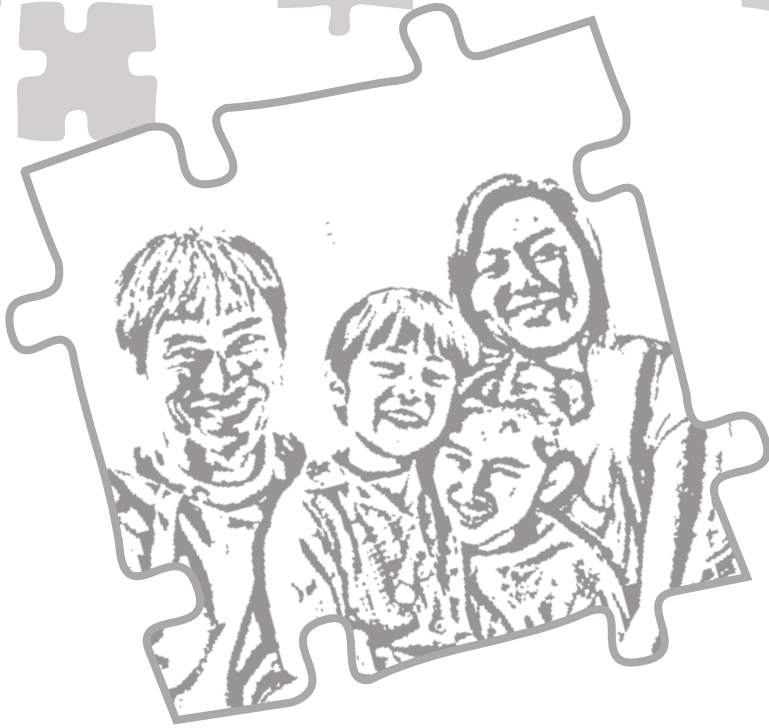




17<sup>TH</sup> ANNUAL REPORT 2009-2010  
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...so does your net-worth

## NOTICE

Notice is hereby given that the Seventeenth Annual General Meeting of the members of **NETWORTH STOCK BROKING LIMITED** will be held on Saturday, the 7th August, 2010 at 11.30 a.m. at Kilachand Conference Room, 2nd Floor, Indian Merchant Chamber, LNM IMC Buliding, Churchgate, Mumbai 400 020 to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and the Profit and Loss Account of the Company for the year ended on that date together with Report of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ajay Kayan, who retires by rotation, and being eligible, offers himself for re - appointment.
3. To appoint a Director in place of Mr. Suhas Bade, who retires by rotation, and being eligible, offers himself for re - appointment
4. To appoint M/s. A. R. Sodha & Co., Chartered Accountants, Mumbai as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration.

By order of the Board  
**For Network Stock Broking Limited**

Place : Mumbai  
Date : May 28, 2010

**R. Sankaran**  
Chairman

### Registered Office :

2nd Floor, D. C. Silk Mills Compound,  
Kondivita Road, Andheri (East),  
Mumbai - 400059.

### Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND ON A POLL TO VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM IS ENCLOSED HEREWITH. PROXIES TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from July 30, 2010 to 7th August, 2010 (both days inclusive).
3. Members having multiple folios in identical names or in joint names in the same order are requested to send the share certificate(s) to the Company's Registrar & Share Transfer Agents M/s. Purva Sharegistry India Private Limited, for consolidation of all such shareholding into one folio to facilitate better services.
4. Corporate Members are requested to send a duly certified copy of the Board resolution pursuant to Section 187 of the Companies Act, 1956 authorising their representative to attend and vote at the Annual General Meeting.
5. Members / Proxies should bring the enclosed attendance slip duly filled in for attending the meeting along with the Annual Report. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
6. Members desirous of getting any information about the accounts of the Company are requested to send their queries so as to reach at-least ten days before the meeting at the Registered Office of the Company, so that the information required can be made readily available at the meeting and the same can be suitably replied.
7. The Statutory registers maintained under Sections 301 and 307 of the Companies Act, 1956 will be available at the venue for inspection by members.
8. Details of directors seeking reappointment at the forthcoming Annual General Meeting to be held on 7th day of August, 2010 (in pursuance of clause 49 of the Listing Agreement):

Name of the Director	Mr. Ajay Kayan	Mr. Suhas Bade
Date of Birth	26/04/1957	9/10/1955
Nationality	Indian	Indian
Date of Appointment on Board	24/06/2008	13/05/2004
Qualifications	B.Com	B.Com, CS, LLB, DPM, DFM
Shareholding in the Company Equity shares of Rs. 10/- each	Nil	7500 (as on 31.03.2010)
Other Directorships	<p>Andaman Plantations &amp; Development Corporation Pvt. Ltd.</p> <p>Chengmari Tea Company Ltd.</p> <p>Pee Lee Investments Pvt. Ltd.</p> <p>SMIFS Capital Markets Ltd.</p> <p>Stewart &amp; Mackertich Advisors and Brokers Ltd.</p> <p>Stewart &amp; Mackertich Financial Distributions Ltd.</p> <p>Stewart &amp; Mackertich Commodities Ltd.</p> <p>BullsEye FinAdvisors Ltd.</p> <p>BullsEye Insurance Brokerage Ltd.</p> <p>BullsEye Insurance Advisors Ltd.</p> <p>Globsyn Technologies Ltd.</p> <p>Salveo Life Sciences Ltd.</p> <p>Mackertich Consultancy Services Pvt. Ltd.</p>	<p>Sun Capital Advisory Services Pvt. Ltd</p> <p>Suncap Commodities Ltd.</p>



Registered Office: Network Stock Broking Ltd., 2nd Floor, D. C. Silk Mills Compound, Kondivita Road, Andheri (East), Mumbai - 400059.

