010-2011	2009-2010
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	-	-

(iii) Amount Recognised in the Balance Sheet

(Rupees)

Particulars	2010-2011	2009-2010
Liability at the end of the year	123,827	141,846
Fair value of plan assets at the end of the year	-	-
Difference	(123,827)	(141,846)
Amount recognised in the balance sheet	(123,827)	(141,846)

(iv) Expenses recognised in the Profit and Loss Account

(Rupees)

Particulars	2010-2011	2009-2010
Current service cost	123,818	42,046
Interest cost	21,253	6,907
Expected return on plan assets	-	-
Actuarial gain / (loss)	(163,090)	45,819
Expense recognised in profit and loss account	(18,019)	94,722

(v) Actuarial Assumptions

Particulars	2010-2011	2009-2010
Discount rate (per annum)	8.25%	8.00%
Rate of return on plan assets (per annum)	8.00%	0.00%
Attrition rate (per annum)	2.00%	2.00%
Salary escalation (per annum)	5.00%	5.00%

(vi) The estimate of salary escalation considered in actuarial revaluation takes into account inflation, seniority, promotion and other relevant factors such as demand and supply of the employee.



SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

b) Defined Contribution Plans

The amount recognized as expense and included in "Contribution to Provident and Other funds" Schedule 'N' of the profit and loss account is Rs. 366,034 (previous year Rs. 245,652).

c) 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.

6. Contingent Liability

(Rupees)

Particulars	March 31 2011	March 31 2010
Guarantees given by bank on behalf of the company in respect of capital adequacy, daily margins and other contractual commitments for commodity market operations of the company	51,000,000	31,000,000

7. Estimated amount of contracts to be executed on capital account Nil (Previous year Nil)

8. Earnings Per Share

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

		2010-2011	2009-2010
A	Calculation of weighted average number of equity shares		
	Number of shares at the beginning of the year	3,000,000	3,000,000
	Addition during the year	-	-
	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	3,000,000
B	Net profit after tax (Rupees)	14,942,073	7,855,558
C	Basic and diluted earning per share of Rs.10 each (Rupees)	4.98	2.62

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 of its dues.

10. Balance standing in debtors, creditors and loans and advances are subject to confirmations.

11. 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.

12. 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 2011.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. Registration Details**

Registration No.	158409	State Code	11
Balance Sheet Date	March 31 2011		

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	51,865	Total assets	51,865
Paid-up capital	30,000	Reserves and surplus	20,462
Secured loans	1,403		

Application of Funds

Net fixed assets	1,708	Miscellaneous expenditure	384
Net current assets	11,806	Deferred tax assets	303
Investments	37,664		

IV. Performance of Company (Amount Rupees in Thousands)

Turnover	52,119	Total expenditure	29,766
Profit before tax	22,353	Profit after tax	14,942
Earning per share in rupees	4.98	Dividend rate %	8%

V. Generic Names of Principal Services of Company

1. Commodity market activities
2. Derivative market activities



Fortune Credit Capital Limited

Financial Statements for the
year ended March 31 2011

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. J.T. Poonja

Directors

Mr. Nimish C. Shah

Mr. Ramesh Venkat

Mr. Ajit Gopaldas

Company Secretary	Mr. Priyavadan P. Shah
Registered Office	K. K. Chambers, 2 nd Floor Sir P. T. Marg, Fort Mumbai - 400 001
Auditors	M/s. Nipun Sudhir & Associates Chartered Accountants
Bankers	Andhra Bank Axis Bank Ltd. HDFC Bank Ltd. Karur Vysya Bank Ltd. Union Bank of India Vijaya Bank
Website	www.fortune.co.in

**DIRECTORS' REPORT****Dear Members,**

Your Directors have pleasure in presenting the Fourth Annual Report and Audited Accounts for the year ended March 31 2011.

Financial Highlights**(Rupees)**

	2010-2011	2009-2010
Total income	174,109,556	104,328,904
Profit before depreciation and tax	78,022,006	29,203,240
Depreciation	44,959	72,186
Profit before tax	77,977,047	29,131,054
Provision for tax		
- Current tax	26,750,000	9,905,000
- Deferred tax	(23,606)	(4,397)
Profit after tax	51,250,653	19,230,451
Balance brought forward from previous year	3,891,641	437,084
Balance available for appropriations	55,142,294	19,667,535
Transfer to statutory reserve	10,250,131	3,846,090
Transfer to general reserve	51,25,065	961,523
Dividend	14,550,000	9,375,000
Dividend distribution tax	2,416,755	1,593,281
Balance carried to balance sheet	22,800,343	3,891,641
Weighted average number of shares	23,511,644	17,385,616
Nominal value per share	10.00	10.00
Basic and diluted earnings per share	2.18	1.11

Financial Performance

For the financial year ended March 31 2011, your Company earned profit before tax of Rs. 77,977,047 as against Rs.29,131,054 in the previous year. The profit after tax was at Rs.51,250,653 as against Rs.19,230,451 lacs compared to the previous year. The total income for the year under consideration was Rs.174,109,556 as against Rs.104,328,904 in the previous year.

Transfer to General Reserve

The Board of Directors proposes to transfer a sum of Rs.10,250,131 to statutory reserve and Rs.5,125,065 to general reserve out of current profits of the company.

Dividend

A dividend of Rs.0.60 per share on 2,42,50,000 equity shares of Rs.10 each has been recommended for payment aggregating to Rs.14,550,000, subject to approval of the members of the Company at the ensuing annual general meeting.

Business outlook

NBFCs have been playing a very important role both from the macro economic perspective and the structure of the Indian financial system. NBFCs are the preferred alternatives to the conventional banks as a financial intermediary for meeting various financial requirements of a business enterprise as they provide a hassle free credit. A sales driven approach and quick & efficient service offered by NBFC without complex formalities make them a better alternative to traditional banks. To withstand the competition, NBFCs need to constantly innovate in terms of their product as well as improve their operational efficiencies. The coming years will be very crucial for NBFCs and only those who will be able to face the challenge and prove themselves by standing the test

of time will survive in the long run. The changing and tougher banking regulation can be a major impediment to the growth of NBFC in India.

Number of NBFCs registered with RBI

End June	Number of Registered NBFC	Number of NBFC-D	Number of NBFCs ND-SI
2005	13,261	507	-
2006	13,014	428	149
2007	12,968	401	173
2008	12,809	364	189
2009	12,740	336	234
2010	12,630	308	260

Source : RBI Annual Report on trends and progress of banks.

Profile Of NBFC

	2008-09	2009-10
	(Rs. in crores)	
Total assets	97,408	109,324
Public Deposits	21,566	17,247

Source : RBI Website

The number of NBFCs has decreased over the last 2 years. Cancellation of certification of registration of some NBFCs coupled with RBI's unwillingness to give new NBFC licenses are the main reason behind the decrease in total number of NBFC. In the coming year we expect to see more consolidation in the NBFC sector which will help the stronger players to gain significant market share. Despite the decrease in total number of NBFCs the net asset held by all the NBFC has increased from Rs.97,048 crore in 2008-09 to Rs.109,324 crore in 2009-10. The financial performance of the FI sector improved during 2009-10 as compared with 2008-09. The increase in net profits of FI is mainly attributed to increase in interest income.

