
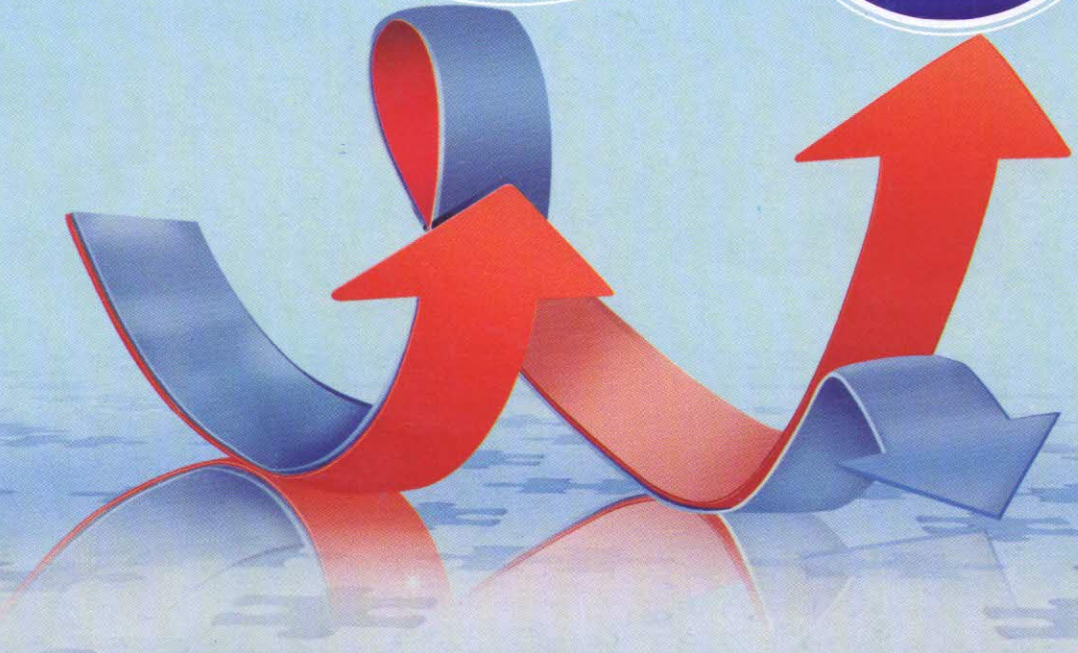


22.74	23.37	-1.29	
377.43	391.55	+12.40	3.27%
93.96	95.61	+0.74	0.78%
24.74	25.22	+0.42	1.69%
24.35	24.82	+0.39	1.59%

 **networth**<sup>TM</sup>  
 18<sup>th</sup> ANNUAL REPORT 2010-2011  
[www.networthdirect.com](http://www.networthdirect.com)





# Contents

Directors' Report	02
Management Discussion & Analysis	05
Report of Corporate Governance	07
Auditor's Certificate on Corporate Governance	15
Auditors' Report	16
Balance Sheet	20
Profit & Loss Account	21
Cash Flow Statement	22
Schedules to Accounts	23
Notes to Accounts	28
Balance Sheet Abstract & Company's General Business Profile	33
Financial Details of Subsidiary Company	34
Auditors' Report on Consolidated Financial Statements	35
Consolidated Financial Statements	36

## Board of Directors

Suresh P. Jain	: Chairman
Moheet Agrawal	: Independent Director
Manish Ajmera	: Executive Director & CFO
Praveen Toshniwal	: Independent Director
Sanjay Motta	: Independent Director

## Registered & Corporate Office

Office no.1001/1002, 10<sup>th</sup> Floor, Atlanta Centre,  
Opp. Udyog Bhawan, Sonawala Road,  
Goregaon (East), Mumbai – 400063.

## Bankers

ICICI Bank Ltd.  
Citibank N.A.  
Corporation Bank  
Development Credit Bank (DCB)

## Auditors

A.R. Sodha & Co.  
Chartered Accountants  
101, Ashiana 11<sup>th</sup> Road, T.P.S. III,  
Opp. B.M.C. Hospital,  
Santacruz (East), Mumbai – 400055.

## Registrar & Share Transfer Agent

Purva Sharegistry (India) Private Limited  
9, Shivshakti Industrial Estate, Ground Floor,  
Sitaran Mills Compound, J. R. Boricha Marg,  
Lower Parel, Mumbai – 400011.

## Annual General Meeting

Date : 5<sup>th</sup> November, 2011  
Time : 11.30 A.M.  
Venue : Kilachand Conference Room, 2<sup>nd</sup> Floor,  
Indian Merchant Chambers, LNM IMC Building,  
Churchgate, Mumbai – 400020.

## DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 18<sup>th</sup> Annual Report together with the Audited Accounts of your Company for the financial year ended 31<sup>st</sup> March 2011:

### Financial Highlights

Particulars	(₹ in Lacs)	
	Year Ended 31.03.2011	Year Ended 31.03.2010
Total Earnings	3303.25	4731.95
Earnings before depreciation, tax, amortization	(172.29)	(654.04)
Less: Depreciation	196.66	214.49
Profit/(Loss) before Tax	(368.95)	(868.53)
Tax: Current	-	-
Deferred	(66.58)	(30.33)
Wealth Tax	-	-
Fringe Benefit(Net of recovery on ESOP)	-	-
Profit/(Loss) after Tax (PAT)	(302.37)	(838.20)
Extra Ordinary Item	-	-
Prior Period Adjustments	(1.38)	(3.47)
Profit/(Loss) after prior period adjustments	(303.75)	(841.67)
Profit b/f from previous year	(1700.91)	(937.82)
Amount transferred from General Reserve	-	78.58
Balance carried to Balance Sheet	(2004.66)	(1700.91)

### Financial Performance

During the current year, the gross income of the Company was ₹ 3303.25 Lacs as compared to ₹ 4731.95 Lacs in the previous financial year. The Company incurred loss of ₹ 302.37 Lacs as against ₹ 838.20 Lacs in the previous year.

### Dividend

In view of the losses suffered by the Company, your Directors do not recommend any dividend for the year under review.

### Public Deposits

During the year under review, your Company has not accepted any deposits within the meaning of Section 58A and Section 58AA of the Companies Act, 1956 and rules made there under.

### Directors

In accordance with the provision of section 256 of the Companies Act, 1956, and the Articles of Association of the Company, Mr. S. P. Jain, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Your Board recommends for his re-appointment.

The Board of Directors of your Company appointed Mr. Moheet Agrawal as an Additional Director w.e.f. 29<sup>th</sup> October 2010, Mr. Manish Ajmera as an Additional & Executive Director w.e.f. 12<sup>th</sup> December 2010 and Mr. Sanjay Motta and Mr. Praveen Toshniwal as Additional Directors w.e.f. 27<sup>th</sup> August 2011.

In terms of the provisions of the Section 260 of the Companies Act, 1956 Mr. Moheet Agrawal, Mr. Manish Ajmera, Mr. Sanjay Motta and Mr. Praveen Toshniwal hold the office upto the date of ensuing Annual General Meeting. The Company has received notices from members under Section 257 of the Companies Act, 1956 together with necessary deposit proposing their candidature for the office of Directors of the Company. The Board recommends their appointment as Directors of the Company.

Mr. N R Ramanujam was appointed as an Additional Director of the Company w.e.f. 29<sup>th</sup> October 2010, however he resigned w.e.f. 27<sup>th</sup> August 2011.

Mr. R. Sankaran, Chairman of the Company resigned from the directorship of the Company w.e.f. 19<sup>th</sup> August 2010. Mr. Ajay Kayan and Mr. Utsav Parekh, Directors of the Company resigned from the directorship of the Company w.e.f. 29<sup>th</sup> October, 2010. Mr. Girish Dev, Executive Director of the Company resigned from the directorship of the Company w.e.f. 12<sup>th</sup> December, 2010. Further, Mr. Suhas Bade Director of the Company resigned from the directorship of the Company w.e.f. 27<sup>th</sup> August 2011.

The Board places on record its sincere appreciation for the contribution made by the directors during their tenure.

## Directors' Responsibility Statement

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

- i) In the preparation of the Annual Accounts for the year ended 31<sup>st</sup> March, 2011, the applicable accounting standards have been followed and no material departures have been made from the same.
- ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2011 and loss of the Company for the year ended on that date.
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company for preventing and detecting fraud and other irregularities.
- iv) The Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2011 on a "going concern" basis.

## Subsidiaries Companies and Consolidated Financial Statement

The Ministry of Corporate Affairs (MCA) vide General Circular No.2/2011 No. 51/12/2007-CL-III dated 8<sup>th</sup> February 2011 read with General Circular No.3/2011 No. 5/12/2007-CL-III dated 21<sup>st</sup> February 2011 has granted a general exemption from attaching the balance sheet of subsidiary companies with holding company's balance sheet, if the holding company presents in its Annual Report the Consolidated Financial Statements duly audited by its statutory auditors. Accordingly, the Company is publishing consolidated financial statements in the Annual Report and accordingly the Company is not attaching the balance sheets of the subsidiary companies. Further, as required under the said circular, a statement of financial information of the subsidiary companies viz. Networth Commodities & Investments Limited, Networth Wealth Solutions Limited, Networth SoftTech Limited, Networth Insurance Broking Private Limited and Ravisha Financial Services Private Limited is also attached herewith.

The Annual Accounts of the above referred subsidiary companies shall be made available to the shareholders of the Company and of the subsidiary companies on request and will also be kept open for inspection at the Registered Office of the Company and of the subsidiary companies during the office hours on all working days and also on the Company's website i.e. [www.networthdirect.com](http://www.networthdirect.com).

## Particulars of Employees under Section 217 (2A) of the Companies Act, 1956

There were no employees of the company who are in receipt of remuneration aggregating to ₹ 60,00,000/- per annum and ₹ 5,00,000/-per month or more under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Rules, 1975 for the year 2010-11.

## Particulars of Conservation of Energy, Technology Absorption and Foreign Exchange earnings and Outgo

### (A) Conservation of Energy

Considering the nature of business activities carried out by the Company, your directors have nothing to report with regard to conservation of energy as required under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

### (B) Technology absorption, research and development

The management keeps itself abreast of the technological advancements in the industry and has adopted the state of the art transaction, billing and accounting systems and also risk management solutions.

### (C) Foreign Exchange Earnings and Outgo

- a) The foreign exchange earnings of the Company was Nil (previous year Nil)
- b) The foreign exchange expenditure was ₹ 1.11 Lacs (previous year ₹ 3.93 Lacs)

## Corporate governance

Pursuant to Clause 49 of the Listing Agreement, Reports on Management Discussion and Analysis and on Corporate Governance alongwith a certificate of compliance from the Statutory Auditors are attached hereto and form part of this Report.

## Audit Committee

Pursuant to the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Ltd., the Company has constituted an Audit Committee comprising of Mr. Praveen Toshniwal, Mr. S. P. Jain, Mr. Moheet Agarwal, and Mr. Sanjay Motta. Mr. Moheet Agarwal is the Chairman of the Committee.

## Statutory Auditors

The present Auditors M/s. A. R. Sodha & Co., Chartered Accountants, who would be retiring at the conclusion of the forthcoming Annual General Meeting have expressed their inability to continue as the Statutory Auditors of the Company.

The Company has received special notice as required under Section 225 of the Companies Act 1956, proposing the appointment of M/s. Dileep and Prithvi, Chartered Accountants, Mumbai as the Statutory Auditors of the Company. Dileep and Prithvi have forwarded to the Company certificate stating that the appointment, if made, will be within the limit specified in section 224 (1B) of the Companies Act 1956.



Your Directors recommend their appointment as Statutory Auditors of the Company to hold office up to the conclusion of the next Annual General Meeting of the Company and to audit for the financial year 2011-12.

**Directors Response to the Comments made by the Auditors' in their Report:**

Auditors' Report read together with Annexure referred to in Paragraph 9 (a) and 9 (b) of the Auditors' Report are self explanatory.

**Depository System**

As the Members are aware, your Company's share are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e. National Securities Depository Limited and Central Depository Services (India) Limited. In view of the numerous advantages offered by the Depository system, members are requested to avail the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

**Amalgamation**

The Board of Directors of your Company at its meeting held on 9<sup>th</sup> April, 2011 has approved the Scheme of Amalgamation under Section 391 to 394 of the Companies Act, 1956 of Monarch Research and Brokerage Private Limited (MRBPL) and Monarch Project and Finmarkets Limited (MPFL) with Networth Stock Broking Limited (NSBL) ('Transferee Company') with effect from appointed date i.e. 1<sup>st</sup> April, 2010, subject to the approval of shareholders, Hon'ble High Court of Bombay at Mumbai and High Court of Gujarat at Ahmedabad.

The said amalgamation is also subject to prior approval of Securities and Exchange Board of India and other intermediaries like NSDL, CDSL, BSE, NSE and other exchanges wherever the Company is a member.

As per the valuation report of M/s. Haribhakati & Co. Chartered Accountants, Mumbai, swap ratio would be as follows:

1. In case of MRBPL, in the ratio of 100 (One Hundred) equity share of face value of ₹ 10/- (₹ Ten Only) each fully paid up in the Transferee Company for every 100 (one Hundred) Equity Share of the face value of ₹ 10/- (₹ Ten only) each fully paid up in MRBPL.
2. In case of MPFL in the ratio of 201 (Two Hundred and One) equity share of face value of ₹ 10/- (₹ Ten Only) each fully paid up in the Transferee Company for every 100 (One Hundred) Equity Share of the face value of ₹ 10/- (₹ Ten Only) each fully paid up in the MPFL.

Your Directors believe that the amalgamation would achieve economies of scale, and other operational synergies which would result in the optimization of operation and capital expenditure and lead to increased competitive strength, cost reduction and efficiencies, productivity gains by pooling the financial, managerial and technical resources, personnel capabilities, skill expertise and technologies of all the Companies.

**Acknowledgement**

Your Directors would take this opportunity to express its deep appreciation for the co-operation and assistance received from the shareholders, Company's clients, suppliers, bankers and other authorities during the year under review. Your Directors also wish to place on record their appreciation for the services rendered by all the employees of your Company.

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

Place : Mumbai  
Date : 14<sup>th</sup> September, 2011

**S P Jain**  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

### Economic Review

The financial year 2010-11 began on a low profile but picked up the pace during the first half of the year. However, in the second half most of the midcap and small-cap stocks, where most retail investors had holdings, remained sluggish and overall the year was very challenging due to decline in retail participation in the market. Continuous high inflationary environment coupled with steadily increasing interest rates in the economy has kept the capital markets sluggish for quite some time.

### Growth Strategy

The company's focus on the Retail Business continues but the environment was very challenging especially during last few months of the fiscal year where the participation by retail investors was very low. While the daily traded volumes had stabilized mainly due to increased volumes in Futures & Options segment, The delivery volumes were declining especially contributed by retail investors. This had led to sharp fall in margins.

The company has been continuing with its retail expansion through steady increase of business associates to its network, However, given the highly competitive rates offered by all intermediaries and share of F&O trading increasing in the traded volumes, the margins have been under pressure.

The company continues to strongly believe in its retail franchise and is confident about tapping the huge potential existing in India. We foresee the retail expansion contributing the highest value to Networth's businesses over the next 3-4 years. At the year end, the company had a network of 279 centres spanning across 142 cities. The company had been steadily adding its customer base during the year.