**ATTENDANCE SLIP**

**17th Annual General Meeting - 7th August, 2010**

Regd. Folio No. \_\_\_\_\_ DP ID \_\_\_\_\_ Client ID \_\_\_\_\_ No. of Shares held: \_\_\_\_\_

Name & Address of Shareholder \_\_\_\_\_

I/We certify that I/We am/are a registered Shareholder / proxy for the Registered Shareholder of the Company.

I/We hereby record my/our presence at the 17th Annual General Meeting of the Company to be held on Saturday, 7th August, 2010 at 11.30 a.m. at Kilachand Conference Room, 2nd Floor, Indian Merchant Chambers, LNM IMC Building, Churchgate, Mumbai 400 020.

If signed by Proxy, his name should be here in block letters.

Member's / Proxy Signature

Note: Shareholders/ Proxy holders are requested to bring this attendance slip to the meeting and hand over the same at the entrance duly signed.



Registered Office: Network Stock Broking Ltd., 2nd Floor, D. C. Silk Mills Compound, Kondivita Road, Andheri (East), Mumbai - 400059.

**PROXY FORM**

**17th Annual General Meeting - 7th August, 2010**

I/We \_\_\_\_\_ of \_\_\_\_\_

In the district of \_\_\_\_\_ being a member/members of **NETWORTH STOCK BROKING LIMITED** hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the 17th Annual General Meeting to be held on Saturday, 7th August, 2010 at 11.30 a.m. and at any adjournment thereof.

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Revenue  
Stamp  
1 Re.

Signed by the Member \_\_\_\_\_

Regd. Folio No. \_\_\_\_\_ DP ID \_\_\_\_\_ Client ID \_\_\_\_\_ No. of Shares held: \_\_\_\_\_

Note: The Proxy form must be returned so as to reach the Registered Office of the Company at 2nd Floor, D. C. Silk Mills Compound, Kondivita Road, Andheri (East), Mumbai - 400059 not less than Forty Eight hours before the time for holding the aforesaid meeting.

# Contents

Directors' Report	02
Management Discussion & Analysis	05
Report on Corporate Governance	07
Auditors' Certificate on Corporate Governance	14
Auditors' Report	15
Balance Sheet	18
Profit & Loss Account	19
Cash flow Statement	20
Schedules to Accounts	21
Notes to Accounts	26
Balance Sheet Abstract & Company's General Business Profile	32
Statement to Section 212	33
Auditors Report on the Consolidated Financial Statements	35
Consolidated Financial Statements	36

## Board of Directors

R. Sankaran	: Chairman
Girish Dev	: Executive Director & CEO
S. P. Jain	: Director
Suhas Bade	: Director
Ajay Kayan	: Director
Utsav Parekh	: Director

## Company Secretary

Trupti Lalpuria

## Registered Office

2nd Floor, D. C. Silk Mills Compound, Kondivita Road, Andheri (East), Mumbai - 400059.

## Bankers

ICICI Bank Ltd.  
Federal Bank Ltd.  
Karur Vysya Bank Ltd.  
DCB Ltd.

## Auditors

A.R. Sodha & Co.  
Chartered Accountants  
101, Ashiana 11th Road, T.P.S. III,  
Opp. B. M. C. Hospital,  
Santacruz (East), Mumbai - 400 055.

## Registrar & Share Transfer Agent

Purva Sharegistry (India) Pvt. Ltd.  
9, Shivshakti Industrial Estate, Ground Floor,  
Sitaram Mills Compound, J. R. Boricha Marg,  
Lower Parel, Mumbai - 400 011.  
Tel. No.: 2301 6761

## Annual General Meeting

Date : August 7, 2010  
Time : 11.30 A.M.  
Venue : Kilachand Conference Room, 2nd Floor,  
Indian Merchants' Chamber, LNM IMC Building,  
Churchgate, Mumbai - 400 020.

## DIRECTORS' REPORT

Dear Members,

The Directors present herewith their Report and Statement of Accounts for the financial year ended March 31, 2010.

### 1. Financial Highlights

	Year Ended 31.03.2010	(Rs. in Lacs) Year Ended 31.03.2009
Total Earnings	4731.95	3859.27
Earnings before depreciation, tax, amortization	(654.04)	(1114.56)
Less: Depreciation	214.49	215.40
Profit/(Loss) before Tax	(868.53)	(1329.96)
Tax: Current		
Deferred	(30.33)	(26.67)
Wealth Tax	-	0.55
Fringe Benefit(Net of recovery on ESOP)	-	12.31
Profit/(Loss) after Tax (PAT)	(838.20)	(1316.15)
Extra Ordinary Item	-	-
Prior Period Adjustments	(3.47)	(2.23)
Profit/(Loss) after prior period adjustments	(841.67)	(1318.37)
Profit/(Loss) b/f from previous year	(937.82)	380.56
Profit/(Loss) Available for Appropriation	(1779.49)	(937.82)
Amount transferred from General Reserve	78.58	-
Balance carried to Balance Sheet	(1700.91)	(937.82)

### 2. Financial Performance

During the current year, the gross income of the Company was Rs. 4731.95 Lacs as compared to Rs. 3859.27 Lacs in the previous financial year. The Company incurred loss of Rs. 838.20 Lacs as against Rs. 1316.15 Lacs in the previous year.