The maturity of public deposits is mainly from short to medium term. In 2009-10 there is a increase in the share of deposit of maturity less than 1 year and 2-3 year range. At the end of 2009-10, only 7% of deposit taking NBFCs had the asset size of more than 500 crore that accounted almost 98% of the total asset held by all the NBFC-D. Hire purchase and loans and advances by NBFCs witnessed a growth of 7.6% and 42.7% respectively while equipment and leasing saw a decline of 60% during 2009-10. Loans and hire purchase constitute 75% of their lending. The CRAR is above the statutory minimum ratio which will help the NBFC to improve their credit dispensation.

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. Ramesh Venkat retires by rotation as a Director at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Capital

During the year the company has further issued fifty five lacs equity shares of Rs.10 each fully paid at premium of Rs.20 per share aggregating to Rs.1,650.00 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.2,425.00 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.

Auditors Report

The notes to the accounts referred to in the Auditor's Report are Self Explanatory and therefore do not call for any further explanation on Auditors observations, as required under section 217(3) of the Companies Act 1956.

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 22nd February, 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 remuneration committee of Board of the Directors which consists of three member 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 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 Kummar.

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. Kalyanasundaram 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 has been posted on the website of the Fortune group.

Compliance of NBFC Regulations/Guidelines

As on 31st March, 2011 as per the audited accounts, the company is categorized as a systematically important non deposit taking non-banking financial company having total assets of Rs.100 crore and above. The company does not hold nor does it accept deposits from public.

Disclosures as prescribed by Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and other NBFC regulations having been made in this annual report.

Conservation of Energy, Technology Absorption

The information required under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to the matters specified therein are not applicable to your Company.

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, 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 has 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 have 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 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 Reserve Bank of India, bankers, business associates and clients for their valued co-operation.

On behalf of the Board

Mumbai, May 26 2011

J. T. Poonja
Chairman



AUDITORS' REPORT

To The Members of Fortune Credit Capital Limited

We have audited the accompanying Balance Sheet of Fortune Credit Capital Limited as at March 31, 2011, 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 as appears from our examination of those books;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act, 1956;
 - v. On the basis of written representations received from the directors, as at March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act, 1956;
 - 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 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 March 31, 2011;
 - 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
ICAI Registration No.0126168W

Sudhir V. Nair
Partner

(Membership Number 45893)

Mumbai, 26 May 2011

Annexure referred to in Paragraph (1) of the Auditors' Report to the Members of Fortune Credit Capital Limited for the year ended March 31, 2011

In our opinion and according to the explanations given to us, the Company's business / activities during the year are such that clauses (ii),(viii),(x), (xiii), (xv), (xvi), (xix) and (xx) of the Companies (Auditor's) Report Order 2003, are not applicable to the Company. In respect of the other clauses, we report as under:

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. None of the assets of the company has been sold during the year.
2.
 - a. In our opinion and according to the explanations given to us, the Company has granted unsecured loans to two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding in respect of the loan given during the year was Rs.459,818,364 and the year end balance of such loan is Rs. 244,502,240
 - b. In our opinion, the rate of interest and other terms and conditions of loans granted by the Company are not prima facie prejudicial to the interest of the Company.
 - c. The receipt 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 by the Company.
 - e. In our opinion and according to the explanations given to us, the Company has taken unsecured loans from three companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding in respect of the loan taken during the year was Rs 261,415,910 and the year end balance of such loan is Rs. 325,99,633.
 - f. In our opinion, the rate of interest and other terms and conditions of loans taken by the Company are not prima facie prejudicial to the interest of the Company.
 - g. The repayment of principal and interest is regular, wherever there are stipulations with respect to the same.
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 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. 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 there are no contracts or agreements which are required to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered. Accordingly, paragraph 4(v) (b) of the order is not applicable.
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, no Order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal on the Company.
6. The Company has an adequate internal audit system commensurate with the size of the Company and the nature of its business. Further on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
7.
 - a. According to the records of the Company and the information and explanations given to us, the Company has been 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 explanation given to us there are no arrears of statutory dues as at the last day of the financial year, outstanding for more then six months from the date they become payable
 - c. According to the information and explanations given to us, there are no statutory dues, which are disputed by the company.



8. Based on our audit procedures and on the information and explanations given by the Management, the Company has not defaulted in repayment of dues to any bank during the year.
9. 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.
10. 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, securities and timely entries have been made in those records. We also report that the Company has held the securities, in its own name except those that are intended to be contracted or sold immediately.
11. 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.
12. The Company has not made a preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
13. 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
ICAI Registration No.0126168W

Sudhir V. Nair

Partner

(Membership Number 45893)

Mumbai, 26 May 2011

BALANCE SHEET AS AT MARCH 31 2011

(Rupees)

	Schedules	As at 31-Mar-11	As at 31-Mar-10
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	A	242,500,000	187,500,000
Reserves and surplus	B	185,015,892	40,731,994
		427,515,892	228,231,994
Loan Funds			
Secured loans	C	241,255,714	235,524,327
Unsecured loans	D	333,561,366	334,570,881
		574,817,080	570,095,208
Deferred Tax Liability (Net)		–	2,044
TOTAL		<u>1,002,332,972</u>	<u>798,329,246</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	E	225,550	211,850
Less : Depreciation		141,338	96,379
Net block		84,212	115,471
Deferred Tax Asset (Net)		21,562	–
Current Assets, Loans and Advances			
Current assets	F	31,730,777	102,715,510
Loans and advances	G	995,541,784	706,823,085
		1,027,272,561	809,538,595
Less : Current Liabilities and Provisions			
Current liabilities	H	1,717,721	1,702,695
Provisions	I	25,949,183	11,012,597
		27,666,904	12,715,292
Net Current Assets		999,605,657	796,823,303
Miscellaneous Expenditure (to the extent not written off or adjusted)	J	2,621,541	1,390,472
TOTAL		<u>1,002,332,972</u>	<u>798,329,246</u>
Notes to Accounts	Q		

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 26 2011J.T. Poonja
ChairmanS. Kalyanasundaram
Executive Vice President & ManagerNimish C. Shah
DirectorPriyavadan P. Shah
Company Secretary



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31 2011

(Rupees)

	Schedules	Year ended 31-Mar-11	Year ended 31-Mar-10
INCOME			
Income from operations	K	173,558,506	104,328,360
Other income	L	551,050	544
TOTAL		174,109,556	104,328,904
EXPENDITURE			
Operational expenses	M	81,638,458	63,011,301
Personnel expenses	N	2,887,131	2,363,385
Administrative and other expenses	O	11,541,584	9,689,278
Financial expenses	P	20,377	61,700
Depreciation		44,959	72,186
TOTAL		96,132,509	75,197,850
PROFIT BEFORE TAX		77,977,047	29,131,054
PROVISION FOR TAX			
Current tax		26,750,000	9,905,000
Deferred tax		(23,606)	(4,397)
PROFIT AFTER TAX		51,250,653	19,230,451
Balance brought forward from previous year		3,891,641	437,084
BALANCE AVAILABLE FOR APPROPRIATION		55,142,294	19,667,535
APPROPRIATIONS			
Transfer to statutory reserve		10,250,131	3,846,090
Transfer to general reserve		5,125,065	961,523
Proposed dividend		14,550,000	9,375,000
Dividend distribution tax		2,416,755	1,593,281
Balance carried to balance sheet		22,800,343	3,891,641
TOTAL		55,142,294	19,667,535
EARNINGS PER SHARE			
a) Profit after tax		51,250,653	19,230,451
b) Weighted average number of equity shares (Refer note II.13 schedule "Q")		23,511,644	17,385,616
c) Nominal value per share		10	10
d) Basic and diluted earnings per share		2.18	1.11
Notes to Accounts	Q		