- **Money Management Centres (MMC):** The company has been offering all financial products from its branches. However, with removal of entry loads in Mutual Funds and change in the commission structure by insurance companies, the earnings from these products had sharply declined during the year. However, we strongly believe that all these changes will contribute to healthy growth of all these financial products in the long run and will be beneficial to investors as well as service-oriented distributors.
- **Institutional Client Business:** The Company has been steadily progressing in the space of institutional space with high quality institutional equities team and our high quality research reports. This will enable us to garner a significant slice of the Institutional Business in time to come.
- **Financing Business:** The company has been steadily growing the financing business through our subsidiary, Ravisha Financial Services Pvt. Ltd. whose book size had been steadily increasing. However, due to sharp fall in retail participation during the last few months of the fiscal as well as tightening of interest rates by the RBI, the book size had been slowly declining. The company expects to grow its book size through broadbasing its reach to a wider base of its network.
- **Amalgamation :** The Board of Directors of your Company at its meeting held on 9<sup>th</sup> April, 2011 has approved the Scheme of Amalgamation under Section 391 to 394 of the Companies Act,1956 of Monarch Research and Brokerage Private Limited (MRBPL) and Monarch Project and Finmarkets Limited (MPFL) with Networth Stock Broking Limited (NSBL) with effect from appointed date i.e. 1<sup>st</sup> April,2010, subject to the approval of shareholders, Hon'ble High Court of Bombay at Mumbai and High Court of Gujarat at Ahmedabad. This amalgamation would achieve economies of scale, and other operational synergies which would result in the optimization of operation and capital expenditure and lead to increased competitive strength, cost reduction and efficiencies, productivity gains by pooling the financial, managerial and technical resources, personnel capabilities, skill expertise and technologies of all the Companies.

### Opportunity & Threats

Capital market activities in which most of our activities depend on is also influenced by global events and hence is an amount of uncertainty in the near term outlook of the market. The economic crisis in some countries in the Europe has added some volatility globally and Indian stock market has not yet decoupled from such global trends. The recent increase in inflation rate in India is a cause of concern as it can affect corporate profitability.

### Human Resources

Quality human resources will be the key to the company's success in the long run and the company is continuously thriving to acquire talent as well as retain the same through providing them with high degree of motivation, professional environment as well as healthy HR practices. The company is continuing its efforts in enabling its committed and professional work force with continuous training, new products, market opportunities, client servicing skills to make them more effective in servicing the clients. Majority of the employees are equipped with requisite training and certifications such as NCFM, AMFI, CFP etc., pre-requisite to client handling.

The total number of employees of the Company and its subsidiaries as on 31<sup>st</sup> March, 2011 stood at 585.

### Risk Management & Internal Control System

The company has been continuously strengthening its risk management framework through continuous surveillance as well as automation and standardization of processes. Adherence to policies and procedures has been able to minimize the risks associated with the capital markets to a great extent. The company has an adequate system of internal controls to ensure accuracy of accounting records, compliance with all laws & regulations and compliance with all rules, procedures & guidelines prescribed by the management. An extensive internal audit is carried out by independent firms of Chartered Accountants. Post audit reviews are carried out to ensure follow-up on the observations made. The Audit Committee of the Board reviews the scope of internal audit on a regular basis.

## Outlook

Due to higher inflation and continuing hike in the interest rates, the company finds that significant increase in retail participation in the capital markets is challenging. Moreover, continuing uncertain global markets especially slow recovery of U.S. economy and turmoil in European economies and expectations of sovereign defaults, the global economic scenario suggests times of uncertainties and declining appetite for risk. However, we strongly believe that the robust GDP growth of Indian Economy cannot be ignored for too long and we expect increase of retail participation to boost our capital markets in coming days. The growth in number of investors in mutual funds in recent days clearly indicates systematic investments by retail investors which gives a very healthy sign of recovery.

## Cautionary Statement

Certain statements in the Management Discussion and Analysis describing the Company's objectives, predictions may be "forward-looking statements" within the meaning of applicable laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events. These statements are subject to certain risks and uncertainties. The Company can not guarantee that these assumptions and expectations are accurate or will be realized. The actual results may be different from those expressed or implied since the Company's operations are affected by the many external and internal factors, which are beyond the control of the management. Hence the Company assumes no responsibility in respect of forward-looking statements that may be amended or modified in future on the basis of subsequent developments, information or events.





## REPORT ON CORPORATE GOVERNANCE

### COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy of Corporate Governance emphasizes on maintaining the highest level of accountability, highest standards of transparency in all its dealings, timely disclosures and dissemination of price sensitive information and matters of interests to its stakeholders, ensuring absolute compliance with all applicable laws and regulations and conducting business ethically.

The Company believes that Corporate Governance is about conducting business in accordance with the applicable laws, rules and regulations while striking a balance between economic and social goals.

### BOARD OF DIRECTORS

The Board of Directors of the Company represents directors having rich knowledge and experience in the industry and related sectors for providing strategic guidance and direction to the Company.

#### Size and Composition

As on 31<sup>st</sup> March, 2011, the Board of Directors comprises of five directors out of which four were Non-Executive Directors. Moreover three of the Non Executive Directors are Independent Directors. The Chairman of the Board is Non Executive Director. The Composition of the Board of Directors is in compliance with the requirements of Clause 49 of the Listing Agreement.

Necessary disclosures have been made by Directors stating that they do not hold membership in more than 10 Committees or act as a Chairman in more than 5 Committees in terms of Clause 49 of the Listing Agreement.

#### Board Meetings

During the financial year 2010-11, 7 (seven) meetings of Board of Directors were held viz., 28<sup>th</sup> May, 2010, 4<sup>th</sup> August, 2010, 29<sup>th</sup> October, 2010, 12<sup>th</sup> November, 2010, 12<sup>th</sup> December, 2010, 13<sup>th</sup> January, 2011 and 29<sup>th</sup> January, 2011.

The details of composition of the Board of Directors, their attendance at each Board meeting held during the financial year 2010-11 and at the last Annual General Meeting, their directorships in other companies and positions in various committees are as follows:

Name	Category	No. of Board Meeting Held	No. of Board Meeting Attended	Whether attended last AGM	Number of Directorship, committee memberships and chairmanships		
					Directorships	Committee	
						Chairmanships	Memberships
Mr. Suhas Bade	C/I/NED	7	3	Yes	2	-	-
Mr. R. Shankaran (Up to 19 <sup>th</sup> August, 2010)	C/I/NED	2	1	No	-	-	-
Mr. Girish Dev (Up to 12 <sup>th</sup> December, 2010)	ED	5	5	Yes	-	-	-
Mr. S. P. Jain	P /NED	7	6	Yes	8	-	-
Mr. Ajay Kayan (Up to 29 <sup>th</sup> October, 2010)	I/NED	2	2	Yes	-	-	-
Mr. Utsav Parekh (Up to 29 <sup>th</sup> October, 2010)	I/NED	2	2	Yes	-	-	-
Mr. Moheet Agrawal (w.e.f. 29 <sup>th</sup> October, 2010)	I/NED	5	5	N.A.	-	-	-
Mr. N. R. Ramanujam (w.e.f. 29 <sup>th</sup> October, 2010 up to 27 <sup>th</sup> August, 2011)	I/NED	5	4	N.A.	-	-	-
Mr. Manish Ajmera (w.e.f. 12 <sup>th</sup> December, 2010)	ED	3	3	N.A.	6	-	-

C – Chairman, P – Promoter, MD – Managing Director, I – Independent Director, NED – Non Executive Director, ED – Executive Director,

In accordance with Clause 49 of the Listing Agreement, Membership/Chairmanships of only the Audit Committee and Shareholders / Investors' Grievance Committee of all Public Limited Companies are considered, except of the Directors who have resigned during the year and for which details as on 31<sup>st</sup> March, 2011 are not available.

#### Board Procedure

The Company Secretary in consultation with Chairman of the Company and Executive Director drafts the Agenda for each Board meeting along with explanatory notes and distributes these in advance to the Directors. The Company has well defined process for placing vital and sufficient information before the Board. Any matters requiring discussion or decision or approval of the Board or Committee are communicated to the Company Secretary well in advance, so that the same could be included in the Agenda for the respective meetings. The Board meets atleast once in a quarter and maximum time gap between two meetings is not more than 120 days.



## Committees of the Board

The Board of Directors of the Company has constituted the following Committees namely,

- (i) Audit Committee
- (ii) Investor Grievance Committee
- (iii) Remuneration Committee.

The committees of the Board usually meet the same day in advance before the Board meeting or as and when required.

### AUDIT COMMITTEE

The purpose of the Audit Committee is to insure the objectivity, credibility and correctness of the Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters.

The composition, powers, role and terms of reference of the Committee are in consonance with the requirements mandated under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The terms of reference of the Audit Committee broadly are as under:

1. Oversight of the company's financial reporting process
2. Reviewing, with the management, the annual, half yearly and quarterly financial statements.
3. Reviewing performance of statutory and internal auditors and adequacy of the internal control systems.
4. Recommending appointment and removal of the statutory auditors and fixing of their fees.
5. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
6. Reviewing the adequacy of internal audit function.
7. Reviewing the related party transactions
8. Discussion with internal auditors any significant findings and follow up there on.

### Composition, Quorum, Number of Meetings and Attendance:

The quorum of the Committee is two independent members present or one third of the total members of the Committee, whichever is higher. The Audit Committee consists of two Independent Directors and one Non Executive Director. The Company Secretary acts as the Secretary of the Audit Committee.

The members of Audit committee met 4 (four) times on 17<sup>th</sup> May, 2010, 4<sup>th</sup> August, 2010, 12<sup>th</sup> November, 2010 and 29<sup>th</sup> January, 2011 during the financial year ended 31<sup>st</sup> March, 2011.

The composition and attendance of the members of the Audit Committee during the financial year 2010-11 was as follows:

Name	Designation	Number of Meetings Held	Meetings Attended
Mr. R Shankaran <sup>1</sup>	Chairman	2	1
Mr. Suhas Bade <sup>2</sup>	Chairman	4	3
Mr. S. P. Jain <sup>3</sup>	Member	2	2
Mr. Utsav Parekh <sup>4</sup>	Member	2	1
Mr. Moheet Agrawal <sup>5</sup>	Member	2	2

<sup>1</sup> Ceased to be Chairman and Member of the Committee w.e.f. 19<sup>th</sup> August, 2010

<sup>2</sup> Appointed as Chairman of the Committee w.e.f. 18<sup>th</sup> October, 2010

<sup>3</sup> Appointed as Member of the Committee w.e.f. 18<sup>th</sup> October, 2010

<sup>4</sup> Ceased to be Member of the Committee w.e.f. 29<sup>th</sup> October, 2010

<sup>5</sup> Appointed as Member of the Committee w.e.f. 29<sup>th</sup> October, 2010

### INVESTORS GRIEVANCE COMMITTEE

#### Terms of reference

The Committee is specifically responsible for the redressal of shareholders/ investors grievances related to non-receipt of Annual Report, non-receipt of declared dividend etc.

The Committee also oversees the performance of the Registrar and Transfer Agents of the Company relating to investors services and recommend measures for improvements.

The quorum for the Committee is any two members present at the meeting. The Company Secretary acts as the Secretary to the Committee

The Investors Grievance Committee met 4 (four) times on 28<sup>th</sup> May, 2010, 4<sup>th</sup> August, 2010, 12<sup>th</sup> November, 2010 and 29<sup>th</sup> January, 2011 during the financial year ended 31<sup>st</sup> March, 2011.

The composition and attendance of the members of the Investors Grievance Committee as on 31<sup>st</sup> March , 2011 is as follows:

Name	Designation	Number of Meetings Held	Meetings Attended
Mr. R Shankaran <sup>1</sup>	Chairman	2	1
Mr. Suhas Bade <sup>2</sup>	Chairman	4	3
Mr. S. P. Jain <sup>3</sup>	Member	2	2
Mr. Ajay Kayan <sup>4</sup>	- Member	2	1
Mr. Moheet Agrawal <sup>5</sup>	Member	2	2

<sup>1</sup> Ceased to be Chairman and Member of the Committee w.e.f. 19<sup>th</sup> August, 2010

<sup>2</sup> Appointed as Chairman of the Committee w.e.f. 18<sup>th</sup> October, 2010

<sup>3</sup> Appointed as Member of the Committee w.e.f. 18<sup>th</sup> October, 2010

<sup>4</sup> Ceased to be Member of the Committee w.e.f. 29<sup>th</sup> October, 2010

<sup>5</sup> Appointed as Member of the Committee w.e.f. 29<sup>th</sup> October, 2010

#### Status of Investors' Complaint

Received during the year	Resolved during the year	Pending
4	4	0

#### Name and designation of the Compliance officer

Ms. Trupti Lalpuria was Company Secretary & Compliance Officer of the Company during the year.

#### REMUNERATION COMMITTEE

##### Remuneration Policy:

Brief description of terms of reference

The Remuneration Committee has been constituted to recommend and review compensation plans of the Managing Director and Whole-Time Directors, based on their performance, defined assessment criteria and job responsibilities.

The quorum for the meeting shall be any two members present at the meeting.

The composition and attendance of the members of the Remuneration Committee held on 12<sup>th</sup> December, 2010 during the year is as follows:

Name	Designation	Number of Meetings Held	Meetings Attended
Mr. R Shankaran <sup>1</sup>	Chairman	-	-
Mr. Suhas Bade <sup>2</sup>	Chairman	1	-
Mr. S. P. Jain <sup>3</sup>	Member	1	1
Mr. Ajay Kayan <sup>4</sup>	Member	-	-
Mr. Moheet Agrawal <sup>5</sup>	Member	1	1

<sup>1</sup> Ceased to be Chairman and Member of the Committee w.e.f. 19<sup>th</sup> August, 2010

<sup>2</sup> Appointed as Chairman of the Committee w.e.f. 18<sup>th</sup> October, 2010

<sup>3</sup> Appointed as Member of the Committee w.e.f. 18<sup>th</sup> October, 2010

<sup>4</sup> Ceased to be Member of the Committee w.e.f. 29<sup>th</sup> October, 2010

<sup>5</sup> Appointed as Member of the Committee w.e.f. 29<sup>th</sup> October, 2010

Details of remuneration/sitting fees paid to the Directors and number of shares held by them in the Company during the financial year 2010-11  
(₹ in Lacs except No. of shares)

Name of the Director	Designation	Remuneration	Sitting fees	No. of Shares held
Mr. Girish Dev	ED & CEO	8.61	-	2,25,000
Mr. R Sankaran	C/I/NED	-	0.20	-
Mr. S.P. Jain	P/NED	-	0.80	32,92,037
Mr. Suhas Bade	C/I/NED	-	0.60	7,500
Mr. Ajay Kayan	I/NED	-	0.20	-
Mr. Utsav Parekh	I/NED	-	0.30	-
Mr. Moheet Agrawal	I/NED	-	0.70	-
Mr. N. R. Ramanujam	I/NED	-	0.40	-
Mr. Manish Ajmera	ED & CFO	5.20	-	-

Notes:

- The above remuneration includes salaries, commission, contribution to Provident Fund, if any and taxable value of perquisites.
- The appointment is contractual as per the policy/rules of the company.
- Terms and conditions are as per the Appointment Letter given to the appointee from time to time.



## SUBSIDIARY COMPANIES

As on 31<sup>st</sup> March, 2011 the Company had following 5 subsidiaries:

1. Networth Commodities & Investments Limited
2. Networth SoftTech Limited
3. Networth Wealth Solutions Limited
4. Ravisha Financial Services Private Limited
5. Networth Insurance Broking Private Limited

None of subsidiary companies falls under the norms prescribed in Clause 49 of the Listing Agreement for "Material non-listed Indian Subsidiary".