### 3. Dividend

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

### 4. 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.

### 5. Directors

Mr. Prem Rajani has resigned from the directorship of the Company w.e.f. 7th September, 2009. The Board places on record its appreciation for the valuable contribution made by Mr. Rajani to the development and growth of the Company during his tenure.

In accordance with provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Ajay Kayan and Mr. Suhas Bade Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment. The Board of Directors are of the opinion that their continued association with the Company will be beneficial to the Company and recommends their re-appointment.

### 6. Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act 1956, the Directors state that they have:

- followed the applicable accounting standards consistently and that there are no material departures;
- selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2010 and of the loss of the Company for the year ended on that date;
- taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, to safeguard the assets of the Company and prevent and detect fraud and other irregularities;
- prepared the annual accounts on a going concern basis.

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

The particulars of employees as required under Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 are given.

### (A) Personnel who are in receipt of remuneration aggregating not less than Rs. 24,00,000/- per annum and employed throughout the year :

Sr. No.	Name	Age (Years)	Designation	Qualification	Date of Joining	Experience (Years)	Gross Remuneration (Rs. In Lacs)	Previous Employment
1.	Mr. J. Gopalakrishnan	47	President & National Head Sales	BSc, ACA	5 August, 04	21	24.00	Karvy Stock Broking Ltd.
2.	Mr. Satish Pasari	44	Sr. VP & Head - Institutional Business	BE, MMS	10 July, 04	16	24.00	Indiabulls Securities Ltd.
3.	Mr. Richeek Ganguly	47	Sr. VP & Regional Head East & North	B.Com, CA, AICWA	26 August, 05	20	24.00	Karvy Stock Broking Ltd.
4.	Mr. Bishnupada Sahu	37	Vice President & Head Marketing	BE, MBA	11 April, 08	12	26.25	ING (OptiMix)

### (B) Personnel who are in receipt of remuneration aggregating not less than Rs. 2,00,000/- per month and employed for the part of the year :

Sr. No.	Name	Age (Years)	Designation/ Nature of Duties	Qualification	Date of Joining	Experience (Years)	Gross Remuneration (Rs. In Lacs)	Previous Employment
1.	Mr. Deepak Sawhney	37	Head Research	B.Com, Risk Management and Technical Analysis, Boston, USA	7 May, 08	12	12.00	Money Plant Advisory Services Pvt. Ltd.
2.	Mr. Prakash Diwan	41	Head Institutional Sales & Strategy	MBA	9 October, 09	17	17.50	Asian Markets Securities Ltd.

#### Notes:

- (i) The above remuneration includes salaries, commission, contribution to Provident Fund, if any and taxable value of perquisites.
- (ii) The appointment is contractual as per the policy/rules of the Company.
- (iii) Terms and conditions are as per the Appointment Letter given to the appointee from time to time.
- (iv) All the employees have adequate experience to discharge the responsibilities assigned to them.
- (v) None of the above employees holds shares as prescribed in Section 217(2A)(a)(iii) of the Act and none of them is related to any Director.

## 8. 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.
- b) The foreign exchange expenditure was Rs. 3.93 Lacs.

## 9. Subsidiary Companies and Consolidated Financial Statement

As on March 31, 2010 your Company has following five subsidiaries:

1. Network Commodities & Investments Limited (formerly known as Network Stock.Com Limited)
2. Network Wealth Solutions Limited
3. Network SoftTech Limited
4. Network Insurance Broking Private Limited
5. Ravisha Financial Services Private Limited

A statement pursuant to Section 212(1)(e) of the Companies Act, 1956 is attached to this report.



In terms of approval granted by the Ministry of Corporate Affairs, Government of India vide letter no. 47/468/2010-CL-III dated 17th May, 2010, under section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit & Loss Account, Reports of the Board of Directors and Auditors of the subsidiaries of the Company as of 31st March, 2010 have not been attached with the Balance Sheet of the Company. These documents will be made available for inspection to any Member of the Company at the registered office of the Company and that of the subsidiary companies and a copy of the same will be made available to the Members of the Company or subsidiary companies on receipt of a request from them. Further, the Company shall also put the details of accounts of individual subsidiary companies on its website. The summarized financial information of the subsidiary companies is included in this Annual Report.

As required under the Listing Agreement with the Bombay Stock Exchange Limited, a Consolidated Financial Statements of the Company and its subsidiary companies are attached. Pursuant to Accounting Standard AS 21 issued by The Institute of Chartered Accountant of India, Consolidated Financial Statements prepared by the Company include the financial information of its subsidiaries.

#### **10. Corporate governance**

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

#### **11. 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 Stock Exchange, the Company has constituted an Audit Committee comprising of three Directors of the Company. Mr. R. Sankaran is the Chairman of the Committee.

#### **12. Statutory Auditors**

The Auditors of the Company M/s. A. R. Sodha & Co., Chartered Accountants (Registration No. 110324W) hold the office till the conclusion of ensuing 17th Annual General meeting. The Company has received a letter from them to the effect that they are willing to continue as Auditors if re-appointed and that their re-appointment, if made will be in accordance with the provisions of section 224(1B) of the Companies Act, 1956. The Audit Committee and Board of Directors recommend the appointment of M/s A. R. Sodha & Co. Chartered Accountants, as the Auditors of the Company.

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

The observation made by the Auditors' in their report is self explanatory and do not call for any further explanation from the Directors.