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 26 2011J.T. Poonja
ChairmanNimish C. Shah
DirectorS. Kalyanasundaram
Executive Vice President & ManagerPriyavadan P. Shah
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31 2011

	(Rupees)	
	31-Mar-2011	31-Mar-2010
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	77,977,047	29,131,054
Adjustments for :		
Depreciation	44,959	72,186
Miscellaneous expenditure written off	333,931	177,432
Provision for employee benefits	69,202	26,493
General provision against standard assets	2,486,085	-
Bad debts written off	3,304,922	5,139,863
Dividend income	-	(544)
Interest income	(171,055,796)	(104,210,298)
Operating profit before working capital change	(86,839,650)	(69,663,814)
Adjustments for :		
(Increase) / Decrease in trade and other receivables	(295,328,155)	(491,895,956)
Net proceeds from borrowings	4,721,873	506,790,650
Increase / (Decrease) in trade payables	15,026	(82,575)
	(377,430,906)	(54,851,695)
Interest income	171,055,796	104,210,298
Dividend income	-	544
Direct Tax paid (net of refunds)	(18,557,498)	(10,718,961)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	(224,932,608)	38,640,186
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(13,700)	-
Sale / (Purchase) of investments (net)	-	458,932
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	(13,700)	458,932
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of equity shares	165,000,000	45,000,000
Dividend and distribution tax paid	(10,968,281)	(6,054,492)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	154,031,719	38,945,508
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C)	(70,914,589)	78,044,626
Cash and cash equivalents		
Balance at the beginning of the year	102,144,603	24,099,977
Balance at the end of the year	31,230,014	102,144,603
	(70,914,589)	78,044,626

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 necessary.

In terms of our Report of even date

For and behalf of the board

For NIPUN SUDHIR & ASSOCIATES

Chartered Accountants

Sudhir V. Nair

Partner

Membership No.45893

Mumbai, May 26 2011

J.T. Poonja
Chairman**Nimish C. Shah**
Director**S. Kalyanasundaram**
Executive Vice President & Manager**Priyavadan P. Shah**
Company Secretary



SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	As at 31-Mar-11	As at 31-Mar-10
SCHEDULE "A" SHARE CAPITAL		
Authorised		
40,000,000 (Previous year 20,000,000) equity shares of Rs.10 each	400,000,000	200,000,000
TOTAL	<u>400,000,000</u>	<u>200,000,000</u>
Issued, Subscribed and Paid-up		
24,250,000 (Previous year 18,750,000) equity shares of Rs.10 each (All the shares are held by Fortune Financial Services (India) Limited, the holding Company and its nominees)	242,500,000	187,500,000
TOTAL	<u>242,500,000</u>	<u>187,500,000</u>
SCHEDULE "B" RESERVES AND SURPLUS		
General Reserve		
As per last balance sheet	1,368,071	406,548
Add: Transferred from profit and loss account	5,125,065	961,523
	6,493,136	1,368,071
Statutory Reserve (u/s 45-1C of the RBI Act, 1934)		
As per last balance sheet	5,472,282	1,626,192
Add: Transferred during the year	10,250,131	3,846,090
	15,722,413	5,472,282
Share Premium		
As per last balance sheet	30,000,000	
Add: Received during the year	110,000,000	30,000,000
	140,000,000	30,000,000
Profit and Loss Account	22,800,343	3,891,641
TOTAL	<u>185,015,892</u>	<u>40,731,994</u>
SCHEDULE "C" SECURED LOANS		
Inter corporate loans	238,153,805	234,235,819
(Secured against pledge of shares and corporate guarantee of the holding company)		
Interest accrued and due on above	3,101,909	1,288,508
TOTAL	<u>241,255,714</u>	<u>235,524,327</u>
SCHEDULE "D" UNSECURED LOANS		
Inter corporate loans	306,000,442	334,011,156
Interest accrued and due on above	27,560,924	559,725
TOTAL	<u>333,561,366</u>	<u>334,570,881</u>

SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE - E : FIXED ASSETS

(Rupees)

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions	Deductions	As at 31.03.2011	As at 01.04.2010	For the year	Deductions	As at 31.03.2011	As at 31.03.2011	As at 31.3.2010
Tangible Assets										
Office equipments	11,500	13,700	–	25,200	2,008	2,568	–	4,576	20,624	9,492
Computers	200,350	–	–	200,350	94,371	42,391	–	136,762	63,588	105,979
TOTAL	211,850	13,700	–	225,550	96,379	44,959	–	141,338	84,212	115,471
Previous year	211,850	–	–	211,850	24,193	72,186	–	96,379	115,471	187,657

	As at 31-Mar-11	As at 31-Mar-10
SCHEDULE "F" CURRENT ASSETS		
Cash and Bank Balances		
Cash on hand	5,283	10,187
Balance with Scheduled Banks		
In Current accounts	4,641,165	77,094,324
In Deposit accounts	26,583,566	25,040,092
	<u>31,224,731</u>	<u>102,134,416</u>
Other Assets		
Interest accrued but not due	500,763	570,907
TOTAL	<u>31,730,777</u>	<u>102,715,510</u>
SCHEDULE "G" LOANS AND ADVANCES		
Loans		
(Unsecured and considered good, unless otherwise stated)		
Port folio loan		
Secured	570,501,230	621,601,288
Unsecured	423,937,928	83,402,198
(Refer note II.12 schedule "Q")	<u>994,439,158</u>	<u>705,003,486</u>
Advances recoverable in cash or in kind or for value to be received	274,126	9,922
Loans and advances to employees	828,500	–
Advance tax and tax deducted at source	–	1,809,677
(Net of provision for taxes (Previous year Rs.14,000,000))		
TOTAL	<u>995,541,784</u>	<u>706,823,085</u>
SCHEDULE "H" CURRENT LIABILITIES		
Other liabilities	1,717,721	1,702,695
TOTAL	<u>1,717,721</u>	<u>1,702,695</u>



SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	As at 31-Mar-11	As at 31-Mar-10
SCHEDULE "I" PROVISIONS		
Provision for taxation (Net of advance tax and tax deducted at source Rs. 34,367,176)	6,382,825	-
Provision for proposed equity dividend	14,550,000	9,375,000
Provision for dividend distribution tax	2,416,755	1,593,281
Contingent provision against standard assets	2,486,085	-
Provision for employee benefits	113,518	44,316
TOTAL	<u>25,949,183</u>	<u>11,012,597</u>
SCHEDULE "J" MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
As per last balance sheet	1,390,472	1,522,904
Add: Addition during the year	1,565,000	45,000
Less: Written off during the year	333,931	177,432
TOTAL	<u>2,621,541</u>	<u>1,390,472</u>
	Year ended 31-Mar-11	Year ended 31-Mar-10
SCHEDULE "K" INCOME FROM OPERATIONS		
Interest on loans (Tax deducted at source Rs. 6,912,888 (Previous year Rs.10,427,308))	169,346,394	102,097,774
Interest on fixed deposits and others (Tax deducted at source Rs.163,704 (Previous year Rs. 227,778))	1,709,402	2,112,524
Profit on sale of current investments (net)	559,943	-
Other operational income	1,942,767	118,062
TOTAL	<u>173,558,506</u>	<u>104,328,360</u>
SCHEDULE "L" OTHER INCOME		
Dividend	-	544
Bad debts recovered	500,000	-
Interest on staff loan	51,050	-
TOTAL	<u>551,050</u>	<u>544</u>
SCHEDULE "M" OPERATIONAL EXPENSES		
Interest	81,554,317	63,011,301
Other operational expenses	84,141	-
TOTAL	<u>81,638,458</u>	<u>63,011,301</u>
SCHEDULE "N" PERSONNEL EXPENSES		
Salaries, bonus and allowances (Refer note II.6 schedule 'Q')	2,727,353	2,255,416
Contribution to provident fund, pension fund, gratuity etc.	157,628	81,859
Staff welfare expenses and others	2,150	26,110
TOTAL	<u>2,887,131</u>	<u>2,363,385</u>

SCHEDULES FORMING PART OF ACCOUNTS

	Year ended 31-Mar-11	Year ended 31-Mar-10
(Rupees)		
SCHEDULE "O" ADMINISTRATIVE AND OTHER EXPENSES		
Rates and taxes	4,630	3,700
Printing and stationery	1,165,941	853,492
Travelling expenses	86,130	51,716
Conveyance expenses	208,280	178,985
Communication expenses	30,606	17,602
Advertisement expenses	-	5,000
Legal and professional fees	2,339,281	2,308,391
Auditors' remuneration	366,635	293,139
Repairs and maintenance	910,000	542,550
Newspapers, books and other subscriptions	18,000	14,400
Business promotion expenses	200,073	67,631
Insurance	13,653	2,190
Bad debts written off	3,304,922	5,139,863
General provision against standard assets	2,486,085	-
Miscellaneous expenses	407,348	210,619
TOTAL	<u>11,541,584</u>	<u>9,689,278</u>
SCHEDULE "P" FINANCIAL EXPENSES		
Bank charges and others	20,377	61,700
TOTAL	<u>20,377</u>	<u>61,700</u>

NOTES TO ACCOUNTS

SCHEDULE "Q" NOTES TO ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Financial Statements

The accompanying financial statements have been prepared under the historical cost convention and on an accrual basis. The financial statements have been prepared in accordance with the generally accepted accounting principles to comply in all material respects with Accounting Standards ("AS") prescribed in the Companies (Accounting Standards) Rules, 2006 relevant provisions 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 management to make estimates and assumptions 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. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. 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 an accrual (time proportion) basis. Interest on Non Performing Assets (NPAs), if any, are recognised on receipt basis, as required by the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction 2007, as amended from time to time.
- c. Fee based income and other financial charges are recognised on an accrual basis as per the terms of the contract.
- d. Dividend Income is recognised when the right to receive dividend is established.

4. Employee Benefits

a) 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 like short term compensated absences, estimated cost of bonus and ex-gratia are recognised in the period in which the employee renders the related service.

b) Post Employment Benefits

a. Defined Benefit Plans

The Company's net obligation in respect of the its defined benefit plan, 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 Unit Credit Methods, 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 defined contribution plan like state governed employee's provident fund and pension fund schemes for all its employees who are eligible for the benefit. All such contributions are recognised during the period in which employee renders the related service.

5. Tangible Fixed Assets

Tangible fixed assets are stated at cost of acquisition net of tax / duty credits less accumulated depreciation. Cost includes all assets incidental to the acquisition of fixed assets.

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

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. On assets costing less than Rs.5,000 at hundred percent of the cost of the asset in the year of purchase.

7. Impairment of Assets

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 is 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. 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.

10. Earnings Per Share

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

11. 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.

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) 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 on June 24, 2008 under section 45-IA of the Reserve Bank of India (RBI) Act 1934, as a Non-Banking Financial Company (non-deposit accepting/holding). 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



SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

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 Asset/(Liability) (net) comprises

(Rupees)

Particulars	2010-2011	2009-2010
Deferred Tax Asset		
Provision for employee benefits	37,708	15,063
Deferred Tax Liability		
Accumulated depreciation	16,146	17,107
Deferred Tax Asset/(Liability) (Net)	21,562	(2,044)

3. Segment wise reporting

The company 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. 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

Details of the related parties with whom transactions were carried out during the year along with a description of the relationship and the amounts involved are provided below:

a) Names of related parties and their relationships:

- i) Related party where control exists:
Holding company: Fortune Financial Services (India) Limited
- ii) Enterprises having significant influence
Fortune Equity Brokers (India) Ltd
Fortune Commodities & Derivatives (India) Limited
Fortune Financial India Insurance Brokers Limited
- iii) Key management personnel and their relatives
Mr. S. Kalyanasundram, Manager

b) 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
Interest	5,059,382 (9,001,506)	883,722 (1,243,721)	- (-)	5,943,104 (10,245,227)
Dividend	14,550,000 (9,375,000)	- (-)	- (-)	14,550,000 (9,375,000)
Reimbursement	156,833 (564,567)	1,734,771 (-)	- (-)	1,891,604 (564,567)
Remuneration	- (-)	- (-)	1,164,128 (1,481,816)	1,164,128 (1,481,816)

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

(Rupees)

Nature of Transactions	Holding Company	Enterprises having significant influence	Key management personnel and their relatives	Total
Interest charged	3,253,149 (19,596)	17,830,308 (1,952,332)	- (-)	21,083,457 (1,971,928)
Issue of equity shares	165,000,000 (45,000,000)	- (-)	- (-)	165,000,000 (45,000,000)
Loans taken	231,730,000 (248,077,174)	185,862,841 (179,180,000)	- (-)	417,592,841 (427,257,174)
Loans given	98,470,000 (-)	2,002,281,484 (821,600,000)	- (-)	2,100,751,484 (821,600,000)
Outstanding as on March 31				
Loans receivable	- (-)	244,502,240 (20,537,159)	- (-)	244,502,240 (20,537,159)
Loans payable	26,599,633 (128,100,000)	6,000,000 (-)	- (-)	32,599,633 (128,100,000)
Dividend payable	14,550,000 (9,375,000)	- (-)	- (-)	14,550,000 (9,375,000)

Note: Figures in brackets represent previous year's amount

- c) Services are rendered by the holding Company by the providing resources like manpower, assets, space, etc, for which no recovery is done.

5. Auditor's Remuneration

(Rupees)

Particulars	2010-2011	2009-2010
Statutory audit	275,750	248,175
Certification and other matters	30,885	4,964
Tax audit	60,000	40,000
Total	366,635	293,139

6. Managerial Remuneration

(Rupees)

Particulars	2010-2011	2009-2010
Salary, bonus and allowances	1,120,928	1,438,616
Contribution to provident and other funds	43,200	43,200
Total	1,164,128	1,481,816



SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

Notes:

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.