## GENERAL BODY MEETINGS

Details of Annual General Meeting held during the last three years are as follows:

Annual General Meeting	Date	Time	Venue
17 <sup>th</sup> Annual General Meeting	7 <sup>th</sup> August, 2010	11.30 a.m.	Kilachand Conference Room, 2 <sup>nd</sup> Floor, Indian Merchant Chambers, LNM IMC Bldg., Churchgate, Mumbai - 400020.
16 <sup>th</sup> Annual General Meeting	14 <sup>th</sup> September, 2009	4.00 p.m.	Kilachand Conference Room, 2 <sup>nd</sup> Floor, Indian Merchant Chambers, LNM IMC Bldg., Churchgate, Mumbai - 400020.
15 <sup>th</sup> Annual General Meeting	25 <sup>th</sup> September, 2008	4.30 p.m.	"Prince" The National Sports Club of India, Lala Lajpat Rai Marg, Worli, Mumbai - 400018.

Following Special Resolutions were passed in the last three AGMs:

AGM held on	Special Resolution passed
7 <sup>th</sup> August, 2010	No Special Resolution was passed.
14 <sup>th</sup> September, 2009	<ol style="list-style-type: none"> <li>1) Approval of members for increase in the investment limit for FII's upto 49% &amp; by NRIs up to 24% in the equity shares of the Company</li> <li>2) Approval of members for alteration in Articles of Association for increase in sitting fees payable to Non-Executive Directors.</li> </ol>
25 <sup>th</sup> September, 2008	<ol style="list-style-type: none"> <li>1) Approval of Members for appointment of Mr. Sathyan Rajan as Joint Managing Director and Managing Director</li> <li>2) Approval of members for re-appointment of Mr. Girish Dev as the Executive Director &amp; CEO of the Company for further period of 3 years.</li> </ol>

No Special Resolution is proposed to be passed through postal ballot process at the ensuing Annual General Meeting.

**Resolution passed through Postal Ballot process:**

During the year 2010-11, the Company conducted postal ballot process, the details of which are as follows:

Date of declaration of results of postal ballot	Type of Resolution	Purpose of Resolution
7 <sup>th</sup> July, 2010	Special Resolution	<ul style="list-style-type: none"> <li>• U/s 17 of the Act, alter in Other Objects of the Memorandum of Association of the Company by insertion of new sub Clause 53.</li> </ul>
	Special Resolution	<ul style="list-style-type: none"> <li>• U/s 149(2A) of the Act, give authority to carry the business activities as set out in sub clause 53 of clause III C i.e. Other Objects of the Memorandum of Association of the Company.</li> </ul>
	Ordinary Resolution	<ul style="list-style-type: none"> <li>• To increase in the Authorized Share Capital and reclassification of preference shares into equity shares and alteration in Clause V of the Memorandum of Association of the Company.</li> </ul>
	Special Resolution	<ul style="list-style-type: none"> <li>• To alter the Article 3 of the Articles of Association of the Company upon increase in the Authorized Share Capital and reclassification of preference shares into equity shares.</li> </ul>

The Company issued Postal Ballot Notice to its shareholders on 4<sup>th</sup> June, 2010. The postal ballot process was undertaken in accordance with the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001. Mr. Manish L. Ghia, Practising Company Secretary was appointed as Scrutinizer for conducting the Postal Ballot process. The result of the Postal Ballot process was announced on 7<sup>th</sup> July, 2010.

The resolution passed through postal ballot and the voting pattern for the same are as follows:

Sr. No.	Business	Postal Ballot forms received		Valid Votes Cast		
		Total	Valid	Total	In favour	Against
1.	Special Resolution u/s 17 of the Companies Act, 1956 for alteration in Other Objects of the Memorandum of Association of the Company by insertion of new sub Clause 53.	63	61	5077506	5076286	1220
2.	Special Resolution u/s 149(2A) of the Companies Act, 1956 for giving authority to carry the business activities as set out in sub clause of the Memorandum of Association of the Company.	63	61	5077506	5076286	1220
3.	Ordinary resolution for increase in the Authorized Share Capital and reclassification of preference shares into equity shares and alteration in Clause V of the Memorandum of Association of the Company.	63	61	5077506	1555544	3521962
4.	Special resolution under Section 31 of the Companies Act, 1956 for alteration of the Article 3 of the Articles of Association of the Company upon increase in the Authorized Share Capital and reclassification of preference shares into equity shares.	63	61	5077506	1555544	3521962

The above 1<sup>st</sup> & 2<sup>nd</sup> resolutions were passed with requisite majority.

#### DISCLOSURES

##### Related Party Transactions:

Transactions, with related parties are disclosed in the notes to the accounts at Note No. 5 of Point B Notes to Accounts of Schedule 14 to the Financial Statements in the Annual Report. However, these transactions are not likely to have any conflicts with the Company's interest. The Audit Committee has reviewed these transactions as mandatory required under Clause 49 of the listing agreement.

##### Disclosure of accounting treatment:

In the preparation of the financial statements, the Company has followed the accounting standards issued by the Institute of Chartered Accountants of India to the extent applicable.

##### Disclosure of Risk Management:

The Company has initiated the risk assessment and minimization procedure.

##### Compliance by the Company:

The Company has complied with the requirements of the Stock Exchange, Securities and Exchange Board of India (SEBI) and other statutory authorities on all matters relating to capital market during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchanges, SEBI or other Statutory Authorities. The Company has paid the listing fees for the year 2011-12 to the Bombay Stock Exchange Limited.

##### Whistle Blower policy:

The Company has no formal Whistle Blower policy, however it takes cognizance of complaint made and suggestions given by the employees and whenever necessary, suitable corrective steps are taken for it. Also employees have not been denied to access the audit committee for the same purpose.

##### Code of conduct:

The Company has laid down a code of conduct for the Directors, Senior Management and Employees of the Company. The code has been posted on the website of the Company. A declaration to the effect that the Directors and Senior Managerial personnel have adhered to the same, signed by the Executive Director & CFO of the Company, forms part of this report, which along with the Auditors' Certificate on compliance of clause 49 of the Listing Agreement by the Company is annexed to this report.

##### Review of Directors' Responsibility Statement:

The Board in its report has confirmed that the annual accounts for the year ended 31<sup>st</sup> March, 2011 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.





**Market Price Data:** High & Low at BSE of the Equity Shares of the Company during each month for the year 2010-2011 as compared to BSE SENSEX.

Month	Price on BSE (₹)		BSE Sensex	
	High	Low	High	Low
April 2010	50.70	37.75	18048	17277
May 2010	55.00	40.15	17537	15960
June 2010	48.00	39.65	17920	16318
July 2010	48.00	38.50	18238	17396
August 2010	47.00	30.00	18475	17820
September 2010	48.00	36.00	20268	18027
October 2010	69.00	44.25	20855	19769
November 2010	74.00	49.35	21109	18955
December 2010	59.55	42.25	20552	19075
January 2011	48.00	37.00	20665	18038
February 2011	41.50	35.10	18691	17296
March 2011	40.75	32.15	19575	17792

**Registrar & Share Transfer Agent:**

**Purva Shareregistry (India) Pvt. Ltd.**

9, Shiv Shakti Industrial Estate,  
Ground Floor, Sitaram Mill Compound,  
J. R. Boricha Marg, Lower Parel,  
Mumbai-400011.

Tel: 23016761

Fax: 23012517

Email: busicomp@vsnl.com

**Share Transfer System:**

The share transfer is processed by the Registrar and Share Transfer Agent, Purva Shareregistry (India) Pvt. Ltd. and approved, if the documents are complete in all respects, within 15 days.

The Company obtains half yearly certificate of compliance in respect to the share transfer formalities from the Company Secretary in practice as required under clause 47(c) of the Listing Agreement and files the copy of the certificate with the Exchange.

**Shareholding Pattern as on 31<sup>st</sup> March, 2011:**

Categories	No. of Shareholders	No. of Shares	% of shareholding
Promoters	4	35,71,287	31.80
Financial Institution/Banks	2	2,99,145	2.66
FII's	1	10,000	0.09
Non- Resident Indians	14	1,32,119	1.18
Bodies Corporate	183	27,06,202	24.09
Indian Public	4834	45,12,847	40.18
<b>Total</b>	<b>5038</b>	<b>1,12,31,600</b>	<b>100.00</b>



**Distribution Schedule as on 31<sup>st</sup> March, 2011:**

<b>Distribution of Share Holding as on 31<sup>st</sup> March, 2011</b>					
<b>Slab of Shares Holding</b>		<b>Share Holders</b>	<b>Percentage %</b>	<b>Amount ₹</b>	<b>Percentage %</b>
<b>From</b>	<b>To</b>				
1	5000	4145	82.27	6408610	5.71
5001	10000	379	7.52	3236500	2.88
10001	20000	210	4.17	3331870	2.97
20001	30000	78	1.55	2000480	1.78
30001	40000	27	0.54	986120	0.88
40001	50000	36	0.71	1681930	1.50
50001	100000	75	1.49	5766410	5.13
100001 and above		88	1.75	88904080	79.16
<b>TOTAL</b>		<b>5038</b>	<b>100.00</b>	<b>112316000</b>	<b>100.00</b>

**Dematerialization of Equity Shares and Liquidity**

As on 31<sup>st</sup> March, 2011, 97.53% of the equity shares of the Company are held in dematerialized form and the rest in physical form.

**Outstanding ADR / GDR/ Warrants/ Convertible Instruments and their impact on Equity:**

As on 31<sup>st</sup> March, 2011 the Company does not have any outstanding GDRs/ADRs/Warrants/Convertible Instruments.

**Address for investor Correspondence:**

For any queries, please write to

**Compliance Officer**

Networth Stock Broking Ltd.  
Office No.1001/2,  
10<sup>th</sup> Floor, Atlanta Centre,  
Opp. Udog Bhawan, Sonawala Road,  
Goregaon (East), Mumbai-400063.  
Telephone: 30641600  
Fax No: 28352405.  
Email : grievance@networthdirect.com

**Website**

The Company's website [www.networthdirect.com](http://www.networthdirect.com) contains comprehensive information about the Company, press releases and investor relations. It serves to inform the shareholders by providing key information like financial results, shareholding pattern, etc.

**CFO's DECLARATION ON CODE OF CONDUCT**

To,  
The Members of  
**NETWORTH STOCK BROKING LTD.**

I, Manish Ajmera, Executive Director & CFO of the Company declare that all Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct during the year ended 31<sup>st</sup> March, 2011.

**For Networth Stock Broking Limited**

Place : Mumbai  
Date : 14<sup>th</sup> September,2011

**Manish Ajmera**  
Executive Director & CFO

**AUDITOR'S CERTIFICATE ON COMPLIANCE WITH THE CONDITION OF CORPORATE  
GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

To,

The Members of  
**Networth Stock Broking Limited**

We have examined the records concerning compliance of conditions of Corporate Governance by **NETWORTH STOCK BROKING LIMITED** (the Company) for the year ended 31<sup>st</sup> March, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange Limited.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

On the basis of the records and documents maintained by the Company and the information and explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements with the Stock Exchanges.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders and Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For A. R. Sodha & Co.**  
Chartered Accountants  
(Firm Registration No. 110324W)

Place : Mumbai  
Date : 14<sup>th</sup> September, 2011

**A. R. Sodha**  
Partner  
M.No.31878



## AUDITOR'S REPORT

To

The Members,  
**NETWORTH STOCK BROKING LIMITED**  
Mumbai

We have audited the attached Balance Sheet of **NETWORTH STOCK BROKING LIMITED** as at 31<sup>st</sup> March 2011 and Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, as amended, issued by the Central Government in Terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks and verification as were considered necessary, we report, in the Annexure hereto on the matters specified in the Paragraph 4 of the said order.

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

- a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
- c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of accounts.
- d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report are in compliance with the Accounting standard referred to in Section 211 (3C) of the Companies Act, 1956.
- e) On the basis of written representations received from the Directors of the Company as at 31<sup>st</sup> March, 2011 and taken on record by the Board of Directors, we report that no director is disqualified from being appointed as a Director of the company under clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and gives true and fair view in conformity with the accounting principles generally accepted in India:
  - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2011;
  - ii) In the case of Profit and Loss Account of the loss for the year ended on that date and
  - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For A. R. Sodha & Co.**  
Chartered Accountants  
(Firm Registration No. 110324W)

Place : Mumbai  
Date : 14<sup>th</sup> September, 2011

**A. R. Sodha**  
Partner  
M. No. 31878



## ANNEXURE TO THE AUDITORS REPORT ON THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011

Referred to in paragraph 3 of our report of even date.

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us, we state that:

1.
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. We have been informed that, the fixed assets have been physically verified by the Management at reasonable intervals. In our opinion, the frequency of verification is reasonable with regard to the size of the company and nature of assets. According to information and explanations given to us by the management, no material discrepancy was noticed on such verification.
  - c. During the year the company has disposed off substantial part of its fixed assets. However according to information and explanation given to us and records examined by us it will not have any effect on the going concern of the company.
2.
  - a. According to Information and explanation given to us, Inventory represents securities lying on account of error in execution of transaction. Verification and reconciliation of the same is conducted at reasonable interval by the management.
  - b. According to information and explanation given to us, in our opinion verification and reconciliation of inventory followed by the management is reasonable and adequate in relation to size of the company and the nature of business.
  - c. The company is maintaining proper records of stock in error account and discrepancies were properly dealt with in the books of accounts.
3.
  - a. According to the information and explanation given to us and on the basis of records furnished before us, the company has granted loans to two companies covered in the register maintained under section 301 of the Companies Act, 1956 in the nature of interest free unsecured loans. The maximum amount outstanding during the year was ₹ 1416.31 Lacs and the year end balance is Nil.
  - b. According to information and explanation given to us and considering overall transactions, its object and implication in our opinion the above transactions with subsidiary is not prejudicial to the interest of the company.
  - c. Interest free unsecured loans to subsidiaries are repayable on demand and have been repaid as and when demanded.
  - d. As above loan to subsidiaries are repayable on demand and have been repaid as and when demanded in our opinion there is no overdue amount.
  - e. According to the information and explanation given to us and records furnished before us for verification, the company has not taken any loan secured or unsecured from the parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly clause 4 (iii) (e), (f) and (g) of Companies (Auditor's Report) Order, 2003 is not applicable.
4. According to the information and explanation given to us, in our opinion there is an adequate internal control procedure commensurate with the size of the company and the nature of its business, for the purchase of fixed Assets and sale of goods and services. On the basis of our examination of books and records of the company, neither we have come across nor have we been informed of any continuing failure to correct major weakness in the internal control.
5.
  - a. In our opinion and according to the information and explanation given to us, the particulars of contract or arrangements that were required to be entered in the register maintained under Section 301 of the Companies Act 1956 have been so entered in the said register.
  - b. In respect of transactions entered exceeding the value of five lacs in the register maintained in pursuance of Section 301 of the Companies Act 1956, according to information and explanation given to us, the transactions made pursuance of such contracts or arrangements have been made at prices which are prima-facie reasonable having regard to prevailing market prices at the relevant time.
6. The company has not accepted any deposits from the public hence Clause 4(vi) of Companies (Auditor's Report) Order, 2003 is not applicable.
7. According to information and explanation given to us by the management, we are of the opinion that the Internal Audit is commensurate with the size of the company and the nature of its business.