#### **14. 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.

#### **15. Acknowledgment**

Your Directors take this opportunity to express their 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: May 28, 2010

**R. Sankaran**  
Chairman

## MANAGEMENT DISCUSSION AND ANALYSIS

### Indian Economy

The India long term growth story seems to be very much on the right track. A very high, back-breaking Food Inflation and policy tightening from the Government besides anticipation of government withdrawing the fiscal stimulus extended last year have not deterred the India growth story belief. The IMF expects the Indian economy to grow by 8% this financial year. The IMF also sees the removal of economics stimulus as a measure of easing up the ever increasing inflation.

Demand has been picking up across industries and it is felt that the economy is good enough to accelerate without the fiscal stimulus. The Government expects to close this fiscal with a double-digit factory output (Industrial Growth percentage). The relaxation in taxes and the huge fiscal stimulus has seemingly increased the fiscal deficit which appeared difficult to manage if it continued for long. However, the Indian markets seemed to have taken a very positive note of the windfall gain that the Government netted in through the auction of scarce 3G and BWA resources, expecting the overall deficit to come down by 1% thereby.

The Indian Stock Markets have not been able to gain momentum this year though with consistent flow of negative news from the global markets.

### NETWORTH Growth Strategy

The company's focus and strength has been its Retail business. It continues to be a very challenging environment in terms of low retail participation in the stock markets. The not so successful Follow-on public offers from the state owned public sector undertakings and Initial public offerings stand testimony to the lack of interest of retail. While the daily traded volumes in stock markets have come to stabilize at a certain level, we observe a not-so healthy trend of delivery volumes in Equity segment gradually coming down and significant volumes happening in the Derivatives segment. This, we assess is more to do with increase in volume of Options sub-segment in derivatives by way of Arbitrageurs, Jobbers and Institutions taking more interest in this sub-segment.

Continuing with our retail expansion in relatively low-cost model, the company has been steadily adding Business Associates to its network. Given the highly competitive brokerage rates offered by all intermediaries and the mix of traded volumes highly skewed towards intra-day and F&O trading, it has led to the company's margins being under pressure. This has not allowed the company to look at expanding its own Branches in the immediate short-term.

As at the end of the year, the company had a network of 336 centers spanning across 161 cities. The retail points of presence stood increased by 34% compared with the corresponding period of previous year.

The company has achieved a 30% growth in its retail client base over the past year and 25% growth in its depository clients, besides showing a growth of 16% in the assets in custody in its depository.

- **Money Management Centers (MMC):** The Company continues to push for diversified revenue streams from each of its Branches though the key driver will remain stock broking. The removal of entry loads in Mutual Funds has adversely affected the distributor's commission earnings. Similarly, some uncertainty over the regulatory aspects of ULIPS (Insurance) and the proposed changes in the commission structure to Insurance agents is expected to significantly bring down our earnings from these products from current levels. While we strongly believe that all these changes are in favour of the investors and in the long term will contribute to a healthy financial products and services market (with mis-selling stringently curbed), it is also forcing us to re-look and change our model from pure transaction driven income to a mix of rather steady fees (annuity) income along with the transaction income. This transition will not be easy, especially with retail participation in markets not increasing. The MMCs however remain focused to enroll new clients, service existing with more product options viz. GOLD ETFs, NCDs etc.
- **Institutional Client Business:** During the year, the company had 3 new empanelments and could get 7 domestic institutions to reinstate business with us. The company has nearly 37 empanelments in total. As has been witnessed globally, India too is only going to see more and more Institutional domination in the markets. With assets under management of domestic funds and insurance companies only expected to increase year on year, the share of institutions in the stock market volume is set to rise further. The company remains committed to grow this segment of the company's business since it clearly offers the scope to maintain a steady brokerage income in times of low retail participation, besides gradually building the platform for our institutional relationships for our merchant banking business viz. QIP offerings, private placements etc.
- **Punjab National Bank E-trading Alliance:** The Alliance has grown in strength and the company has been able to achieve a significant number of enrollment of PNB customers for the e-broking services. The company intends to use the ever growing network and deposit holder base of PNB as a platform to expand its own reach pan-India. The scope and potential of retail financial services in India is unparalleled in the world. The company strongly believes that given the minimal penetration of financial services in India, there cannot be a better way to reach out to the mass, other than an alliance of this nature with the second largest bank in India.

- **E-broking business:** The Company has since its foray into retail in 2004-05, aimed at becoming a dominant player in the internet transaction space in the years to come. Over the past 5 years, the company has built its Brand and credibility through its retail points of presence, technologically advanced and a highly transparent transaction platform. With the broadband / wireless technologies seemingly poised for a big revolution in India, coupled with the inter-play of various technologies viz. Mobile & Internet that may happen, banks using technology at the forefront in its financial inclusion endeavours, and the dwindling margins in offline (brick & mortar) business across products, it is appropriate timing that the company looks aggressively at the online channel to expand its businesses. The company had in this direction constituted a separate business unit in August 2009 to focus exclusively to enroll clients more aggressively onto its online platform (existing small base of clients) and capitalize on its strong transaction platform encompassing a suite of financial products which is not restricted to broking alone. As at end of the year, nearly 15% of the company's total registered clients were enrolled as e-broking clients.
- **Financing Business:** Anticipating the tremendous opportunities in the SME segment (many of the listed midcap stocks) wherein the promoters constantly scout for their working capital and growth capital needs, the company through its subsidiary, Ravisha Financial Services Private Ltd., finds that very selective promoter-funding could bolster the company's earnings. Further, such corporate relationships are expected to supplement the company's intent to gradually grow its merchant banking business. ESOP and IPO funding remain on the radar of the company and may see some activity as soon as retail sentiments show sign of recovery. While the company has secured sufficient credit limits to grow this business, it would still require a larger capital base of its own, towards which direction the company is exploring avenues.