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 is within the limits envisaged under schedule XIII.

As no commission is payable to Manager, 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 Plan for Gratuity as per Actuarial Valuation as at March 31, 2011****(i) Change in Present Value of Defined Benefit Obligation**

(Rupees)

Particulars	2010-2011	2009-2010
Liability at the beginning of the year	35,912	17,823
Interest cost	4,754	2,763
Current service cost	23,516	17,823
Actuarial (gain)/loss on obligations	4,985	(2,497)
Liability at the end of the year	69,167	35,912

(ii) Change in Fair Value of Plan Assets

(Rupees)

Particulars	2010-2011	2009-2010
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	-	-

(iii) Amount Recognised in the Balance Sheet

(Rupees)

Particulars	2010-2011	2009-2010
Liability at the end of the year	69,167	35,912
Fair value of plan assets at the end of the year	-	-
Difference	(69,617)	(35,912)
Amount recognised in the balance sheet	(69,167)	(35,912)

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

(iv) Expenses recognised in the Profit and Loss Account

(Rupees)

Particulars	2010-2011	2009-2010
Current service cost	23,516	17,823
Interest cost	4,754	2,763
Expected return on plan assets	-	-
Actuarial gain / (loss)	4,985	(2,497)
Expense recognised in the profit and loss account	33,255	18,089

(v) Actuarial Assumptions

Particulars	2010-2011	2009-2010
Discount rate (per annum)	8.25%	8.00%
Rate of return on plan assets (per annum)	8.00%	8.00%
Attrition rate (per annum)	2.00%	2.00%
Salary escalation (per annum)	5.00%	5.00%

(vi) The estimates of salary escalation considered is actual valuation takes into account inflation, seniority, promotion and other relevant factor such as demand and supply of employees.

b) Defined Contribution Plans:

The amount recognised as expense and included in Schedule 'N' under the head "Contribution to provident fund and other funds" of the profit and loss account is Rs.124,373 (Previous year Rs. 63,770).

c) General Description of significant defined benefit plan

Gratuity Plan : Gratuity is payable to all eligible employees of the company in terms of the provision of the Payment of Gratuity Act,1972.

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 2011

Sr.No.	Particulars	(Rupees in lacs)	
		Amount outstanding	Amount overdue
	Liabilities side :		
(1)	Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid		
	(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	2,412.56	-
	(e) Commercial paper	-	-
	(f) Other loans	3,335.61	-
	Assets side :		



SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

Sr.No.	Particulars	(Rupees in lacs)
		Amount outstanding
(2)	Break-up of loans and advances including Bills receivables [other than those included in (4) below]	
	(a) Secured	5,705.02
	(b) Unsecured	4,239.37
(3)	Break-up of leased assets and stock on hire and other assets 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 -	

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

	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			-
(5)	Borrower group-wise classification of assets financed as in (2) and (3) above :			
		Amount net of provisions		
		Secured	Unsecured	Total
	1. Related Parties			
	(a) Subsidiaries	-	-	-
	(b) Companies in the same group	-	2,445.02	2,445.02
	(c) Other related parties	-	-	-
	2. Other than related parties	5,705.02	1,794.35	7,499.37
	Total	5,705.02	4,239.37	9,944.39
(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	-		



SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

9. Disclosure in respect of Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential norms (Reserve Bank) Directions, 2007.

a) Capital to Risk Assets Ratio (CRAR):

Particulars	March 31 2011	March 31 2011
CRAR%	28.11%	32.14%
CRAR -Tier I Capital %	0.31%	-
CRAR-Tier II Capital %	28.42%	32.14%

- b) The company's exposure to real estate sector, in the current year and in the previous year is Nil.

c) Maturity pattern of certain items of assets and liabilities:

(Rupees in crores)

	1 day to 30/31 days one month	Over one months to 2 months	Over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowing from banks	-	-	-	-	-	-	-	-	-
Market borrowings	57.48	-	-	-	-	-	-	-	57.48
Assets									
Advances	99.45	0.01	0.01	0.02	0.03	0.02	-	-	99.54
Investments	-	-	-	-	-	-	-	-	-

10. Estimated amount of contracts remaining to be executed on capital account Nil. (Previous year Nil).

11. Contingent liabilities Nil (Previous year Nil).

12. Information on loans and advances in relation to companies under the same management.

(Rupees)

Name of the company	Relationship	Outstanding		Maximum amount outstanding any time during the year	
		31-Mar-11	31-Mar-10	2010-2011	2009-2010
Fortune Financial Services (India) Limited	Holding Company	-	-	94,144,364	6,622,826
Fortune Equity Brokers (India) Limited	Fellow subsidiary	244,502,240	20,537,159	365,674,000	286,052,871

SCHEDULE "Q" NOTES TO ACCOUNTS (Contd.)

13. 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 23,511,644

	Particulars	2010-2011	2009-2010
A	Calculation of weighted average number of equity shares		
	Number of shares at the beginning of the year	18,750,000	17,250,000
	Addition during the year	5,500,000	1,500,000
	Number of shares at the end of the year	24,250,000	18,750,000
	Weighted average number of equity shares (basic and diluted)	23,511,644	17,385,616
B	Net profit after tax (Rupees)	51,250,653	19,230,451
C	Basic and diluted earning per share of Rs.10 each	2.18	1.11

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 and 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.

15. Balances standing in debtors, creditors and loan and advances are subject to confirmation.

16. 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 2011.

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**

Registration No.	175180	State Code	11
Balance Sheet Date	March 31 2011		

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

Public issue	NIL	Rights issue	55,000
Bonus issue	NIL	Private placement	NIL

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

Total liabilities	1,002,333	Total assets	1,002,333
Paid-up capital	242,500	Reserves and surplus	185,016
Secured loans	241,256	Unsecured loans	333,561

Application of Funds

Net fixed assets	84	Deferred tax asset	22
Net current assets	999,606	Miscellaneous expenditure	2,622

IV. Performance of Company (Amount Rupees in Thousand)

Turnover	174,110	Total expenditure	96,133
Profit/(Loss) before tax	77,977	Profit/(Loss) after tax	51,251
Earning per share in rupees	2.18	Dividend rate % (on Equity)	6%

V. Generic Names of Principal Services of Company

Financing activities

Fortune Financial India Insurance Brokers Limited

Financial Statements for the
year ended March 31 2011



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. J.T. Poonja

Directors

Mr. Nimish C. Shah

Mr. Gaurang A. Patel

Registered Office

K. K. Chambers, 2nd Floor
Sir P. T. Marg, Fort
Mumbai - 400 001

Auditors

M/s. Nipun Sudhir & Associates
Chartered Accountants

Banker

Union Bank of India

Website

www.fortune.co.in

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present their Fourth annual report together with the audited accounts on the business and operations of the company for the year ended March 31 2011.