8. According to information and explanations given to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the services dealt with by the company.
9. a. According to information and explanations given to us and records examined by us, the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty cess and other dues have generally been regularly deposited with the appropriate authorities *except non depositing of stamp duty from August 2010 for state other than Maharashtra, Andhra Pradesh and Rajasthan due to practical difficulties for which company is in process of taking adequate measures.*
- b. According to information and explanations given to us and records examined by us, no undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other dues were outstanding for a period of more than six months at year end *except nonpayment of stamp duty for state other than Maharashtra, Andhra Pradesh and Rajasthan amounting to ₹ 7.86 Lacs.*
- c. According to information and explanation given to us there are no disputes pending before the authorities in respect of sales tax, Income tax, custom duty, service tax and cess except stated below

Particulars	Pending at	Demand	Remarks
Income Tax			
A.Y.2005-06	Second Appellate Authority	₹ 34 Lacs	Demand is after adjusting refund of ₹ 1.78 Lacs
A.Y.2006-07	First Appellate Authority	₹ 49 Lacs	Demand is after adjusting refund of ₹ 44.75 Lacs
A.Y.2007-08	First Appellate Authority	₹ 761 Lacs	After adjusting Payment of ₹ 50 Lacs
A.Y. 2008-09	First Appellate Authority	₹ 199 Lacs	After adjusting Payment of ₹ 20 Lacs
A.Y. 2005-06	First Appellate Authority	₹ 9 Lacs	

10. The company has accumulated losses at the end of financial year which are less than 50% of its Networth. The company has incurred cash losses for the financial year covered by our audit and in immediately preceding financial year.
11. According to information and explanations given to us and the records made available to us by the management, in our opinion, the company has not defaulted in repayment of dues to banks or Financial Institutions.
12. According to information and explanations given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, company is not chit fund, nidhi, mutual fund, societies accordingly clause 4(xiii) of Companies (Auditor's Report) Order, 2003 is not applicable.
14. According to the information and explanations given to us, during the year under consideration the Company has not done any dealing or trading in shares, securities, debentures and other investments. Securities, debentures and other investments have been held by the Company in its own name except to the extent of the exemption granted under Section 49 of the Act.
15. As per the information and explanation provided to us, the company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly Clause 4(xv) of Companies (Auditor's Report) Order, 2003 is not applicable.
16. As per information and records furnished before us, the company has not accepted any term loans. Accordingly Clause 4(xvi) of Companies (Auditor's Report) Order, 2003 is not applicable.
17. According to information and explanations given to us and overall examination of records furnished before us, funds raised on short term basis have not been prima-facie, used for long term investment.
18. During the period, the company has not made allotment of shares on preferential basis. Accordingly Clause 4(xviii) of Companies (Auditor's Report) Order, 2003 is not applicable.
19. During the period, the Company has not issued any debentures. Accordingly Clause 4(xix) of Companies (Auditor's Report) Order, 2003 is

not applicable.

20. The company has not raised any money by public issue during the year under audit. Accordingly Clause 4(xx) of Companies (Auditor's Report) Order, 2003 is not applicable
21. On the basis of examination of records and representation received from management, we have not come across any instance of fraud on or by the company noticed or reported during the period nor have we been informed of such instances by the management.

**For A. R. Sodha & Co.**  
Chartered Accountants  
(Firm Registration No. 110324W)

Place : Mumbai  
Date : 14<sup>th</sup> September, 2011

**A. R. Sodha**  
Partner  
M. No. 31878



**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011**

	Schedule No.	31.03.2011 ₹	31.03.2010 ₹
<b>SOURCES OF FUNDS :</b>			
(1) Shareholders' Funds :			
(a) Share Capital	1	112,316,000	112,316,000
(b) Reserves & Surplus	2	395,807,946	395,807,946
(2) Loan Funds	3	551,465	217,654,852
<b>TOTAL</b>		<u>508,675,411</u>	<u>725,778,798</u>
<b>APPLICATION OF FUNDS :</b>			
(1) Fixed Assets :			
(a) Gross Block	4	129,138,573	194,514,589
(b) Less : Depreciation		<u>53,470,786</u>	<u>67,430,453</u>
(c) Net Block		<u>75,667,787</u>	<u>127,084,136</u>
(2) Investments	5	93,540,424	103,540,424
(3) Deferred Tax Asset		7,895,901	1,237,645
(4) Current Assets, Loans & Advances :	6		
(a) Stock in Trade / error		122,086	146,766
(b) Sundry Debtors		158,539,028	258,406,543
(c) Cash & Bank Balances		256,616,979	438,913,120
(d) Loans & Advances		<u>189,359,920</u>	<u>241,772,665</u>
	<b>A</b>	<u>604,638,013</u>	<u>939,239,093</u>
Less: Current Liabilities & Provisions :	7		
(a) Current Liabilities		427,057,589	572,772,958
(b) Provisions		<u>46,475,586</u>	<u>42,640,132</u>
	<b>B</b>	<u>473,533,175</u>	<u>615,413,089</u>
<b>Net Current Assets</b>	<b>(A-B)</b>	<u>131,104,837</u>	<u>323,826,004</u>
(5) Miscellaneous Expenditure		-	-
(6) Profit & Loss A/c		200,466,463	170,090,589
<b>TOTAL</b>		<u>508,675,411</u>	<u>725,778,798</u>
Notes forming part of the accounts and Significant Accounting Policies	14		

As per our report of even date  
**For A.R.Sodha & Co.**  
Chartered Accountants  
(Firm registration no. 110324W)

For and on behalf of the Board

**S P Jain**  
Chairman

**Manish Ajmera**  
Executive Director & CFO

**A.R.Sodha**  
Partner  
M.No. 31878

Place : Mumbai  
Date : 14<sup>th</sup> September, 2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011**

	Schedule No.	31.03.2011 ₹	31.03.2010 ₹
<b>INCOME</b>			
(a) Income from Operations		311,255,782	440,535,057
(b) Other Income	8	<u>19,069,514</u>	<u>32,660,425</u>
		<u>330,325,296</u>	<u>473,195,482</u>
<b>EXPENDITURE</b>			
(a) Employment Cost	9	142,558,089	183,117,938
(b) Operating Expenses	10	95,306,259	127,309,422
(c) Administrative Expenses	11	88,461,742	202,634,638
(d) Interest & Financial Charges	12	<u>21,228,601</u>	<u>25,537,203</u>
		<u>347,554,691</u>	<u>538,599,200</u>
<b>PROFIT/(LOSS) BEFORE DEPRECIATION &amp; TAX</b>		<b>(17,229,396)</b>	<b>(65,403,718)</b>
Depreciation	4	19,666,467	21,449,287
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>(36,895,863)</b>	<b>(86,853,005)</b>
Less: Provision for Taxation			
- Current Year Tax		-	-
- Deferred Tax		<u>(6,658,256)</u>	<u>(3,033,106)</u>
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>(30,237,607)</b>	<b>(83,819,899)</b>
Add/(Less): Prior period adjustments & Extra Ordinary items	13	<u>(138,268)</u>	<u>(346,800)</u>
Add/(Less) : Profit brought forward from Previous Year		<u>(170,090,588)</u>	<u>(93,781,962)</u>
<b>PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION</b>		<b>(200,466,463)</b>	<b>(177,948,661)</b>
Amount transfer from General Reserve		-	<u>(7,858,073)</u>
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(200,466,463)</b>	<b>(170,090,588)</b>
Earnings Per Share - Basic		<b>(2.70)</b>	<b>(7.49)</b>
Earnings Per Share - Diluted		<b>(2.70)</b>	<b>(7.49)</b>
(Face Value of ₹ 10/- per share)			
Notes forming part of the accounts and Significant Accounting Policies	14		

As per our report of even date  
**For A.R.Sodha & Co.**  
 Chartered Accountants  
 (Firm registration no. 110324W)

**A.R.Sodha**  
 Partner  
 M.No. 31878

Place : Mumbai  
 Date : 14<sup>th</sup> September, 2011

For and on behalf of the Board

**S P Jain**  
 Chairman

**Manish Ajmera**  
 Executive Director & CFO



**STATEMENT OF CASH FLOW ANNEXED TO THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011**

	31.03.2011	31.03.2010
	₹	₹
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before tax and extraordinary Items	(36,895,863)	(86,853,005)
Adjustments for		
Depreciation	19,666,467	21,449,287
Preliminary/Share Issue Exp. Written off		7,135
Provision for Dimunition in Value of Investment	10,000,000	
Finance Expenses	21,228,601	25,537,203
Loss on assets sold/discarded	2,405,857	7,125,928
Provision for Doubtful Debts	6,541,826	5,839,345
Dividend Received	(45,604)	(45,604)
Interest Received	(18,819,566)	(32,371,778)
Operating profit before working capital changes	4,081,718	(59,311,490)
Adjustments for		
Decrease (Increase) in Trade and other Receivables	145,763,113	(46,290,497)
Increase (Decrease) in Trade Payable and Provisions	(141,879,914)	173,470,365
Cash Generated from operations	7,964,917	67,868,378
Income Tax Paid For The Year	-	(12,709,374)
Prior Period Items	(138,268)	(346,800)
<b>Net Cash From Operating Activities</b>	7,826,649	54,812,205
<b>B. Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	(21,085,917)	(22,156,834)
Sale of Fixed Assets	50,429,942	3,738,882
Purchase of Shares/ Mutual Funds		(118,182)
Sales of Shares/ Mutual Funds		
Interest Received	18,819,566	32,371,778
Dividend Received	45,604	45,604
<b>Net Cash from Investing Activities</b>	48,209,195	13,881,248
<b>C. Cash flow From Financing Activities</b>		
Finance Expenses	(21,228,601)	(25,537,203)
Loan Funds	(217,103,387)	12,913,301
<b>Net Cash used in Financing Activities</b>	(238,331,987)	(12,623,902)
Net Increase in Cash & Cash Equivalents	(182,296,143)	56,069,551
Opening Balance of Cash & Cash Equivalents	438,913,120	382,843,570
Closing Balance of Cash & Cash Equivalents	256,616,977	438,913,120

**Notes :**

- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.
- Previous year's figures have been reclassified/regrouped to confirm with current year's presentation, where applicable.

This is the Cash Flow Statement referred to in our report of even date.

As per our report of even date

**For A.R.Sodha & Co.**

Chartered Accountants

(Firm registration no. 110324W)

For and on behalf of the Board

**S P Jain**

Chairman

**Manish Ajmera**

Executive Director & CFO

**A.R.Sodha**

Partner

M.No. 31878

Place : Mumbai

Date : 14<sup>th</sup> September, 2011

## SCHEDULES TO ACCOUNTS

	31.03.2011 ₹	31.03.2010 ₹
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL :</b>		
<b>Authorised</b>		
1,50,00,000 Equity Shares (P.Y.1,50,00,000) of ₹ 10/- each	150,000,000	150,000,000
2,50,000 Cumulative Redeemable 6% Preference Shares (P.Y. 250,000) of ₹ 100/- each	<u>25,000,000</u>	<u>25,000,000</u>
<b>Issued, Subscribed &amp; Paid-up</b>		
1,12,31,600 Equity Shares (P.Y. 1,12,31,600) of ₹ 10/- each Fully Paid Up.	<u>112,316,000</u>	<u>112,316,000</u>
	<u><b>112,316,000</b></u>	<u><b>112,316,000</b></u>
 <b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS :</b>		
(1) Security Premium		
As Per last Balance Sheet	380,644,386	380,644,386
Add: Addition during year	-	-
	<u><b>A</b></u>	<u><b>380,644,386</b></u>
(2) General Reserves		
As Per last Balance Sheet	-	7,858,073
Add : Transfer to Profit & Loss Account	-	<u>(7,858,073)</u>
	<u><b>B</b></u>	<u><b>-</b></u>
(3) Capital reserves		
As Per last Balance Sheet	15,163,560	0
Add : Forfeiture of Share Warrant money	-	15,163,560
	<u><b>C</b></u>	<u><b>15,163,560</b></u>
	<u><b>(A+B+C)</b></u>	<u><b>395,807,946</b></u>
 <b>SCHEDULE 3</b>		
<b>LOAN FUNDS :</b>		
<b>Secured Loans :</b>		
(1) Car Loans from Banks*	551,465	1,271,478
(2) Overdraft against Fixed Deposits	-	216,383,374
	<u><b>551,465</b></u>	<u><b>217,654,852</b></u>

\*Vehicle loans are secured against hypothecation of vehicles purchased.



SCHEDULE 4

Schedule of Fixed Assets under Companies Act, 1956

(₹)

Particulars	Depn. %	GROSS BLOCK				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
<b>Tangible Assets :</b>											
Air Conditioner	4.75	9,144,977	423,791	559,437	9,009,331	1,579,242	423,903	75,889	1,927,256	7,082,075	7,565,735
Computer	16.21	82,485,360	1,337,249	53,415,529	30,407,080	41,121,271	8,219,251	28,099,851	21,240,671	9,166,409	41,364,391
Improvement to Leased Assets		16,113,600	602,473	-	16,716,073	5,593,708	1,063,254	-	6,656,962	10,059,111	10,519,892
Furnitures & Fixtures	6.33	22,632,983	-	2,281,360	20,351,625	4,521,973	1,369,151	554,053	5,337,071	15,014,554	18,111,011
Office Equipments	4.75	26,835,518	121,750	21,107,804	5,849,464	4,202,650	789,216	4,157,503	834,363	5,015,101	22,632,567
Vehicles	9.50	6,145,249	-	1,797,804	4,347,445	2,033,162	497,231	738,839	1,791,554	2,555,891	4,112,087
<b>Intangible Assets :</b>											
Computer Software	20.00	25,156,901	17,300,654	-	42,457,555	8,378,448	7,304,461	-	15,682,909	26,774,646	16,778,453
<b>TOTAL</b>	<b>A</b>	<b>188,514,588</b>	<b>19,785,917</b>	<b>79,161,934</b>	<b>129,138,573</b>	<b>67,430,454</b>	<b>19,666,467</b>	<b>33,626,135</b>	<b>53,470,786</b>	<b>75,667,787</b>	<b>121,084,136</b>
Capital Work In Process		6,000,000	1,300,000	7,300,000	-	-	-	-	-	-	6,000,000
	<b>B</b>	<b>6,000,000</b>	<b>1,300,000</b>	<b>7,300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,000,000</b>
<b>Current Year</b>	<b>(A+B)</b>	<b>194,514,588</b>	<b>21,085,917</b>	<b>86,461,934</b>	<b>129,138,573</b>	<b>67,430,454</b>	<b>19,666,467</b>	<b>33,626,135</b>	<b>53,470,786</b>	<b>75,667,787</b>	<b>127,084,136</b>
Previous Year		188,841,250	22,156,834	16,483,495	194,514,589	51,599,851	21,449,287	5,618,685	67,430,453	127,084,136	137,241,399

31.03.2011

31.03.2010

₹

₹

SCHEDULE 5

INVESTMENTS

I. Long Term Investments (At Cost)

A) QUOTED

Equity Shares :

1310 (P.Y.131) Shares of Sadbhav Engineering Ltd

24,235

24,235

Market Value ₹ 1,62,113, (PY ₹ 1,68,885)

24,235

24,235

B) UNQUOTED

Equity Shares :

**In Subsidiary Company :**

14,00,100 Shares (PY 14,00,100) of Networth Commodities & investment Ltd.

20,001,000

20,001,000

50,000 Shares (PY 50,000) of Networth SoftTech Ltd.

500,000

500,000

10,00,000 Shares (PY 10,00,000) of Networth Wealth Solutions Ltd

10,000,000

10,000,000

50,00,000 Shares (PY 50,00,000) of Ravisha Financial Services P.Ltd

62,922,205

62,922,205

10,000 Shares (PY 10,000) of Networth Insurance Broking Pvt Ltd

100,000

100,000

**In Associates Concern :**

9,49,400 Shares (PY 9,49,400) of Networth Financial Services Ltd.