#### Human Resources

The fast changing regulatory environment and the challenge of making customers aware of their financial need & priorities necessitates the company to have a committed and professional work-force with high degree of motivation and uncompromising integrity. The increasing competition which has led to multiple options at lower cost to the investor and the ever increasing expectations from investors, make it a very demanding job for our work-force. To ensure that all our employees are equipped to adapt to the changes induced by all the above and to keep the client interests supreme, the company periodically engages through its hierarchy with all employees about new product offerings, market opportunities, importance of client account management and on sustaining client relationships. The company's Network Direct platform (my network) is the mainstay in all these efforts in terms of online communications and regular updates making it highly effective. All employees are encouraged and incentivised to get themselves certified in relevant industry standard certifications such as CFP, NCFM, NSEC & AMFI. Majority of the employees have obtained such certificates as a basic and pre-requisite to client handling.

The total number of employees of the Company and its subsidiaries as on March 31, 2010 stood at 1570.

#### Risk Management and Internal Control Systems

The Company has continued to strengthen its risk management framework and has effectively used automation of few more practices at its end to make it quite seamless with regard to risk and surveillance. It continues with its not-so aggressive approach towards extra exposure in derivatives segment and exception handling in the accounts of its regular clients is done through the automated system, thereby ensuring a clear audit trail. An extensive internal audit is carried out by independent firms of Chartered Accountants across the Group. 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

The company does not anticipate any significant increase in the retail participation in the stock markets in the next 2-3 quarters of this fiscal. Concerns over the European countries economic crisis, an ambiguous picture emanating from China about its actual growth, inflationary pressures domestically, a slightly lower monsoon and government's inability to meet its disinvestment targets may result in negative sentiments. However, on the positive note, the much anticipated deregulation of petrol prices set to become a reality (reflecting the government's intent on reforms), the infrastructure sector and telecom sector getting into a capex cycle again, and the expected growth in per capita income of households in India will give a fill-up to the markets. We also believe that couple of the PSU divestments to the Indian public at a considerably huge discount to market price can act as a trigger to reviving investor sentiments on the stock market front. It can act as a catalyst for more money flowing into the mutual funds too.

#### 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 emphasises 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

#### Composition

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. Presently, the Company has six Directors on its Board, out of which five are Non Executive Directors. Moreover two of the Non Executive Directors are Independent Directors. The Chairman of the Board is Non Executive Independent 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 the Directors stating that they do not hold membership in more than 10 Committees or act as Chairman in more than 5 Committees in terms of Clause 49 of the Listing Agreement.

#### Board Meetings

During the financial year 2009-10, eight meetings of Board of Directors were held on 9th April, 2009, 28th April, 2009, 23rd June, 2009, 29th July, 2009, 30th October, 2009, 3rd December, 2009, 15th January, 2010 and 30th January, 2010

The details of the Composition of the Board of Directors, their attendance at the Board meeting and previous Annual General Meeting, their directorships and position 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 and committee memberships and chairmanships		
					Directorships	Committee	
						Chairmanships	Memberships
Mr. R. Sankaran <sup>1</sup>	C/I	6	6	Yes	3	2	-
Mr. Girish Dev	ED	8	7	Yes	4	-	-
Mr. S. P. Jain	P and NED	8	8	Yes	7	-	-
Mr. Suhas Bade	ID	8	6	Yes	1	-	2
Mr. Ajay Kayan	NED	8	5	No	10	-	1
Mr. Utsav Parekh	NED	8	3	No	6	-	5
Mr. Prem Rajani <sup>2</sup>	ID	4	0	NA	NA	NA	NA
Mr. Sathyan Rajan <sup>3</sup>	NED	2	0	NA	NA	NA	NA
Mr. S. Neelakantan <sup>4</sup>	ID	2	0	NA	NA	NA	NA

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

<sup>1</sup>Appointed as Additional Director w.e.f. 11th June, 2009 and as the Chairman of the Company w.e.f. 23rd June, 2009

<sup>2</sup>Resigned as director w.e.f. 7th September, 2009

<sup>3</sup>Resigned as director w.e.f. 11th June, 2009

<sup>4</sup>Resigned as director w.e.f. 11th June, 2009

Mr. Sathyan Rajan and Mr. S. Neelakantan resigned from the directorship of the Company w.e.f. 11th June whereas Mr. Prem Rajani resigned w.e.f. 7th September, 2009, hence the details of Chairmanship, Membership and Directorship of other Companies are not mentioned.

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 including Network Stock Broking Limited are considered.

#### Board Procedure

The Company Secretary in consultation with Executive Director and Chairman drafts the Agenda for each Board meeting along with explanatory notes and send well in advance to the Directors. We have well defined process in place 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 four months.

### 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.

### AUDIT COMMITTEE

The purpose of the Audit Committee is to ensure 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 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.

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 five times on 28th May, 2009, 23rd June, 2009, 29th July, 2009, 30th October, 2009 and 30th January, 2010 during the financial year ended 31st March, 2010.