Financial Highlights

	(Rupees)	
	2010-2011	2009-10
Total Income	1,197,390	6,901,746
Profit before depreciation and tax	332,861	5,326,171
Depreciation	25,347	41,474
Profit before tax	307,514	5,284,697
Provision for tax - Current tax	100,000	817,000
- Deferred tax	(3,778)	(5,997)
Profit after tax	211,292	4,473,694
Balance brought forward from previous year	1,151,239	(3,322,455)
Balance carried to balance sheet	1,362,531	1,151,239
Weighted average number of equity shares	600,000	600,000
Nominal value per share (in rupees)	10	10
Basic and diluted earnings per share (in rupees)	0.35	7.46

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.1,197,390 towards commission and interest on bank deposits as against Rs.6,901,746 in the previous year. The profit after tax stood at Rs.211,292 as against Rs.4,473,694 during the previous year.

Dividend

In view of the marginal profits of the company and to plough back the profit no dividend has been recommended by the Board of Directors for the year.

Business Outlook

Total life insurance (new policies) collected for the FY11 has grown by 15.1% to Rs.1258bn. A substantial portion of this growth (about 53.9%) has been contributed by a large jump in Group non-single premiums. Else the growth in individual premiums (single + non-single) has been a mere 1.1% to Rs.826.5bn. In fact individual non-single premium has fallen by 10% to Rs.467.8bn. Insurance penetration in India has improved from 4.6% in 2008 to 5.2% in 2009 as against a dip in world average insurance penetration from 7.1% in 2008 to 7.0% in 2009. India's insurance penetration is still lower than world average, which indicates further potential of insurance in India.

Improved insurance penetration; rattled recently by global meltdown

Insurance Penetration as % to GDP	2004	2005	2006	2007	2008	2009
India (fiscal year)	3.17	3.14	4.8	4.7	4.6	5.2
World	7.99	7.52	7.5	7.5	7.1	7.0

Source: IRDA



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. Gaurang A. Patel 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.

Auditors Report

The notes to the accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further explanation on Auditors observations, as required under section 217(3) of the Companies Act 1956.

Compliance Certificate:

As required under section 383A of the Companies Act, 1956, the Compliance Certificate dated May 26 2011 issued by M/s. Alwyn D'Souza & Co., Practising Company Secretaries, for the year ended March 31 2011 forms part of the Annual Report of the Company.

Conservation of Energy, Technology Absorption

The information required under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to these matters are not applicable to your company.

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, to the best of their knowledge and belief confirm that:

- in the preparation of the annual accounts, the applicable Accounting Standards have been followed with explanation for deviation, if any;
- appropriate accounting policies have been selected and applied consistently, and such judgments and estimates that are reasonable and prudent have been made 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 the year ended on that date.
- proper and sufficient care has 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 have 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 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 Insurance Regulatory and Development Authority, business associates and clients for their valued co-operation.

On behalf of the Board

J. T. Poonja
Chairman

Mumbai, May 26 2011

COMPLIANCE CERTIFICATE

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

THE MEMBERS OF

FORTUNE FINANCIAL INDIA INSURANCE BROKERS LIMITED

[Formerly Fortune Insurance Advisory Services (I) 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 **31st March, 2011**. 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, 2nd 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 **4(Four)** times on the under mentioned dates :
 - 20th May, 2010
 - 30th July, 2010
 - 28th October, 2010
 - 27th January, 2011
 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 31st March, 2010 was held on 28th August, 2010 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) not made any allotments/transfer/transmission 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 within the purview of sections 58A during the year.
24. The Company has not made any borrowings during the financial year ended 31.03.2011.
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.

Office Address :

12-13, Esplanade, 3rd Floor
3, A.K.Nayak Marg,
Fort Mumbai -400 001.

Date : May 26 2011

ALWYN D'SOUZA & Co.
Company Secretaries

Alwyn P D'souza
Proprietor
C P No. 5137
FCS No. 5559

Annexure A**Annexed to the Compliance Certificate dated 26th May, 2011****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 26th May, 2011**

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 31st March, 2011

1. Form No. 20B ie, Annual Return filed under section 159 of the Companies Act, 1956 for the year ended 31st March, 2010 with normal filing fees.
2. Form No. 23AC and Form 23ACA ie, Balance sheet filed under section 220 of the Companies Act, 1956 for the year ended 31st March, 2010 with normal filing fees.
3. Form No.66 ie, Compliance Certificate for the year ended 31st March, 2010 filed under proviso to Section 383A of the Companies Act, 1956 with normal filing fees.

ALWYN D'SOUZA & Co.
Company Secretaries

Office Address :

12-13, Esplanade, 3rd Floor
3, A.K.Nayak Marg,
Fort Mumbai -400 001.

Date : May 26 2011

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 2011, 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 as appears from our examination of those books;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account ;
 - iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act, 1956;
 - v. On the basis of the written representations received from the directors of the Company, as at 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 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 2011;
 - 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
ICAI Registration Number 0126168W

Sudhir V. Nair
Partner

(Membership Number 45893)

Mumbai, May 26 2011

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 2011

In our opinion and according to the explanations given to us, the Company's business / activities during the year are such that clauses (ii),(viii),(x),(xi),(xii),(xiii), (xiv), (xv),(xvi),(xvii),(xix) and (xx) of the Companies (Auditor's) Report Order 2003, are not applicable to the Company. In respect of the other clauses, we report as under:

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. None of the assets of the company has been sold during the year.
2. a. 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.70,00,000 and the year end balance of such loan is Rs. 60,00,000.
- b. 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.
- c. The receipt 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 by the Company.
- e. The company has not taken any loan during the year.
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 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. 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 there are no contracts or agreements which are required to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered. Accordingly, paragraph 4(v)(b) of the order is not applicable.
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, no Order has been passed by the Company Law Board or the National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal on the Company.
6. The Company has an adequate internal audit system commensurate with the size of the Company and the nature of its business. Further on the basis of our examination and according to the information and explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control systems.
7. a. According to the records of the Company and the information and explanations given to us, the Company has been 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 explanation given to us there are no arrears of statutory dues as at the last day of the financial year, outstanding for more then six months from the date they become payable.
- c. According to the information and explanations given to us, there are no statutory dues, which are disputed by the company.
8. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
9. 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
ICAI Registration Number 0126168W

Sudhir V. Nair
Partner

(Membership Number 45893)

Mumbai, May 26 2011



BALANCE SHEET AS AT MARCH 31 2011

(Rupees)

	Schedules	As at 31-Mar-11	As at 31-Mar-10
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	A	6,000,000	6,000,000
Reserves and surplus	B	1,362,531	1,151,239
Deferred Tax Liability (Net)		2,450	6,228
TOTAL		<u>7,364,981</u>	<u>7,157,467</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	C	168,700	168,700
Less : Depreciation		123,524	98,177
Net block		<u>45,176</u>	<u>70,523</u>
Current Assets, Loans and Advances			
Current assets	D	923,917	7,519,389
Loans and advances	E	6,560,134	580,080
		<u>7,484,051</u>	<u>8,099,469</u>
Less : Current Liabilities and Provisions			
Current liabilities	F	253,888	1,122,392
Provisions	G	19,379	17,325
		<u>273,267</u>	<u>1,139,717</u>
Net Current Assets		7,210,784	6,959,752
Miscellaneous Expenditure (to the extent not written off or adjusted)	H	109,021	127,192
TOTAL		<u>7,364,981</u>	<u>7,157,467</u>
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 26 2011