9,494,000

9,494,000

**Other :**

11401 Shares (P.Y.877) of Bombay Stock Exchange Ltd.

877

877

103,018,082

103,018,082

Less: Provision for dimunition in value of investment

10,000,000

93,018,082

103,018,082

D) Other Investments :

Insurance Policies

494,107

494,107

494,107

494,107

**Total Long term Investment**

**A**

**93,536,424**

**103,536,424**

II. Current Investments - At lower of Cost or Fair Value

**Government Securities :**

National Savings Certificates

4,000

4,000

**Total Current Investment**

**B**

**4,000**

**4,000**

**Total Investment**

**(A+B)**

**93,540,424**

**103,540,424**

31.03.2011

31.03.2010

₹

₹

**SCHEDULE 6****CURRENT ASSETS, LOANS & ADVANCES :**

Stock in Trade / Error

122,086

146,766

(As taken, valued &amp; certified by Management)

**A** 122,086146,766

Sundry Debtors

( Unsecured, Considered Good Except otherwise stated )

Client balances outstanding for more than six months

87,005,628

81,062,967

Other Clients Balances

126,335,775

215,753,724

Dues from Stock Exchanges

4,527,748

14,378,149

217,869,151311,194,840

Less: Provision for Doubtful Debts

59,330,122

52,788,297

**B** 158,539,028258,406,543**Cash & Bank Balances**

Cash Balance

299,225

(92,747)

Balances with Scheduled Banks :

in Current Account

56,980,693

13,536,957

in Fixed Deposit Accounts\*

76,833,690

396,452,935

Cheques in hand

122,503,371

29,015,975

\* Fixed Deposits includes deposits pledged with banks as security margin for guarantees issued by them in favor of Stock Exchanges and given as security against Overdrafts

**C** 256,616,979438,913,120**LOANS & ADVANCES :**

(Unsecured, Considered Good Except otherwise stated)

**a) Advances and Loans to Subsidiary**

222,534

3,224,810

**b) Advances recoverable in cash or in kind or for value to be received**

Advance Income Tax

70,199,356

63,169,617

Advance Fringe Benefit Tax

19,999,868

19,999,868

Advance Wealth Tax

106,911

106,911

Fringe Benefit Tax Recoverable under ESOP Scheme

1,122,331

2,043,377

Advance to Staff

1,971,942

2,526,637

Advance to Suppliers

3,893,158

3,071,050

Prepaid Expenses

4,693,075

6,749,184

Other Advances

-

14,808

**c) Deposits**

Deposit &amp; Margins with Stock Exchanges

13,453,280

13,920,002

Trade Margin Security Deposit with IL &amp; FS Ltd.

1,328,104

54,670,606

Deposits for Office Premises

66,664,999

66,592,135

Deposit for DP Empanelment

500,000

500,000

Deposit with National Securities Depositories Limited

1,010,000

1,010,000

Deposit with Central Depositories Services (India) Limited

250,000

250,000

Deposit with Exchange under Securities Lending Scheme

2,000,000

2,000,000

Deposits for Telephone, VSAT, Electricity, etc.

1,944,362

1,923,661

**D** 189,359,920241,772,665**TOTAL****(A+B+C+D)** 604,638,013939,239,093



31.03.2011  
₹31.03.2010  
₹**SCHEDULE 7****CURRENT LIABILITIES & PROVISIONS :****A) Current Liabilities :**

Sundry Creditors - Clients	251,580,344	360,297,216
Sundry Creditors - Banks & Financial Institutions	120,482,539	157,093,554
Sundry Creditors - Stock Exchanges	2,543,572	(19,980,894)
Security Deposit from Business Associates	20,415,174	21,333,573
Sundry Creditors - Others	23,790,326	40,711,337
Provision for Expenses	3,945,969	6,243,225
Unclaimed Dividend*	144,203	144,203
Statutory Liabilities	4,155,461	6,930,744
	<u>427,057,589</u>	<u>572,772,958</u>

\*Kept in Separate Bank A/c.

**B) Provisions For :**

Provision for Income Tax	24,740,000	24,740,000
Provision for Fringe Benefit Tax	17,911,629	17,911,629
Provision for Wealth Tax	106,911	106,911
Provision for Gratuity	3,717,046	(118,408)
	<u>46,475,586</u>	<u>42,640,132</u>

**SCHEDULE 8****OTHER INCOME :**

Interest on Fixed Deposit	18,819,566	32,371,778
Dividend on Shares	45,604	45,604
Bad Debts Recovered	204,344	243,043
	<u>19,069,514</u>	<u>32,660,425</u>

**SCHEDULE 9****EMPLOYMENT COST :**

Salary & Other Allowances	129,111,696	171,521,793
Contribution to Provident & other funds	11,105,211	8,785,658
Staff Welfare Expenses	2,341,183	2,810,487
	<u>142,558,089</u>	<u>183,117,938</u>

**SCHEDULE 10****OPERATING EXPENSES :**

Demat Charges	5,810,282	4,954,563
Commission	64,999,807	84,352,508
Stamp Duty & Exchange Charges	4,086,731	9,276,139
Connectivity Charges	12,286,210	15,107,028
Insurance Charges - NSE, BSE & CDSL	1,639,700	1,993,207
Membership Fees & Subscription	1,388,125	1,662,222
Software Charges	5,095,404	9,963,755
	<u>95,306,259</u>	<u>127,309,422</u>

	31.03.2011 ₹	31.03.2010 ₹
<b>SCHEDULE 11</b>		
<b>ADMINISTRATIVE EXPENSES :</b>		
Professional Charges	30,759,865	42,482,698
Telephone Charges	6,668,587	9,781,563
Electricity Charges	16,763,939	14,752,970
Rent, Rates & Taxes	66,715,695	79,326,738
Repairs & Maintenance	8,173,250	12,302,367
Manpower supply charges	626,071	11,946,567
Insurance Charges	20,576	120,528
Postage & Courier Charges	6,690,521	13,654,071
Advertisement	252,224	101,650
Bad Debts Written Off	332,897	544,234
Conveyance & Travelling	3,961,640	4,608,863
Printing, Stationery & Xerox Charges	2,943,962	6,130,961
Business Promotion Expenses	1,485,965	4,218,959
Directors' Remuneration	1,380,783	1,499,378
Directors' Sitting Fees	320,000	190,000
Provident Fund Administrative Charges	407,512	548,629
Profession Tax	41,440	36,975
Provision for Doubtful Debts	6,541,826	5,839,345
Provision for Diminution in Value of Investment	10,000,000	
Charity & Donations	-	10,502
Share Registrar's Charges	31,874	30,406
Miscellaneous Expenses	302,020	1,190,080
Staff Recruitment Expenses	716,502	1,576,208
Auditors' Remuneration	550,000	670,386
Loss on Exchange Fluctuation	5,099	1,190
Loss on Assets sold / discarded	2,405,857	7,125,928
Miscellaneous Expenditures W/off	-	7,135
Recovery of Expenses *	<u>(79,636,362)</u>	<u>(16,063,693)</u>
	<u>88,461,742</u>	<u>202,634,638</u>

\* This represents recovery of expenses, in agreed proportion towards utilization of common facilities, from subsidiary and associate concerns.

#### SCHEDULE 12

##### INTEREST & FINANCIAL CHARGES :

Bank Charges	1,375,741	1,824,745
Bank Guarantee Charges	2,481,635	3,420,014
Interest on Car Loan	110,834	271,695
Interest on Bank Overdraft	17,236,641	20,020,749
Other Interest	23,750	-
	<u>21,228,601</u>	<u>25,537,203</u>

#### SCHEDULE 13

##### EXTRA-ORDINARY & PRIOR PERIOD ADJUSTMENTS :

Prior Period Adjustment	<u>(138,268)</u>	<u>(346,800)</u>
	<u>(138,268)</u>	<u>(346,800)</u>



ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of Accounting**

The financial statements have been prepared under the historical cost convention ignoring changes, if any, in the purchasing power of money and on accounting principles of going concern. All income and expenditure having a material bearing on the financial statements are recognized on accrual basis.

2. **Use of Estimates**

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and Liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. **Revenue Recognition**

Brokerage Income is recognised on the trade date.

Subscription income for convenient brokerage plans is recognised on enrollment in the scheme.

Account Facilitation charges is recognised on quarterly/yearly considering registration/activation of the client account.

In respect of Interest Income, is recognised on a time proportion basis.

4. **Fixed Assets**

Fixed Assets are stated at cost of acquisition as reduced by accumulated depreciation and impairment losses, if any. Cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

5. **Depreciation**

Depreciation on Fixed Assets has been provided on pro-rata basis on straight line method at the rates prescribed by Schedule XIV to the Companies Act, 1956 from the month following the month of purchase/ acquisition of Assets.

Considering the factors like utility of software, its nature, technological developments etc, if the management is of the opinion that the cost of acquisition of software and related expenses requires to be written off in the year of acquisition, then it is charged to revenue in the year of acquisition.

Improvement to Leasehold premises is written off over period of lease agreement on straight line basis.

6. **Investments**

Investments intended to be held for more than a year are classified as long term Investments. Long term Investments are valued at cost less permanent diminution in value, if any, in the opinion of the management. The current investments are valued at lower of cost or market value.

7. **Stock in Trade.**

Stock in trade, comprising of securities held as a result of error in execution of orders, is valued at cost or market value, whichever is lower.

8. **Employee Benefits**

Employer's Contribution to the Provident Fund and Pension fund are charged to the Profit and Loss Account of the period to which they relate.

The annual contribution to the Group Gratuity Assurance Scheme of MetLife India Insurance Co. Pvt. Ltd., determined on the basis of actuarial valuation by the said company is charged to Profit and Loss Account.

Short Term Employee Benefit payable within one year are provided on accrual basis at actual value.

9. **Foreign Currency Transaction:**

● **Initial Recognition:**

Foreign currency transactions are recorded in the reporting currency i.e. rupee value, by applying exchange rate between the reporting currency and the foreign currency on the date of transaction.

● **Conversion:**

Foreign currency monetary items are reported using the exchange rate on the balance sheet date. Non monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction.

- Exchange Differences :

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statement, are recognised as income or as expenses in the year in which they arise.

#### 10. Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income of the year.

Deferred tax for the year is recognized, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognized and carried forward only if there is reasonable/virtual certainty of its realisation.

The carrying amount of Deferred Tax Assets are reviewed at each balance sheet date and written down or written up, to reflect the amount that is reasonably / virtually certain, as the case may be, to be realized.

#### 11. Borrowing Cost:

Borrowing costs directly attributable to development of qualifying asset are capitalized till the date qualifying asset is ready for put to use for its intended purpose as part of cost of that asset. Other Borrowing costs are recognized as expense in the period in which they are incurred.

#### 12. Lease Rental

Operating lease rental are charged to profit and loss account on accrual basis.

#### 13. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period and adjusted for the effects of all dilutive potential equity shares.

#### 14. Provisions

A provision is recognised when the company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

### B. NOTES TO ACCOUNTS

#### 1. Scheme of amalgamation:

The Board of Directors of the Company at its meeting held on 9<sup>th</sup> April, 2011 approved the scheme of Amalgamation of Monarch Research and Brokerage Private Limited and Monarch Project and Finmarkets Limited with the Company as per provisions of Section 391 to 394 of the Companies Act, 1956, subject to approval of various statutory authorities. The appointed date for the scheme of Amalgamation is 1<sup>st</sup> April, 2010. Since the scheme is yet to be approved by the Hon'ble High Courts of Gujarat and Bombay, the effect of the amalgamation has not been given in the present accounts and will be given in the financial account of the period in which sanction will be received.

2. The company has taken suitable legal action for recovering debts of ₹ 239 lacs for fraudulent transaction done by client in the year 2008-09. SEBI has passed the interim order withholding the payout which is kept with Bombay Stock Exchange till completion of investigation. The management expects favorable order for the same, hence no provisions have been made thereof.

3. The company has taken suitable legal action for recovering deposits of ₹ 340 lacs for premises at Mumbai & Bangalore. The management expects favorable order for the same, hence no provisions have been made thereof.

#### 4. Segment Reporting :-

During the year under consideration, the company has two operative segments namely, Capital Market (CM) Segment and Depository Participant (DP) segment. As the DP, does not fall within the parameters of "reportable segment" enunciated in Accounting Standard 17 "Segmental Reporting", the company has only one reportable segment i.e. CM. In view of above and considering Accounting Standard Interpretation 20 "Disclosure of Segment Information", the company has not furnished the Segmental Reporting.



5. Related Party Disclosures:-

a) List of Related Parties and Relationship:-

NAME OF THE RELATED PARTY	NATURE OF RELATIONSHIP
Networth Commodities & Investments Ltd.	Subsidiary Company
Networth SoftTech Ltd.	100% Subsidiary Company
Networth Wealth Solutions Ltd.	100% Subsidiary Company
Ravisha Financial Services Private Ltd.	100% Subsidiary Company
Networth Insurance Broking Private Ltd.	100% Subsidiary Company
Networth Financial Services Ltd.	Associate Company
<b>Key Management Personnel</b>	
Girish Dev	Chief Executive Officer/Director
Manish Ajmera	Chief Financial Officer
<b>Others</b>	
S. P. Jain	Chairman & Dominant Promoter Group
Kanta Jain	Dominant Promoter Group
S.P. Jain – HUF	Enterprises over which Director/ Key Managerial Personnel/ DPG are able to exercise significant influence
Sun Capital Advisory Services Private Limited	

b) Transaction with the Related Parties. (Amount in ₹, previous years' figures in italics)

Transactions	Subsidiaries	Associate Company	Key Management Personnel	Others	Total
Revenue Received	8,87,13,936	551	-	5,40,028	8,92,54,515
	1,60,63,693	-	-	7,36,033	1,67,99,726
Rendering of Services	1,87,80,000	-	25,81,606	-	2,13,61,606
	1,20,00,000	-	32,86,629	-	1,52,86,629
Other Transaction	-	-	-	-	-
	3,37,948	-	-	15,38,411	18,76,359
Sale of Assets	4,07,00,000	-	-	-	4,07,00,000
	-	-	-	-	-
Loan Given	22,30,33,093	-	-	-	22,30,33,093
	7,23,12,000	-	-	-	7,23,12,000
Outstanding Balance included in current liabilities	-	1,70,46,889	-	33,73,549	2,04,20,438
	34,205	1,70,48,707	-	-	1,70,82,912
Outstanding Balance included in current assets	2,22,534	-	-	5,10,232	7,32,766
	3,22,42,028	-	-	2,63,683	3,25,05,712

6. Earnings Per Share

Sr. No.	Particulars	Year ended on 31 <sup>st</sup> March 2011	Year ended on 31 <sup>st</sup> March 2010
a)	Net profit or loss for the period attributable to equity shareholders		
	Basic (₹)	(3,03,75,875)	(8,41,66,699)
	Diluted (₹)	(3,03,75,875)	(8,41,66,699)
b)	Weighted Number of Shares outstanding during the period for calculating Basic Earnings per Share	11,231,600	11,231,600
	Add: Adjustment for potential dilutive shares (Preferential Allotment)	NIL	NIL
	Weighted number of shares used for Calculation of Dilutive Earnings per share	11,231,600	11,231,600
c)	Earnings per share (Equity shares having face value ₹ 10/-)		
	Basic (₹)	(2.70)	(7.49)
	Diluted (₹)	(2.70)	(7.49)

**7. Deferred Tax Asset / Liabilities:**

The components of deferred tax assets/liability as at 31st March, 2011 in accordance with Accounting Standard – 22 “Accounting for Taxes on Income” are as under

**Timing Difference:**

Particulars	(₹)	
	For the year ended 31.3.2011	For the year ended 31.3.2010
Deferred Tax Liabilities:		
Depreciation	A	(46,36,831)
Deferred Tax Assets:		
Provision for Doubtful Debts	B	20,21,424
Deferred Tax Liability (Net)	“(A-B)”	(66,58,256)
		(30,33,106)

**8. Additional Information pursuant to the provisions of paragraphs 4, 4B, 4C and 4D of part II of Schedule VI to the Companies Act, 1956, to the extent applicable.**

• **Foreign Currency Transaction**

Particulars	Current Yr. (₹)	Previous Yr. (₹)
a) Foreign Currency Outgo	1,11,402	3,93,414
b) Foreign Currency Inflow	Nil	Nil

• **Directors Remuneration**

Particulars	Current Yr. (₹)	Previous Yr. (₹)
Director Remuneration	13,80,783	14,99,378
Director Sitting fees	3,20,000	1,90,000

Computation of net profit u/s 349 of the Companies Act, 1956 is not furnished as no commission is payable / paid to the Directors. The reimbursement or payment of expenses as per the contractual appointment, are not in the nature of personal expenses, as the same are accepted/incurred under contractual obligation as per the business practices. Also the expenditure incurred in the normal course of business, in accordance with the generally accepted business practices, on employees and directors, is not considered as expenditure of personal nature. There for the same has not been considered for the above purpose.