The composition and attendance of the members of the Audit Committee during the financial year 2009-2010 was as follows:

Name	Designation	Number of Meetings	
		Held	Attended
Mr. R Sankaran <sup>1</sup>	Chairman	4	4
Mr. Suhas Bade	Member	5	5
Mr. Utsav Parekh <sup>2</sup>	Member	5	2
Mr. Prem Rajani <sup>3</sup>	Member	3	1
Mr. Girish Dev <sup>4</sup>	Member	1	-
Mr. S. Neelakantan <sup>5</sup>	Member	1	-

<sup>1</sup>Appointed as Member and Chairman of the Committee w.e.f 23rd June, 2009

<sup>2</sup>Appointed as Member of the Committee w.e.f 23rd June, 2009

<sup>3</sup>Ceased to be Member of the Committee w.e.f. 7th September, 2009

<sup>4</sup>Resigned as Member of the Committee w.e.f 23rd June, 2009

<sup>5</sup>Ceased to be Chairman and Member of the Committee w.e.f 11th June, 2009

### INVESTORS GRIEVANCE COMMITTEE

Brief description of 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 four times on 23rd June, 2009, 29th July, 2009, 30th October, 2009 and 30th January, 2010 during the financial year ended 31st March, 2010.

The composition and attendance of the members of the Investors Grievance Committee during the financial year 2009-2010 was as follows:

Name	Designation	Number of Meetings	
		Held	Attended
Mr. R Sankaran <sup>1</sup>	Chairman	4	4
Mr. Suhas Bade <sup>2</sup>	Member	4	4
Mr. Ajay Kayan <sup>3</sup>	Member	4	2
Mr. Girish Dev <sup>4</sup>	Member	-	
Mr. S. Neelakantan <sup>5</sup>	Member	-	-

<sup>1</sup>Appointed as Member and Chairman of the Committee w.e.f 23rd June, 2009

<sup>2</sup>Resigned as Chairman and continued as Member w.e.f. 23rd June, 2009

<sup>3</sup>Appointed as Member of the Committee w.e.f from 23rd June, 2009

<sup>4</sup>Resigned as Member of the Committee w.e.f from 23rd June, 2009

<sup>5</sup>Ceased to be Member of the Committee w.e.f from 11th June, 2009

#### Status of Investors' Complaint

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

#### Name and designation of the Compliance officer

Mrs. Trupti Lalpuria - Company Secretary

#### REMUNERATION COMMITTEE

Brief description of terms of reference:

The Remuneration Committee has been constituted to recommend and review compensation plans of the Managing Director and Wholetime 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 of the Remuneration Committee as on 31st March, 2010 is as follows:

Name	Designation
Mr. R Sankaran <sup>1</sup>	Chairman
Mr. Suhas Bade <sup>2</sup>	Member
Mr. Ajay Kayan <sup>3</sup>	Member
Mr. S. Neelakantan <sup>4</sup>	Member

<sup>1</sup>Appointed as Member and Chairman of the Committee w.e.f 23rd June, 2009

<sup>2</sup>Resigned as Chairman and continued as Member w.e.f. 23rd June, 2009

<sup>3</sup>Appointed as Member of the Committee w.e.f from 23rd June, 2009

<sup>4</sup>Ceased to be Member of the Committee w.e.f from 11th June, 2009

No meeting of remuneration committee was held during the year 2009-10

Details of remuneration/ sitting fees paid to the Directors and number of shares held by them in the Company during the financial year 2009-10

Name of the Director	Designation	Remuneration (Rs.)	Sitting fees (Rs.)	No. of Shares held
Mr. Girish Dev	Executive Director & CEO	1,990,644	-	340,000
Mr. R Sankaran	Non Executive Director/Chairman	-	60,000	-
Mr. S.P. Jain	Non Executive Director	-	40,000	3,242,262
Mr. Suhas Bade	Non Executive Director	-	40,000	7,500
Mr. Ajay Kayan	Non-Executive Director	-	30,000	-
Mr. Utsav Parekh	Non- Executive Director	-	20,000	-

Notes:

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

## SUBSIDIARY COMPANIES

As on March 31, 2010 the Company had following 5 subsidiaries

1. Networth Commodities & Investments Limited (formerly known as Networth Stock.Com Limited)
2. Networth SoftTech Limited
3. Networth Wealth Solutions Limited
4. Ravisha Financial Services Private Limited
5. Networth Insurance Broking Private Limited

None of the subsidiary companies fall 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
16th Annual General Meeting	14th September, 2009	4.00 p.m.	Kilachand Conference Room, 2nd Floor, Indian Merchants' Chamber, LNM IMC Bldg., Churchgate, Mumbai - 400 020.
15th Annual General Meeting	25th September, 2008	4.30 p.m.	"Prince" The National Sports Club of India, Lala Lajpat Rai Marg, Worli, Mumbai - 400 018.
14th Annual General Meeting	28th September, 2007	4.30 p.m.	"Prince" The National Sports Club of India, Lala Lajpat Rai Marg, Worli, Mumbai - 400 018.

Special Resolutions In the last three AGMs, following special resolutions were passed:

AGM held on	Special Resolution passed
14th September, 2009	1) Approval of members for increase in the investment limit for FII's upto 49% & by NRIs upto 24% in the equity shares of the Company 2) Approval of members for alteration in Articles of Association for increase in sitting fees payable to Non-Executive Directors
25th September, 2008	1) Approval of members for appointment of Mr. Sathyan Rajan as Joint Managing Director and Managing Director 2) Approval of members for re-appointment of Mr. Girish Dev as the Executive Director & CEO of the Company for further period of 3 years
28th September, 2007	1) Approval of members for the appointment of Mr. Girish Dev as Executive Director w.e.f. 15th February, 2007. 2) Approval of members for the re-appointment of Mr. S. P. Jain as the Chairman & Managing Director for a period of 1 year w.e.f. 1st September, 2007. 3) Approval of members for remuneration paid to Mr. Raj Bhandari, Executive Director. 4) Maintenance of registers and records at a place other than the registered office of the Company

## Postal Ballot

During the year 2009-2010 no special resolution was passed through postal ballot process.