J.T. Poonja
Chairman

Nimish C. Shah
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31 2011

(Rupees)

	Schedules	Year ended 31-Mar-11	Year ended 31-Mar-10
INCOME			
Income from operations	I	531,815	1,482,708
Other income	J	665,575	5,419,038
TOTAL		1,197,390	6,901,746
EXPENDITURE			
Operational expenses		496	40,037
Personnel expenses	K	701,167	1,049,639
Administrative and other expenses	L	161,209	482,932
Financial expenses	M	1,657	2,967
Depreciation		25,347	41,474
TOTAL		889,876	1,617,049
PROFIT BEFORE TAX		307,514	5,284,697
Provision for taxation			
- Current tax		100,000	817,000
- Deferred tax		(3,778)	(5,997)
PROFIT AFTER TAX		211,292	4,473,694
Balance brought forward from previous year		1,151,239	(3,322,455)
BALANCE AVAILABLE FOR APPROPRIATION		1,362,531	1,151,239
APPROPRIATION			
Balance carried to balance sheet		1,362,531	1,151,239
TOTAL		1,362,531	1,151,239
EARNINGS PER SHARE			
a) Profit after tax		211,292	4,473,694
b) Weighted average number of equity shares		600,000	600,000
c) Nominal value per share (in rupees)		10	10
d) Basic and diluted earnings per share (in rupees)		0.35	7.46
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 26 2011

J.T. Poonja
Chairman

Nimish C. Shah
Director



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31 2011

(Rupees)

	31-Mar-11	31-Mar-10
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	307,514	5,284,697
Adjustments for :		
Depreciation	25,347	41,474
Miscellaneous expenditure written off	18,171	18,171
Provision for employee benefits	2,054	13,827
Interest income	(659,695)	(117,534)
Interest expense	597	1,492
Operating Profit before Working Capital Change	(306,012)	5,242,127
Adjustments for :		
(Increase) / Decrease in trade and other receivables	(512,541)	(5,452,843)
Increase / (Decrease) in trade payables	(868,504)	604,885
	(1,687,057)	394,169
Interest income	659,695	117,534
Direct tax paid (net of refunds)	(63,014)	(809,233)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	(1,090,376)	(297,530)
(B) CASH FLOW FROM FINANCING ACTIVITIES		
Interest expense	(597)	(1,492)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	(597)	(1,492)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B)	(1,090,973)	(299,022)
Cash and cash equivalents		
Balance at the beginning of the year	2,007,644	2,306,666
Balance at the end of the year	916,671	2,007,644
	(1,090,973)	(299,022)

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 necessary.

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 26 2011

J. T. Poonja
Chairman

Nimish C. Shah
Director

SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	As at 31-Mar-11	As at 31-Mar-10
SCHEDULE "A" SHARE CAPITAL		
Authorised		
10,00,000 (Previous year 10,00,000) equity shares of Rs. 10 each	10,00,000	10,00,000
TOTAL	10,00,000	10,00,000
Issued, Subscribed and Fully Paid-up		
6,00,000 (Previous year 6,00,000) equity shares of Rs. 10 each fully paid up	6,00,000	6,00,000
(All the above shares are held by the Fortune Financial Services (India) Ltd. holding company and its nominees)		
TOTAL	6,00,000	6,00,000
SCHEDULE "B" RESERVES AND SURPLUS		
Profit and Loss Account		
	1,362,531	1,151,239
TOTAL	1,362,531	1,151,239

SCHEDULE - C : FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions/ Adjustments during the year	Deductions/ Adjustments during the year	As at 31.03.2011	As at 01.04.2010	For the year / Adjustments	On deduc- tions / Adjustments	As at 31.03.2011	As at 31.03.2011	As at 31.3.2010
Electrical installations	-	-	-	-	-	-	-	-	-	-
Office equipments	14,300	-	-	14,300	3,329	1,526	-	4,855	9,445	10,971
Furniture and fixtures	-	-	-	-	-	-	-	-	-	-
Computers	154,400	-	-	154,400	94,848	23,821	-	118,669	35,731	59,552
TOTAL	168,700	-	-	168,700	98,177	25,347	-	123,524	45,176	70,523
Previous year	168,700	-	-	168,700	56,703	41,474	-	98,177	70,523	-
Capital Work-In-Progress	-	-	-	-	-	-	-	-	-	-

SCHEDULE "D" CURRENT ASSETS

Debtors

(Unsecured)

Outstanding for a period less than six months

7,246

5,511,745

Cash and Bank Balances

Cash on hand

9,383

8,900

Balance with scheduled banks

In current accounts

907,288

916,671

1,998,744

2,007,644

TOTAL

923,917

7,519,389



SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	As at 31-Mar-11	As at 31-Mar-10
SCHEDULE "E" LOANS AND ADVANCES		
Loans and advance to employees	18,000	-
Loan to fellow subsidiary company	6,000,000	-
Advances recoverable in cash or in kind or for value to be received	2,011	2,971
Advance tax and tax deducted at source	540,123	577,109
(Net of provision for taxes Rs. 917,000 (Previous year Rs. 857,000))		
TOTAL	6,560,134	580,080
SCHEDULE "F" CURRENT LIABILITIES		
Other liabilities	253,888	1,122,392
TOTAL	253,888	1,122,392
SCHEDULE "G" PROVISIONS		
Provision for employee benefits	19,379	17,325
TOTAL	19,379	17,325
SCHEDULE "H" MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
As per last balance sheet	127,192	145,363
Less: Written off during the year	18,171	18,171
TOTAL	109,021	127,192
		(Rupees)
	Year ended 31-Mar-11	Year ended 31-Mar-10
SCHEDULE "I" INCOME FROM OPERATIONS		
Commission income	531,815	1,482,708
(Tax deducted at source Rs. 46,384 (Previous year Rs.199,099))		
TOTAL	531,815	1,482,708
SCHEDULE "J" OTHER INCOME		
Service income	-	5,300,000
(Tax deducted at source Rs. Nil (Previous year Rs. 584,591))		
Interest income	659,695	117,534
(Tax deducted at source Rs. 65,549 (Previous year Rs.11,754))		
Miscellaneous income	5,880	1,504
TOTAL	665,575	5,419,038

SCHEDULES FORMING PART OF ACCOUNTS

(Rupees)

	Year ended 31-Mar-11	Year ended 31-Mar-10
SCHEDULE "K" PERSONNEL EXPENSES		
Salaries, bonus and allowances	673,517	995,907
Contribution to provident and other funds	27,650	53,332
Staff welfare	-	400
TOTAL	701,167	1,049,639
SCHEDULE "L" ADMINISTRATIVE AND OTHER EXPENSES		
Rates and taxes	12,747	6,907
Printing and stationery	3,782	149,215
Travelling expenses	-	81,475
Conveyance expenses	-	62,250
Communication expenses	9,838	8,422
Legal and professional fees	47,758	75,730
Auditors' remuneration	55,150	65,150
Insurance	3,495	656
Business promotion expenses	5,400	10,730
Miscellaneous expenses	23,039	22,397
TOTAL	161,209	482,932
SCHEDULE "M" FINANCIAL EXPENSES		
Interest	597	1,492
Bank charges	1,060	1,475
TOTAL	1,657	2,967



SCHEDULE "N" NOTES TO ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of financial statements

The accompanying financial statements have been prepared under the historical cost convention on an accrual basis, The financial statement have been prepared in accordance with the generally accepted accounting principles to comply in all material respects with the provisions of the Companies Act, 1956 and the Accounting Standards ("AS") 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. Although these estimates are based upon management's best knowledge of current events and action actual results could differ from these estimates. Difference between the actual result and estimates are recognized in the period in which the result are know/materialised.