• **Payment to Auditors:**

Particulars	Current Yr. (₹)	Previous Yr. (₹)
For Statutory Audit	4,25,000	4,25,000
For Tax Audit	1,25,000	1,25,000
Other Services	2,98,000	1,28,000
Total	8,48,000	6,78,000

(excluding service tax)

**9. Employee Benefits :**

The disclosures required under Accounting Standard 15 “Employee Benefits” notified in the Companies (Accounting Standards) Rules 2006, are given below:

**Defined Contribution Plan**

Contribution to Defined Contribution Plan, recognized and charged to profit and loss account for the year are as under:

Particulars	(₹)	
	2010-11	2009-10
Employer’s Contribution to Provident and Pension Fund	44,11,243	63,21,848

**Defined Benefit Plan:**

The employees’ gratuity fund scheme managed by Metlife India Insurance Co. Pvt. Ltd. is a defined benefit plan. The present value of obligation 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.



(₹)		
Particulars	2010-11	2009-10
<b>a. Amount recognized in Profit and Loss Account</b>	<b>44,35,130</b>	<b>8,96,614</b>
<b>b. Reconciliation of opening and closing balances of Defined Benefit obligation</b>		
Defined Benefit obligation at beginning of the year	34,57,219	31,93,283
Current Service Cost	18,08,905	11,33,433
Interest Cost	3,41,555	2,76,577
Actuarial (gain) / loss	26,02,599	(80,485)
Benefits paid	30,32,436	10,65,589
Settlement cost	Nil	Nil
Defined Benefit obligation at year end	51,77,842	34,57,219
<b>c. Reconciliation of opening and closing balances of fair value of plan assets</b>		
Fair value of plan assets at beginning of the year -	35,75,628	11,16,057
Expected return on plan assets	3,24,198	89,285
Actuarial gain/(loss) -	(2,88,090)	1,00,160
Employer contribution	8,81,496	33,35,715
Benefits Paid -	30,32,436	10,65,589
Fair value of plan assets at year end	14,60,796	35,75,628
Actual return on plan assets	1,89,445	1,89,445
<b>d. Reconciliation of fair value of assets and obligations</b>		
Fair value of plan assets as at 31st March	14,60,796	35,75,628
Present value of obligation as at 31st March	51,77,842	34,57,219
Amount recognised in Balance Sheet	37,17,046	(118409)
<b>e. Investment Details % invested</b>		
As at 31st March		
L.I.C. Group Gratuity (Cash Accumulation) Policy	103.43%	103.43%
<b>f. Actuarial assumptions</b>		
Mortality Table	LIC (94-96) Ultimate	LIC (94-96) Ultimate
Discount rate (per annum)	8%	8%
Rate of escalation in salary (per annum)	4%	4%
Expected rate of return on plan assets (per annum)	8%	8%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

**10. Events Occurring After the Balance Sheet Date:**

To the best of knowledge of the management, there are no events occurring after the Balance Sheet date that provide additional information materially affecting the determination of the amounts relating to the conditions existing at the Balance Sheet Date that requires adjustment to the Assets or Liabilities of the Company.

**11. Capital Commitments:**

There are outstanding Capital commitments amounting to ₹ Nil (previous year ₹ 1,29,99,624) on account of development of software.

**12. In the opinion of the Directors of the Company, the Current Assets and loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which items are stated in the Balance Sheet.**

**13. Contingent Liability**

The management of the Company does not anticipate any contingent liability having material effect on the position stated in the Balance Sheet at the year end except as stated below:

- Income tax assessment of the company has been completed upto assessment year 2008-09. The disputed demand outstanding upto the said assessment year is ₹ 1101 Lacs (previous year ₹ 902 Lacs). Based on the decisions of the Appellate authorities and the interpretation of the other relevant provisions, the company expects that the demand is likely to be either deleted or substantially reduced and accordingly no provision has been made.
- There is a claim of ₹ 125 lacs against the company for which the company has taken suitable legal recourse. Hence the same has not been recognized as a debt and no provision has been made thereof.

**14. Details about the Micro, Small and Medium Enterprises**

In absence of information regarding vendors covered under the Micro, Small and Medium Enterprises Development Act, 2006, disclosure relating to amounts unpaid as at the year end together with interest paid / payable under this Act has not been given.

**15. Previous year's figure have been recast and rearranged wherever found necessary.**

As per our report of even date  
**For A.R.Sodha & Co.**  
 Chartered Accountants  
 (Firm registration no. 110324W)

For and on behalf of the Board

**A.R.Sodha**  
 Partner  
 M.No. 31878  
 Place : Mumbai  
 Date : 14<sup>th</sup> September, 2011

**S P Jain**  
 Chairman

**Manish Ajmera**  
 Executive Director & CFO

**STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956  
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

<b>I</b>	<b>Registration Details</b>		
	Registration No.	:	75393
	State Code No.	:	11
	Balance Sheet Date	:	31.03.2011
<b>II</b>	<b>Capital raised during the year</b>		
	Public Issue	:	NIL
	Right Issue	:	NIL
	Bonus Issue	:	NIL
	Private Placement	:	NIL
<b>III</b>	<b>Position of Mobilisation and Deployment of Funds (Amount ₹ In Thousand)</b>		
	Total Liabilities	:	508675
	Total Assets	:	508675
	<b>Sources of funds</b>		
	Paid up Capital	:	112316
	Reserves & Surplus	:	395808
	Secured/Unsecured Loans	:	551
	<b>Application of funds</b>		
	Net Fixed Assets	:	75668
	Investments	:	93540
	Deffered Assets	:	7896
	Net Current Assets	:	131105
	Misc.Expenditure	:	NIL
	Accumulated losses	:	200466
<b>IV</b>	<b>Performance of Company (Amount ₹ In Thousand)</b>		
	Turnover/Income	:	330325
	Total Expenditure	:	367221
	Profit before taxes	:	(36896)
	Profit after taxes	:	(30238)
	Earnings Per Share	:	(2.70)
	Dividend Rate	:	NIL
<b>V</b>	<b>Generic Names of Three Principal Products/Services of the Company</b>		
	Product Description	:	Item Code No.
	Stock Broking	:	N.A.
	Advisory	:	N.A.



## INFORMATION WITH REGARD TO SUBSIDIARY COMPANIES

Information as required under General Circular No. No.2/2011 No. 51/12/2007-CL-III dated 8<sup>th</sup> February, 2011 issued by the Ministry of Corporate Affairs (MCA) relating to Subsidiary Companies for the year ended 31<sup>st</sup> March, 2011.

(₹)

Sr. No.	Particulars	Networth - Commodities & Investments Ltd.	Networth Wealth Solutions Ltd.	Ravisha Financial Services Pvt. Ltd.	Networth SoftTech Ltd.	Networth Insurance Broking Pvt. Ltd.
1	Financial year ended	31.03.2011	31.03.2011	31.03.2011	31.03.2011	31.03.2011
2	Share Capital	14,007,000	10,000,000	50,000,000	500,000	100,000
3	Reserve & Surplus	7,758,827	(112,875,071)	15,787,837	781,677	-
4	Total Assets	55,042,552	22,503,931	682,910,609	1,927,478	327,549
5	Total Liabilities	33,325,014	125,379,002	617,122,772	645,801	227,549
6	Investments (excluding investments in subsidiary companies)	48,289	-	-	-	-
7	Turnover & Other Income	33,038,695	18,010,450	58,771,186	12,160,824	N.A. *
8	Profit/(Loss) before Taxation	(6,628,275)	(40,172,971)	(8,665,800)	(328,891)	N.A. *
9	Provision for Taxation	(150,629)	(95,052)	(2,711,786)	(18,008)	N.A. *
10	Profit/ (Loss) after Taxation	(6,477,646)	(40,077,919)	(5,954,014)	(346,899)	N.A. *
11	Proposed Dividend	Nil	Nil	Nil	Nil	Nil

\* The Company has not commenced any business activities till 31<sup>st</sup> March, 2011, all the pre-operative expenses have been capitalized, hence a Profit & Loss account is not prepared.

For and on behalf of the Board

Place: Mumbai  
Date : 14<sup>th</sup> September, 2011

**S. P. Jain**  
Chairman

**Manish Ajmera**  
Executive Director & CEO

## AUDITORS' REPORT

To,

The Board of Directors,  
**NETWORTH STOCK BROKING LIMITED**  
MUMBAI

We have audited the attached Consolidated Balance Sheet of **NETWORTH STOCK BROKING LIMITED** and its subsidiaries and associate (referred to as 'Group') as at 31<sup>st</sup> March, 2011 and the Consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion

The financial statements of two subsidiaries viz Networth Wealth Solutions Ltd with total assets of ₹ 218.45 lacs and total revenues of ₹ 173.40 lacs and Networth Commodities and Investment Ltd. with total assets of ₹ 549.18 lacs and total revenues of ₹ 310.04 lacs as at 31<sup>st</sup> March, 2011 and for the year ended on 31<sup>st</sup> March, 2011 have not been audited by us. These financial statements have been audited by other auditors whose report has been furnished to us and our opinion, in so far it relates to the amounts included in respect of subsidiary, is based solely on the report of the other auditor.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investment in Associates issued by the Institute of Chartered Accountants of India.

We report that in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements gives a true and fair view in conformity with the accounting principles generally accepted in India:

- i) In the case of Consolidated Balance Sheet, of the state of affairs of the Group as at 31<sup>st</sup> March, 2011;
- ii) In the case of Consolidated Profit & Loss Account of the loss for the year ended on that date and
- iii) In the case of Consolidated Cash Flow Statement, of the Cash flows for the year ended on that date.

**For A. R. Sodha & Co.**  
Chartered Accountants  
(Firm Registration No. 110324W)

Place : Mumbai  
Date : 14<sup>th</sup> September, 2011

**A. R. Sodha**  
Partner  
M. No. 31878



**CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011**

	Schedule No.	31.03.2011 ₹	31.03.2010 ₹
<b>SOURCES OF FUNDS :</b>			
(1) Shareholders' Funds :			
(a) Share Capital	1	112,316,000	112,316,000
(B) Reserves & Surplus	2	395,807,946	395,807,946
(2) Loan Funds	3	28,051,465	228,372,400
(3) Minority Interest		15,211	17,996
<b>TOTAL</b>		<u>536,190,622</u>	<u>736,514,342</u>
<b>APPLICATION OF FUNDS :</b>			
(1) Fixed Assets :			
(a) Gross Block	4	204,089,449	198,693,323
(b) Less : Depreciation		87,389,093	68,111,697
(c) Net Block		<u>116,700,356</u>	<u>130,581,626</u>
(2) Investments	5	9,253,977	9,223,339
(3) Deferred Tax Asset		10,566,606	961,524
(4) Current Assets, Loans & Advances :	6		
(a) Stock in Trade / error		122,086	146,766
(b) Sundry Debtors		804,788,892	455,553,004
(c) Cash & Bank Balances		286,709,057	456,322,458
(d) Loans & Advances		221,586,573	277,718,248
	A	<u>1,313,206,608</u>	<u>1,189,740,475</u>
Less: Current Liabilities & Provisions :	7		
(a) Current Liabilities		1,159,192,829	766,690,090
(b) Provisions		53,559,738	53,395,818
	B	<u>1,212,752,567</u>	<u>820,085,908</u>
Net Current Assets	(A-B)	100,454,041	369,654,568
(5) Miscellaneous Expenditure		459,002	561,199
(6) Profit & Loss A/c		298,756,640	225,532,089
<b>TOTAL</b>		<u>536,190,622</u>	<u>736,514,342</u>
Notes forming part of the accounts and Significant Accounting Policies	14		

As per our report of even date  
**For A.R.Sodha & Co.**  
Chartered Accountants  
(Firm Registration No. 110324W)

For and on behalf of the Board

**S P Jain**  
Chairman

**Manish Ajmera**  
Executive Director & CFO

**A.R.Sodha**  
Partner  
M.No. 31878

Place : Mumbai  
Date : 14<sup>th</sup> September, 2011

**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2011**

	Schedule No.	31.03.2011 ₹	31.03.2010 ₹
<b>INCOME</b>			
(a) Income from Operations		396,779,895	506,528,698
(b) Other Income	8	<u>23,748,329</u>	<u>39,543,930</u>
		<u>420,528,224</u>	<u>546,072,628</u>
<b>EXPENDITURE</b>			
(a) Employment Cost	9	165,466,051	226,225,550
(b) Operating Expenses	10	106,162,139	139,222,760
(c) Administrative Expenses	11	167,068,736	239,525,109
(e) Interest & Financial Charges	12	<u>42,069,145</u>	<u>32,350,865</u>
		<u>480,766,071</u>	<u>637,324,283</u>
<b>PROFIT/(LOSS) BEFORE DEPRECIATION &amp; TAX</b>		<b>(60,237,846)</b>	<b>(91,251,655)</b>
Depreciation	4	22,453,954	21,835,357
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>(82,691,800)</b>	<b>(113,087,012)</b>
Less: Provision for Taxation			
- Current Year Tax			6,473,361
- Deferred Tax		<b>(9,605,080)</b>	(1,658,713)
- Short/Excess Provision for Tax		29,251	(26,186)
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>(73,115,971)</b>	<b>(117,875,474)</b>
Add/(Less) : Prior period adjustments & Extra Ordinary items	13	<b>(138,268)</b>	(346,800)
Add/(Less) : Share of Profit/(Loss) of Associate		26,902	(9,967)
Add/(Less) : Minority Interest		2,785	(3,120)
Add/(Less) : Profit brought forward from Previous Year		<u>(225,532,089)</u>	<u>(115,154,801)</u>
<b>PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION</b>		<b>(298,756,640)</b>	<b>(233,390,162)</b>
Amount transfer from General Reserve		-	(7,858,073)
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>(298,756,640)</b>	<b>(225,532,089)</b>
Earnings Per Share - Basic		<b>(6.52)</b>	(10.53)
Earnings Per Share - Diluted		<b>(6.52)</b>	(10.53)
(Face Value of ₹ 10/- per share)			

Notes forming part of the accounts and Significant Accounting Policies

14

As per our report of even date

For and on behalf of the Board

**For A.R.Sodha & Co.**

Chartered Accountants

(Firm Registration No. 110324W)

**S P Jain**  
Chairman

**Manish Ajmera**  
Executive Director & CFO

**A.R.Sodha**

Partner

M.No. 31878

Place : Mumbai

Date : 14<sup>th</sup> September, 2011



## Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March, 2011

	31.03.2011	31.03.2010
	₹	₹
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before tax and extraordinary Items	(82,691,800)	(113,087,012)
Adjustments for		
Depreciation	22,453,954	21,835,309
Finance Expenses	42,069,145	32,350,865
Loss on assets sold/discarded	2,958,399	7,125,928
Provision for Doubtful Debts	13,073,374	4,153,924
Dividend Received	(45,604)	(45,604)
Interest Received	(21,059,674)	(39,104,676)
Operating profit before working capital changes	(23,242,206)	(86,771,267)
Adjustments for		
Decrease (Increase) in Trade and other Receivables	(306,221,965)	(235,833,519)
Increase (Decrease) in Trade Payable and Provisions	392,666,659	313,953,428
Cash Generated from operations	63,202,488	(8,651,357)
Income Tax Paid For The Year		(6,447,175)
Prior Period Items		-
<b>Net Cash From Operating Activities</b>	<b>63,202,488</b>	<b>(15,098,532)</b>
<b>B. Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	(21,396,179)	(23,500,853)
Sale of Fixed Assets	9,865,094	3,768,383
Purchase of Shares/ Mutual Funds	-	-
Sales of Shares/ Mutual Funds	-	17,503,232
Interest Received	21,059,674	39,104,676
Dividend Received	45,604	45,604
Net Cash from Investing Activities	9,574,192	36,921,043
<b>C. Cash flow From Financing Activities</b>		
Share Issue expenses		(32,350,865)
Finance Expenses	(42,069,145)	5,114,752
Loan Funds	(200,320,935)	(27,236,113)
Net Cash used in Financing Activities	(242,390,080)	(5,413,603)
Net Increase in Cash & Cash Equivalents	(169,613,400)	461,736,060
Opening Balance of Cash & Cash Equivalents	456,322,458	456,322,458
Closing Balance of Cash & Cash Equivalents	286,709,057	456,322,458

### Notes :

1. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.
2. Previous year's figures have been reclassified/regrouped to confirm with current year's presentation, where applicable. This is the Cash Flow Statement referred to in our report of even date.