The Company has proposed resolutions to be passed through postal ballot process for the following matters:

- i) To alter the other object clause of the Memorandum of Association
- ii) To carry the business activity under section 149(2A) of the Companies Act
- iii) To increase and re-classify the Authorised capital and to alter the Memorandum of Association
- iv) To alter the Articles of Association

The postal ballot process will be in accordance with the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of Resolution by Postal Ballot) Rules, 2001.

## DISCLOSURES

### Related Party Transactions

During the year under review, there were no transactions of material nature with the related parties that had potential conflict with the interest of the Company. Transactions, with related parties are disclosed in the notes to the accounts at Note No. B4 to the Financial Statements in the Annual Report.

### 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, SEBI and other statutory authorities on all matters relating to capital market. 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 2010-11 to the Bombay Stock Exchange Limited.

## Code of Conduct

The Company has laid down 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 & CEO of the Company, forms part of this report.

## Review of Directors' Responsibility Statement

The Board in its report has confirmed that the annual accounts for the year ended 31st March, 2010 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

## CEO / CFO Certification

In terms of the requirements of Clause 49(V) of the Listing Agreement, the CEO and CFO have submitted necessary certificate to the Board at its meeting held on 28th May, 2010 stating the particulars specified under the said clause.

## Code for Prevention of Insider Trading Practices

In compliance with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading Regulations), 1992 the Company has framed a comprehensive Code of Conduct for prevention of Insider Trading for its designated employees. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company.

## MEANS OF COMMUNICATIONS

The quarterly, half-yearly and full year results are published in Business Standard and Sakal (Marathi)

The audited financial results and the shareholding pattern as well as the press releases are displayed on the Company's website at [www.networkdirect.com](http://www.networkdirect.com). The Company also regularly provides information to the Stock Exchange as per the requirement of Listing Agreement and updates the same on the Company's website periodically.

The Management Discussion and Analysis Report forms part of the Directors' Report.

## GENERAL SHAREHOLDER INFORMATION

### Registered and Corporate Office

The registered office of the Company is situated at 2nd Floor, D. C. Silk Mills Compound, Kondivita Road, Andheri (East), Mumbai - 400 059. The corporate office of the Company is situated at 1/A/A, Mittal Court, Ground Floor, 224 Nariman Point, Mumbai - 400 021.

### Annual General Meeting

Date : August 7, 2010

Time : 11.30 a. m.

Venue: Kilachand Conference Room, 2nd Floor, Indian Merchant Chamber, LNM IMC Building, Churchgate, Mumbai - 400 020.

### Financial Year

The financial year of the Company starts from 1st April of every year and ends on 31st March of the succeeding year.

### Financial Calendar

Subject Matter	Tentative Dates of the Board Meeting
Financial results for the quarter ending June 30, 2010	By mid of August 2010
Financial results for quarter ending September 30, 2010	By mid of November 2010
Financial Reporting for quarter ending December 31, 2010	By mid of February 2011
Financial Reporting for quarter / year ending March 31, 2011	Last week of May, 2011

**Date of Book Closure:** 30th July, 2010 to 7th August, 2010 (both days inclusive)

**Listing on Stock Exchanges:** The equity shares of the Company are listed on the Bombay Stock Exchange Limited (BSE).

**Listing Fees :** The Company has paid the annual listing fees for the year 2010 - 2011.

**Stock Code & ISIN :** 511551, Demat ISIN in NSDL & CDSL - INE903D01011

The Bombay Stock Exchange Limited 511551

Bloomberg NWTF IN

Reuters NETS.BO



### Custodial Fee

The Company has paid custodial fees for the year 2010-11 to NSDL and CDSL on the basis of the number of beneficial accounts maintained by them as on March 31, 2010.

**Market Price Data :** High & Low at BSE of the Equity Shares of the Company during each month for the year 2009-2010 as compared to BSE SENSEX.

MONTH	Price on BSE(Rs.)		BSE Sensitive Index	
	High	Low	High	Low
April 2009	29.00	21.00	11492	9546
May 2009	45.95	26.00	14931	11621
June 2009	49.20	39.95	15600	14017
July 2009	47.40	34.75	15733	13220
August 2009	50.60	39.60	16002	14684
September 2009	58.35	41.05	17143	15357
October 2009	50.90	38.50	17493	15805
November 2009	46.50	37.35	17290	15331
December 2009	56.00	42.50	17531	16578
January 2010	57.15	40.20	17790	15982
February 2010	45.50	31.60	16669	15652
March 2010	43.90	34.15	17793	16438

### 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 - 400 011.  
Tel : 23016761 Fax : 2301 2517  
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 by Share Transfer Committee, 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 31st March, 2010

Categories	No. of Shareholders	No. of Shares	% of shareholding
Promoters	4	35,21,512	31.35
Indian Bank	2	2,99,145	2.66
FII's	5	22,85,864	20.35
Non- Resident Indians	6	1,11,452	0.99
Bodies Corporate	143	30,02,581	26.73
Indian Public	3676	20,11,046	17.91
<b>Total</b>	<b>3836</b>	<b>1,12,31,600</b>	<b>100.00</b>