3. Revenue Recognition

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

- a) Commission income on first year premium on insurance policies is recognised, when the insurance policies, 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 an accrual (time proportion) basis.

4. Employee Benefits

i) 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 like short term compensated absences, estimated cost of bonus and ex-grata are recognised in the period in which the employee renders the related service.

ii) Post Employment Benefits

a. Defined Benefit Plans

The Company's net obligation in respect of its defined benefit plans, 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 plans is determined based on actuarial valuation using the 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 defined contribution plan like state governed employee's provident fund and pension fund schemes for all its employees who are eligible for the benefit. All such contributions are recognised during the period in which the employee renders the related service.

5. Tangible Fixed Assets

Tangible fixed assets are stated at cost of acquisition less accumulated depreciation and impairment loss, if any net of tax / duty credits render 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

- b. On a pro-rata basis, on assets purchased / sold during the year.
- c. On asset costing less than Rs.5,000 at hundred percent of the cost of the asset in the year of purchase.

7. Impairment of Assets

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 is a change in the estimate of the 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 recognized 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 recognized only if there is virtual certainty of realization of assets. Deferred tax assets, if any, are re-assessed periodically.

9. Earnings Per Share

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

10. Miscellaneous Expenditure

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

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 recognized 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 recognized, 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	2010-2011	2009-2010
Deferred Tax Liability		
Accumulated depreciation	8,438	11,581
Deferred Tax Assets		
Provision for employee benefits	5,988	5,353
Deferred Tax Liability (Net)	2,450	6,228



SCHEDULE "N" NOTES TO ACCOUNTS (Contd.)

2. Segment wise reporting

The company is primarily engaged in the business of selling insurance policy. 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

Details of the related parties with whom transactions were carried out during the year and description of the relationship and the amounts involved are provided below:

a) Names of the related parties and their relationships:

i) Related party where control exists:

Holding company - Fortune Financial Services (India) Limited

ii) Other related parties

Enterprise having significant influence

Fortune Equity Brokers (India) Limited

Fortune Credit Capital Limited

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

(Rupees)

Nature of Transactions	Holding Company	Enterprises having significant influence	Total
Reimbursement	2,536 (20,822)	7,131 (14,368)	9,667 (35,190)
Interest charged	- (-)	655,482 (117,534)	655,482 (117,534)
Professional fees charged	- (-)	- (250,000)	- (250,000)
Loans given	- (-)	7,000,000 (1,500,000)	7,000,000 (1,500,000)
Outstanding as on March 31			
Loans receivable	- (-)	6,000,000 (-)	6,000,000 (-)

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	2010-2011	2009-2010
Statutory audit	55,150	55,150
Tax audit	-	10,000
Total	55,150	65,150

SCHEDULE "N" NOTES TO ACCOUNTS (Contd.)

5. Employee Benefits:

(a) Defined Benefit Plan for Gratuity as per Actuarial Valuation as at March 31, 2011:

(i) Change in Present Value of Defined Benefit Obligation

(Rupees)

Particulars	2010-2011	2009-2010
Liability at the beginning of the year	6,971	3,498
Interest cost	1,828	1,760
Current service cost	15,876	19,206
Actuarial (gain)/loss on obligations	(16,736)	(17,493)
Liability at the end of the year	7,939	6,971

(ii) Change in Fair Value of Plan Assets

(Rupees)

Particulars	2010-2011	2009-2010
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 recognized	16,736	17,493

(iii) Amount recognised in the Balance Sheet

(Rupees)

Particulars	2010-2011	2009-2010
Liability at the end of the year	7,939	6,971
Fair value of plan assets at the end of the year	-	-
Difference	(7,939)	(6,971)
Amount recognised in the balance sheet	(7,939)	(6,971)

(iv) Expenses recognised in the Profit and Loss Account

(Rupees)

Particulars	2010-2011	2009-2010
Current service cost	15,876	19,206
Interest cost	1,828	1,760
Expected return on plan assets	-	-
Actuarial gain / (loss)	(16,736)	(17,493)
Expense recognised in profit and loss account	968	3,473

SCHEDULE "N" NOTES TO ACCOUNTS (Contd.)
(v) Balancesheet Reconciliation

(Rupees)

Particulars	2010-2011	2009-2010
Opening net liability	6,971	3,498
Expenses as above	968	3,473
Amount recognised in the balance sheet	7,939	6,971

(vi) Actuarial Assumptions

(Rupees)

Particulars	2010-2011	2009-2010
Discount rate (per annum)	8.25%	8.00%
Rate of return on plan assets (per annum)	8.00%	8.00%
Attribution rate (per annum)	2.00%	2.00%
Salary escalation (per annum)	5.00%	5.00%

(vii) The estimates of salary escalation considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as demand and supply of the employees.

(b) Defined Contribution Plan

The amount recognised as expense and included in "Contribution to Provident and Other Funds" (Schedule 'K') of the profit and loss account is Rs. 26,610 (previous year Rs. 49,751).

(c) General Description of significant defined benefit plans

Gratuity Plan: Gratuity is payable to all eligible employees of the company in terms of the provisions of the Payment of Gratuity Act, 1972.

6. Earnings Per Share

The basic and diluted earnings per share computed in accordance with Accounting Standard 20 (As-20) "Earnings Per Share" is computed and disclosed using the weighted average number of equity shares outstanding during the year, adjusted for the effects of all dilutive potential equity shares, if any.

7. Estimated amount of contract to be executed on capital account Nil (Previous year Nil)

8. Contingent liabilities Nil (Previous year Nil)

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 supplier as the company is prompt in making payments of its dues.

10. Balances standing in debtors, creditors and loan and advances are subject to confirmations.

11. 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.

12. 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 2011.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**I. Registration Details**

Registration No.	177677	State Code	11
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Balance Sheet Date	March 31 2011
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II. Capital Raised During the year (Amount Rupees in Thousand)

Public issue	NIL	Rights issue	NIL
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Bonus issue	NIL	Private placement	NIL
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III. Position of Mobilisation and Deployment of Funds (Amount Rupees in Thousand)**Sources of Funds**

Total liabilities	7,365	Total assets	7,365
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Paid-up capital	6,000	Reserves and surplus	1,363
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Deferred tax liability	2
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Application of Funds

Net fixed assets	45	Miscellaneous expenditure	109
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Net current assets	7,211
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IV. Performance of Company (Amount Rupees in Thousands)

Turnover	1,197	Total expenditure	889
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Profit before tax	308	Profit after tax	212
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Earnings per share in rupees	0.35	Dividend rate %	-
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V. Generic Names of Principal Services of Company

Insurance broking