As per our report of even date  
**For A.R.Sodha & Co.**  
Chartered Accountants  
(Firm Registration No. 110324W)

For and on behalf of the Board

**S P Jain**  
Chairman

**Manish Ajmera**  
Executive Director & CFO

**A.R.Sodha**  
Partner  
M.No. 31878

Place : Mumbai  
Date : 14<sup>th</sup> September, 2011

## SCHEDULES TO CONSOLIDATED ACCOUNTS

	31.03.2011	31.03.2010
	₹	₹
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL :</b>		
<b>Authorised</b>		
1,50,00,000 Equity Shares (P.Y.1,50,00,000) of ₹ 10/- each	150,000,000	150,000,000
2,50,000 Cumulative Redeemable 6% Preference Shares (P.Y. 250,000) of ₹ 100/- each	<u>25,000,000</u>	<u>25,000,000</u>
<b>Issued, Subscribed &amp; Paid-up</b>		
1,12,31,600 Equity Shares (P.Y. 1,12,31,600) of ₹ 10/- each Fully Paid Up.	<u>112,316,000</u>	<u>112,316,000</u>
	<u>112,316,000</u>	<u>112,316,000</u>

### SCHEDULE 2

#### RESERVES & SURPLUS :

(1) Security Premium		
As Per last Balance Sheet	380,644,386	380,644,386
Add: Addition during year	-	-
<b>A</b>	<u>380,644,386</u>	<u>380,644,386</u>
(2) General Reserves		
As Per last Balance Sheet	-	7,858,073
Add : Transfer to Profit & Loss Account	-	<u>(7,858,073)</u>
<b>B</b>	<u>-</u>	<u>-</u>
(3) Capital reserves		
As Per last Balance Sheet	15,163,560	-
Add : Forfeiture of Share Warrant money	-	15,163,560
<b>C</b>	<u>15,163,560</u>	<u>15,163,560</u>
<b>(A+B+C)</b>	<u>395,807,946</u>	<u>395,807,946</u>

### SCHEDULE 3

#### LOAN FUNDS :

##### Secured Loans :

(1) Car Loans from Banks*	551,465	1,271,478
(2) Overdraft against Fixed Deposits		227,100,922

##### Unsecured Loans :

(1) Other Loans	<u>27,500,000</u>	
	<u>28,051,465</u>	<u>228,372,400</u>

\*Vehicle loans are secured against hypothecation of vehicles purchased.



Particulars	Depn. %	GROSS BLOCK				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
<b>Tangible Assets :</b>											
Air Conditioner	4.75	9,338,918	522,343	630,075	9,231,186	1,583,923	435,846	80,094	1,939,675	7,291,511	7,754,995
Computer	16.21	84,627,288	1,464,998	3,309,558	82,782,728	41,667,928	10,496,343	1,723,937	50,440,334	32,342,394	42,959,661
Improvement to Leased Assets		16,113,600	602,473	-	16,716,073	5,593,708	1,063,254	-	6,656,962	10,059,111	10,519,892
Furnitures & Fixtures	6.33	23,767,790	60,694	2,674,728	21,153,758	4,584,497	1,437,184	594,926	5,426,755	15,727,003	19,183,295
Office Equipments	4.75	27,543,577	145,017	287,890	27,400,704	4,270,035	1,219,635	38,766	5,450,904	21,949,800	23,273,242
Vehicles	9.50	6,145,249	-	1,797,804	4,347,445	2,033,162	497,231	738,839	1,791,554	2,555,891	4,112,087
<b>Intangible Assets :</b>											
Computer Software	20.00	25,156,901	17,300,654	-	42,457,555	8,378,448	7,304,461	-	15,682,909	26,774,646	16,778,453
<b>TOTAL</b>	<b>A</b>	<b>192,693,323</b>	<b>20,096,179</b>	<b>8,700,055</b>	<b>204,089,449</b>	<b>68,111,701</b>	<b>22,453,954</b>	<b>3,176,562</b>	<b>87,389,093</b>	<b>116,700,356</b>	<b>124,581,626</b>
Capital Work In Process		6,000,000	1,300,000	7,300,000	-	-	-	-	-	-	6,000,000
	<b>B</b>	<b>6,000,000</b>	<b>1,300,000</b>	<b>7,300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,000,000</b>
Current Year	<b>(A+B)</b>	<b>198,693,323</b>	<b>21,396,179</b>	<b>16,000,055</b>	<b>204,089,449</b>	<b>68,111,701</b>	<b>22,453,954</b>	<b>3,176,562</b>	<b>87,389,093</b>	<b>116,700,356</b>	<b>130,581,626</b>
Previous Year		191,705,819	23,500,853	16,513,349	198,693,323	51,895,426	21,835,309	5,619,038	68,111,697	130,581,626	137,241,399

31.03.2011

31.03.2010

₹

₹

**SCHEDULE 5  
INVESTMENTS**

**I. Long Term Investments (At Cost)**

**A) QUOTED**

Equity Shares :

1310 (PY.131) Shares of Sadbhav Engineering Ltd

24,235

24,235

Market Value ₹ 1,62,113, (PY ₹ 1,68,885)

24,235

24,235

**B) UNQUOTED**

Equity Shares :

**In Associates Concern :**

9,49,400 Shares (PY 9,49,400) of Networth Financial Services Ltd.

8,682,469

8,655,566

**Other :**

11401 Shares (PY.877) of Bombay Stock Exchange Ltd.

877

877

8,683,346

8,656,443

**D) Other Investments :**

Insurance Policies

494,107

494,107

494,107

494,107

Total Long term Investment

**A**

9,201,688

9,174,785

**II. Current Investments - At lower of Cost or Fair Value**

**Government Securities :**

National Savings Certificates

52,289

48,554

Total Current Investment

**B**

52,289

48,554

Total Investment

**(A+B)**

9,253,977

9,223,339

	31.03.2011	31.03.2010
	₹	₹
<b>SCHEDULE 6</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES :</b>		
Stock in Trade / Error (As taken, valued & certified by Management)	122,086	146,766
	<b>A</b>	
Sundry Debtors ( Unsecured, Considered Good Except otherwise stated )		
Client balances outstanding for more than six months	739,777,834	81,600,979
Other Clients Balances	126,384,087	391,622,782
Dues from Stock Exchanges	4,794,641	35,423,540
	<b>870,956,562</b>	<b>508,647,301</b>
Less: Provision for Doubtful Debts	66,167,670	53,094,297
	<b>B</b>	
<b>Cash &amp; Bank Balances</b>		
Cash Balance	557,876	294,745
Balances with Scheduled Banks :		
in Current Account	75,425,135	(10,092,314)
in Fixed Deposit Accounts*	88,222,675	437,104,052
Cheques in hand	122,503,371	29,015,975
* Fixed Deposits includes deposits pledged with banks as security margin for guarantees issued by them in favor of Stock Exchanges and given as security against Overdrafts		
	<b>C</b>	
	<b>286,709,057</b>	<b>456,322,458</b>
<b>LOANS &amp; ADVANCES :</b>		
<b>( Unsecured, Considered Good Except otherwise stated )</b>		
<b>a) Advances recoverable in cash or in kind or for value to be received</b>		
Advance Income Tax	87,852,469	77,864,062
Advance Fringe Benefit Tax	20,017,051	20,117,030
Advance Wealth Tax	106,911	106,911
Fringe Benefit Tax Recoverable under ESOP Scheme	1,122,331	2,043,377
Advance to Staff	2,098,431	2,603,682
Advance to Suppliers	4,776,869	3,214,163
Prepaid Expenses	6,491,491	7,531,443
Other Advances	3,295,977	179,351
<b>b) Deposits</b>		
Deposit & Margins with Stock Exchanges	21,233,537	36,022,522
Trade Margin Security Deposit with IL & FS Ltd.	2,091,538	54,670,606
Deposits for Office Premises	66,664,999	68,478,535
Deposit for DP Empanelment	500,000	500,000
Deposit with National Securities Depositories Limited	1,010,000	1,010,000
Deposit with Central Depositories Services (India) Limited	250,000	250,000
Deposit with Exchange under Securities Lending Scheme	2,000,000	1,058,298
Deposits for Telephone, VSAT, Electricity, etc.	2,074,970	2,068,269
	<b>D</b>	
	<b>221,586,573</b>	<b>277,718,248</b>
<b>TOTAL</b>	<b>(A+B+C+D)</b>	
	<b>1,313,206,608</b>	<b>1,189,740,475</b>



	31.03.2011 ₹	31.03.2010 ₹
<b>SCHEDULE 7</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS :</b>		
<b>a) Current Liabilities :</b>		
Sundry Creditors - Clients	277,587,414	382,551,659
Sundry Creditors - Banks & Financial Institutions	703,126,481	296,991,743
Sundry Creditors - Stock Exchanges	3,361,674	996,348
Security Deposit from Business Associates	20,798,174	21,987,178
Sundry Creditors - Others	27,114,479	49,674,371
Provision for Expenses	4,051,301	6,243,225
Unclaimed Dividend*	144,203	144,203
Statutory Liabilities	6,618,026	8,102,739
Book Overdraft	<u>116,391,076</u>	
*Kept in Separate Bank A/c.	<u>1,159,192,829</u>	<u>766,691,466</u>
<b>b) Provisions For :</b>		
Provision for Income Tax	31,384,269	34,760,101
Provision for Fringe Benefit Tax	17,967,684	18,062,636
Prov. For Commission refund on 1st year premium	485,000	485,000
Provision for Wealth Tax	106,911	106,911
Provision for Gratuity	<u>3,615,874</u>	<u>(18,830)</u>
	<u>53,559,738</u>	<u>53,395,818</u>
<b>MISCELLANEOUS EXPENDITURE :</b>		
(To the extent not written off or adjusted)		
Preliminary Expenses	<u>459,002</u>	<u>561,199</u>
	<u>459,002</u>	<u>561,199</u>
<b>SCHEDULE 8</b>		
<b>OTHER INCOME :</b>		
Interest on Fixed Deposit	21,059,674	39,104,676
Dividend on Shares	45,604	45,604
Dividend on Mutual Fund	-	86,822
Bad Debts Recovered	1,970,821	243,043
Interest on NSC Certificate	3,735	-
Misc. Income	<u>668,495</u>	<u>63,785</u>
	<u>23,748,329</u>	<u>39,543,930</u>
<b>SCHEDULE 9</b>		
<b>EMPLOYMENT COST :</b>		
Salary & Other Allowances	149,999,012	211,483,403
Contribution to Provident & other funds	12,575,320	11,158,669
Staff Welfare Expenses	<u>2,891,719</u>	<u>3,583,478</u>
	<u>165,466,051</u>	<u>226,225,550</u>
<b>SCHEDULE 10</b>		
<b>OPERATING EXPENSES :</b>		
Demat Charges	6,034,917	4,995,969
Commission	74,177,565	92,915,172
Stamp Duty & Exchange Charges	4,331,274	10,072,357
Connectivity Charges	12,930,416	15,445,743
Insurance Charges - NSE, BSE & CDSL	1,820,581	2,115,562
Membership Fees & Subscription	1,649,931	2,357,676
Software Charges	<u>5,217,455</u>	<u>11,320,281</u>
	<u>106,162,139</u>	<u>139,222,760</u>

	31.03.2011 ₹	31.03.2010 ₹
<b>SCHEDULE 11</b>		
<b>ADMINISTRATIVE EXPENSES :</b>		
Professional Charges	29,251,109	38,143,263
Telephone Charges	8,290,291	12,946,082
Electricity Charges	17,334,493	15,308,560
Rent, Rates & Taxes	63,082,446	83,650,892
Repairs & Maintenance	8,743,877	13,004,977
Manpower supply charges	1,210,438	22,113,269
Insurance Charges	20,576	120,528
Postage & Courier Charges	7,104,292	14,121,949
Advertisement	269,264	103,550
Bad Debts Written Off	332,897	2,713,282
Conveyance & Travelling	4,590,227	5,616,489
Printing, Stationery & Xerox Charges	3,242,346	7,269,155
Business Promotion Expenses	2,243,080	4,781,404
Directors' Remuneration	1,380,783	1,499,378
Directors' Sitting Fees	320,000	190,000
Provident Fund Administrative Charges	508,215	748,306
Profession Tax	92,320	92,175
Provision for Doubtful Debts	13,073,374	4,153,924
Charity & Donations	-	10,502
Share Registrar's Charges	31,874	30,406
Miscellaneous Expenses	(1,060,607)	1,059,267
Staff Recruitment Expenses	716,502	1,757,864
Auditors' Remuneration	702,250	803,386
Loss on Exchange Fluctuation	5,099	1,190
Loss on Assets sold / discarded	2,958,399	7,125,928
Miscellaneous Expenditures W/off	91,984	118,042
Service Tax & Education Cess Credit	2,533,207	2,020,740
Recovery of Expenses *	-	20,600
	<u>167,068,736</u>	<u>239,525,109</u>

\* This represents recovery of expenses, in agreed proportion towards utilization of common facilities, from subsidiary and associate concerns.

#### SCHEDULE 12

##### INTEREST & FINANCIAL CHARGES :

Bank Charges	1,505,425	2,038,958
Bank Guarantee Charges	2,761,469	3,942,208
Interest on Car Loan	110,834	271,695
Interest on Bank Overdraft	17,513,009	23,355,890
Other Interest	20,178,409	2,742,114
	<u>42,069,145</u>	<u>32,350,865</u>

#### SCHEDULE 13

##### EXTRA-ORDINARY & PRIOR PERIOD ADJUSTMENTS :

Prior Period Adjustment	(138,268)	(346,800)
	<u>(138,268)</u>	<u>(346,800)</u>



**A. SIGNIFICANT ACCOUNTING POLICIES****1. Basis of Accounting**

The consolidated Financial Statements of Networth Stock Broking Limited ("the Company") and its domestic subsidiaries Networth Commodities & Investments Limited, Networth Wealth Solutions Limited, Ravisha Financial Services Pvt. Limited, Networth SoftTech Limited and Networth Insurance Broking Pvt. Limited is prepared under the historical cost convention in accordance with the generally accepted accounting principles in India & the Accounting Standards 21 on Consolidation of Financial Statement, issued by the Institute of Chartered Accountants of India to the extent possible in the same formats that adopted by the Company for its separate financial statements.

**2. Principles of Consolidation**

- The financial statements of the Parent Company and its Subsidiaries have been combined on a line by line basis by adding together the books values if like items of assets, liabilities, income & expenses after fully eliminating inter company balance.
- The consolidated financial statements are prepared by adopting uniform accounting policies for like company ended on transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Parents company's separate financial statements except otherwise stated elsewhere in this schedule.
- The excess of cost to the Parent company of its investments in the subsidiaries over the Parent's portion of equity of the subsidiary at the dates subsidiaries is recognised in the financial statements as goodwill.
- Minority Interests in the Consolidated financial statements is identified & recognised after taking into consideration:
  - The amount of equity attributable to minorities at the date on which investments in a subsidiary is made.
  - The minorities share of movement in equity since the date parent – subsidiary company came into existence..
  - The losses attributable to the minorities are adjusted against the Minority interest in the equity of the subsidiary.
  - The excess of profit over the minority interest in the equity, is adjusted against Profit and Loss of the Parent Company.

**3. The subsidiary considered in the consolidated financial statements is:**

Name of the subsidiary Company	Financial year of the subsidiary company ended on	Extent of Holding Company's Interest	Country of Incorporation
Networth Commodities & Investments Ltd.	31 <sup>st</sup> March, 2011	99.96%	India
Networth SoftTech Ltd.	31 <sup>st</sup> March, 2011	100.00%	India
Networth Wealth Solutions Ltd.	31 <sup>st</sup> March, 2011	100.00%	India
Ravisha Financial Services Pvt. Ltd.	31 <sup>st</sup> March, 2011	100.00%	India
Networth Insurance Broking Pvt. Ltd.	31 <sup>st</sup> March, 2011	100.00%	India

**4. Investment in Associates :**

Investment in entities in which the holding company has significant influence but not a controlling interest are reported according to the equity method i.e. the investment is initially recoded at cost, identifying any goodwill / capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The consolidated profit and loss account includes the investor's share of the results of the operations of the investee.

**5. Use of Estimates**

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets & Liabilities on the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**6. Revenue Recognition**

Income from Operations primarily Brokerage Income is recognised on the trade date.

Commission for distribution of financial products is recognised when the financial products are issued to the buyers by Principle

Trail commission for distribution of financial products is recognised on receipt basis.

In respect of Interest Income, is recognised on a time proportion basis.

## 7. Fixed Assets

Fixed Assets are stated at cost of acquisition as reduced by accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

## 8. Depreciation

Depreciation on Fixed Assets has been provided on pro-rata basis on straight line method at the rates prescribed by Schedule XIV to the Companies Act, 1956 from the month following the month of purchase/ acquisition of Assets.

Considering the factors like utility of software, its nature, technological developments etc, the management is of the opinion that the cost of acquisition of software and related expenses requires to be written off in the year of acquisition, then it is charged to revenue in the year of acquisition.

## 9. Investments

Investments intended to be held for more than a year are classified as long term Investments. Long term Investments are valued at cost less permanent diminution in value, if any, in the opinion of the management. The current investments are valued at lower of cost or market value.

## 10. Inventory

Stock in error, comprising of securities held as a result of error in execution of orders, is valued at cost or market value, whichever is lower.

## 11. Employee Benefits

Employer's Contribution to the Provident Fund & Pension fund are charged to the Profit & Loss Account of the period to which they relate.

The annual contribution to the Group Gratuity Assurance Scheme determined on the basis of actuarial valuation is charged to profit & Loss Account.

Short Term Employee Benefit payable within one year are provided on accrual basis at actual value.

## 12. Foreign Currency Transaction:

### ● Initial Recognition:

Foreign currency transactions are recorded in the reporting currency i.e. rupee value, by applying to the foreign currency amount, the exchange rate between the reporting currency & the foreign currency at the date of transaction.

### ● Conversion:

Foreign currency monetary items are reported using the closing rate. Non monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction.

### ● Exchange Differences :

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statement, are recognised as income or as expenses in the year in which they arise.

## 13. Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income of the year.

Deferred tax for the year is recognized, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognized and carried forward only if there is reasonable/virtual certainty of its realisation.

Deferred Tax assets on MAT Credit is provided if there is reasonable certainty that sufficient future taxable income will arise during which credit can be availed & reviewed on year to year basis.

## 14. Lease Rental

Operating lease rentals are charged to profit and loss account on accrual basis.

## 15. Segment Reporting Policies

The Company's operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different services and or serves different markets.



## 16. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period and adjusted for the effects of all dilutive potential equity shares.

## 17. Provisions

A provision is recognised when the company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. In respect of reward scheme of the company, the provision for liability is made as and when rewards are redeemed.

## B. NOTES TO ACCOUNTS

### 1) Segment Reporting :-

The company has identified three reportable segments viz. Broking, Wealth Management and Non banking financial business. Segments have been identified and reported taking into account nature of products and services, the differing risks and returns and the internal business reporting systems. The accounting policies adopted for segment reporting are in line with the accounting policy of the company with following additional policies for segment reporting.

- Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "Others".
- Segment assets and segment liabilities represent assets and liabilities in respective segments. Investments, tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as "Others".

Sr. No	Particulars	31 <sup>st</sup> March, 2011 (₹ in lacs)	31 <sup>st</sup> March, 2010 (₹ in lacs)
<b>1</b>	<b>Segment Revenue (net sale / income from each segment)</b>		
A	Broking	3,425.95	4,696.67
b	Wealth management	177.20	206.31
c	Non banking financial business	587.71	167.45
d	Others	121.61	120.00
	<b>Total</b>	<b>4,312.47</b>	<b>5,190.43</b>
	Less: Inter segment revenue	120.75	120.75
	<b>Net sales / income from operations</b>	<b>4,191.72</b>	<b>5,069.68</b>
<b>2</b>	<b>Segment Results Profit/ (Loss) before tax and interest</b>		
a	Broking	(401.26)	(898.93)
b	Wealth management	(401.02)	(495.99)
c	Non banking financial business	(59.76)	120.16
d	Others	(3.47)	16.54
	<b>Total</b>	<b>(865.52)</b>	<b>(1,258.22)</b>
	Less : i. Interest Expenses	(176.24)	(263.70)
	Add : i. Un-allocable income	-	-
	ii. Interest Income	210.60	391.05
	<b>Total Profit Before Tax</b>	<b>(831.16)</b>	<b>(1,130.87)</b>
<b>3</b>	<b>Capital Employed (Segment Assets - Segment Liabilities)</b>		
a	Broking	2,185.59	4,554.80
b	Wealth management	(658.00)	244.26
c	Non banking financial business	630.67	216.89
d	Others	13.29	16.45
	<b>Total</b>	<b>2,171.54</b>	<b>5,032.40</b>

2) Related Party Disclosures:-

a) List of Related Parties & Relationship:-

NAME OF THE RELATED PARTY	NATURE OF RELATIONSHIP
Networth Commodities & Investments Ltd.	Subsidiary Company
Networth SoftTech Ltd.	100% Subsidiary Company
Networth Wealth Solutions Ltd.	100% Subsidiary Company
Ravisha Financial Services Private Ltd.	100% Subsidiary Company
Networth Insurance Broking Private Ltd.	100% Subsidiary Company
Networth Financial Services Ltd.	Associate Company
<b>Key Management Personnel</b>	
Girish Dev	Chief Executive Officer/Director
Manish Ajmera	Chief Financial Officer
<b>Others</b>	
S. P. Jain	Chairman & Dominant Promoter Group
Kanta Jain	Dominant Promoter Group
S.P. Jain – HUF	Enterprises over which Director/ Key Managerial Personnel/DPG are able to exercise significant influence
Sun Capital Advisory Services Private Limited	

b) Transaction with the Related Parties . (Amount in ₹)

Transactions	Associate Company	Key Management Personnel	Others
Revenue Received	551	-	5,40,028
	-	-	7,36,033
Rendering of Services	-	25,81,606	-
	-	32,86,629	-
Other Transaction	-	-	-
	-	-	15,38,411
Sale of Assets	-	-	-
	-	-	-
Loan Given	-	-	-
	-	-	-
Outstanding Balance included in current liabilities	1,70,46,889	-	33,73,549
	1,70,48,707	-	-
Outstanding Balance included in current assets	-	-	5,10,232
	-	-	2,63,683

3) Earnings per Share

Sr. No.	Particulars	Year ended on 31 <sup>st</sup> March 2011	Year ended on 31 <sup>st</sup> March 2010
a)	Net profit or loss for the period attributable to equity shareholders		
	Basic (₹)	(7,32,24,551)	(11,82,35,361)
	Diluted (₹)	(7,32,24,551)	(11,82,35,361)
b)	Weighted Number of Shares outstanding during the period for calculating Basic Earnings per Share	11,231,600	11,231,600
c)	Earnings per share (Equity shares having face value ₹ 10/-)		
	Basic (₹)	(6.52)	(10.53)
	Diluted (₹)	(6.52)	(10.53)

4) Deferred Tax Asset / Liabilities:

During the current year, the deferred tax liability has been provided in accordance with Accounting Standard 22 on Accounting for Taxes on Income issued by The Institute of Chartered Accountants of India. Deferred Tax Liability is on account of Depreciation. The working of Deferred Tax Liability is as under.



**Timing Difference:**

Particulars	For the year ended 31.3.2011	For the year ended 31.3.2010
<b>Deferred Tax Asset:</b>		
Depreciation	38,59,045	10,85,951
Business Loss	17,21,315	-
Provision for Doubtful Debts	40,39,673	12,62,989
<b>TOTAL "A"</b>	<b>96,20,032</b>	<b>23,48,940</b>
<b>Deferred Tax Liability:</b>		
Provision for Gratuity	14,951	2,40,467
MAT Credit	-	4,49,760
<b>Total "B"</b>	<b>14,951</b>	<b>6,90,227</b>
<b>Deferred Tax Assets (Net) "(A-B)"</b>	<b>96,05,080</b>	<b>16,58,713</b>

5) In the opinion of the Directors of the Company the Current Assets and loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which items are stated in the Balance Sheet.

6) Creditors are subject to confirmation from parties and necessary adjustment if any to be made on receipt of such confirmation.

**7) Contingent Liability**

The management of the Company does not anticipate any contingent liability having material effect on the position stated in the Balance Sheet at the year end except as stated below:

a. Income tax assessment of the company has been completed upto assessment year 2008-09. The disputed demand outstanding upto the said assessment year is ₹ 1101 Lacs (previous year ₹ 902 Lacs). Based on the decisions of the Appellate authorities and the interpretation of the other relevant provisions, the company expects that the demand is likely to be either deleted or substantially reduced and accordingly no provision has been made.

b. There is a claim of ₹ 125 lacs against the company for which the company has taken suitable legal recourse. Hence the same has not been recognized as a debt and no provision has been made thereof.

**8) Scheme of amalgamation:**

The Board of Directors of the Company at its meeting held on 9<sup>th</sup> April, 2011 approved the scheme of Amalgamation of Monarch Research and Brokerage Private Limited and Monarch Project and Finmarkets Limited with the Company as per provisions of Section 391 to 394 of the Companies Act, 1956, subject to approval of various statutory authorities. The appointed date for the scheme of Amalgamation is 1<sup>st</sup> April, 2010. Since the scheme is yet to be approved by the Hon'ble High Courts of Gujarat and Bombay, the effect of the amalgamation has not been given in the present accounts and will be given in the financial account of the period in which sanction will be received.

9) The company has taken suitable legal action for recovering debts of ₹ 239 lacs for fraudulent transaction done by client in the year 2008-09. SEBI has passed the interim order withholding the payout which is kept with Bombay Stock Exchange till completion of investigation. The management expects favorable order for the same, hence no provisions have been made thereof.

10) The company has taken suitable legal action for recovering deposits of ₹ 340 lacs for premises at Mumbai & Bangalore. The management expects favorable order for the same, hence no provisions have been made thereof.

**11) Events Occurring After the Balance Sheet Date:**

To the best of knowledge of the management, there are no events occurring after the Balance Sheet date that provide additional information materially affecting the determination of the amounts relating to the conditions existing at the Balance Sheet Date that requires adjustment to the Assets or Liabilities of the Company.

**12) Previous year's figure have been recast and rearranged wherever found necessary.**

As per our report of even date  
For **A.R.Sodha & Co.**  
Chartered Accountants  
(Firm Registration No. 110324W)

For and on behalf of the Board

**S P Jain**  
Chairman

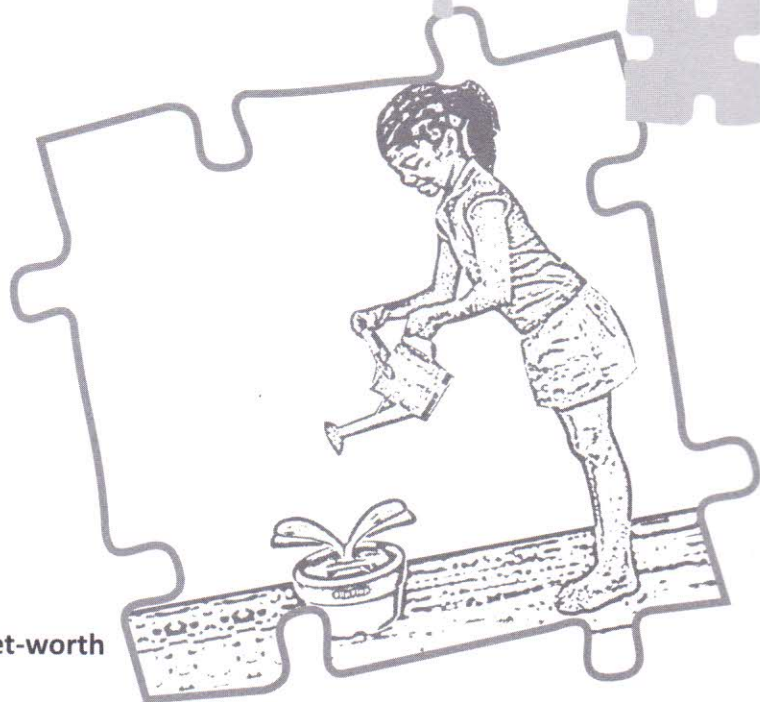
**Manish Ajmera**  
Executive Director & CFO

**A.R.Sodha**  
Partner  
M.No. 31878

Place : Mumbai  
Date : 14<sup>th</sup> September, 2011



Every plant needs nurturing...  
...so does your net-worth



Every profession needs research...  
...so does your net-worth

**Networth Stock Broking Ltd.**

Office no. 1001/1002, 10<sup>th</sup> Floor, Atlanta Centre, Opp. Udyog Bhawan, Sonawala Road, Goregaon (East), Mumbai-400 063, India.