**DISTRIBUTION SCHEDULE**

Shareholding of nominal value of (Rs.)	No. of Shareholders	% of Shareholders	Amount of Share Capital in (Rs.)	% of Shareholding
Upto 5000	3354	87.43	4,591,620	4.09
5,001-10,000	206	5.37	1,709,640	1.52
10,001-20,000	120	3.13	1,860,340	1.66
20,001-30,000	42	1.09	1,091,630	0.97
30,001-40,000	18	0.47	656,200	0.58
40,001-50,000	13	0.34	609,740	0.54
50,001-1,00,000	33	0.86	2,607,180	2.32
1,00,001 and above	50	1.30	99,189,650	88.31
<b>Total</b>	<b>3836</b>	<b>100</b>	<b>112,316,000</b>	<b>100</b>

**Shares held in Physical and Dematerialised Form**

As on March 31, 2010, 97.45% of the equity shares of the Company are held in dematerialised form and the rest in physical form.

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

As on 31st March, 2010 the Company does not have any outstanding GDRs/ADRs/Warrants/Convertible Instruments.

**Address for Correspondence**

For any queries, please write to

**Mrs. Trupti Lalpuria**

Company Secretary & Compliance Officer

Networth Stock Broking Ltd.

2nd Floor, D C Silk Mills, Opp. J. B. Nagar Market,  
Kondivita Road, Andheri (East), Mumbai - 400 059.

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.

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

To

The Members of

**NETWORTH STOCK BROKING LTD.**

I, Girish Dev, Executive Director & CEO 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 March 31, 2010.

For Networth Stock Broking Limited

Place: Mumbai

Date : May 28, 2010

**Girish Dev**

Executive Director & CEO

**AUDITORS' 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 compliance of conditions of Corporate Governance by **NETWORTH STOCK BROKING LIMITED** (the Company) for the year ended 31st March, 2010 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 : May 28, 2010

**A. R. Sodha**

Partner

M.No.31878

## AUDITORS' REPORT

To

The Members

**NETWORTH STOCK BROKING LIMITED**

Mumbai

We have audited the attached Balance Sheet of **NETWORTH STOCK BROKING LIMITED** as at 31st March 2010, 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 March 31, 2010 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 March 31, 2010
  - ii) In the case of Profit and Loss Account of the Results 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 : May 28, 2010

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

## ANNEXURE TO THE AUDITORS REPORT ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010

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 not disposed off substantial part of its fixed assets and accordingly it has no 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 three companies covered in the register maintained under section 301 of the Companies Act, 1956 in the nature of current account transaction and interest free unsecured loans. The maximum amount outstanding during the year was Rs.1146.75 Lacs and the year end balance is 30.05 Lacs.  
b. According to information and explanation given to us and considering overall transactions, its object and implication in our opinion the above transactions with subsidiaries are not prejudicial to the interest of the Company.  
c. With respect to current account transaction with subsidiaries the amount is regularly repaid in short duration and with respect to interest free unsecured loans to subsidiary which are repayable on demand has been repaid as and when demanded.  
d. With respect to current account transaction with subsidiaries the amount is regularly repaid in short duration therefore in our opinion there is no overdue amount. With respect to interest free unsecured loans to subsidiary which are repayable on demand has 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 taken loan from one Company covered in the register maintained under section 301 of the Companies Act, 1956 in the nature of current account transaction. The maximum amount outstanding during the year was Rs. 45 Lacs and the year end balance is Nil  
f. There is no stipulation regarding rate of interest and other terms and conditions in respect of above transaction with subsidiary. However, considering overall transaction, its object and implication in our opinion the transaction is not prejudicial to the interest of the Company.  
g. As this transaction is in the nature of current account transaction, the amount is regularly repaid in short duration.
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 few delays in depositing service tax & professional tax*.  
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.

- 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	Rs. 33.74 Lacs	Demand is after adjusting refund of Rs. 1.78 Lacs
Income Tax A.Y.2006-07	First Appellate Authority	Rs. 47.83 Lacs	Demand is after adjusting refund of Rs. 44.75 Lacs
Income Tax A.Y.2007-08	First Appellate Authority	Rs. 761.46 Lacs	After adjusting Payment of Rs. 50 Lacs
Income Tax A.Y. 2005-06	First Appellate Authority	Rs. 9.44 Lacs	

10. The Company has accumulated losses at the end of financial year which are less than 50% of its network. 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 explanations 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 : May 28, 2010

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

## BALANCE SHEET AS AT MARCH 31, 2010

	Schedule No.	31.03.2010 Rupees	31.03.2009 Rupees
<b>SOURCES OF FUNDS :</b>			
(1) Shareholders' Funds :			
(a) Share Capital	1	112,316,000	112,316,000
(b) Share Warrant Application Money		-	15,162,363
(c) Reserves & Surplus	2	395,807,946	388,502,459
(2) Loan Funds	3	217,654,852	204,741,551
<b>TOTAL</b>		<u><u>725,778,798</u></u>	<u><u>720,722,373</u></u>
<b>APPLICATION OF FUNDS :</b>			
(1) Fixed Assets :			
(a) Gross Block	4	194,514,589	188,841,249
(b) Less : Depreciation		67,430,453	51,599,848
(c) Net Block		<u>127,084,136</u>	<u>137,241,401</u>
(2) Investments	5	103,540,424	103,422,242
(3) Deferred Tax Asset		1,237,645	(1,795,461)
(4) Current Assets, Loans & Advances :	6		
(a) Stock in Trade / error		146,766	838,069
(b) Sundry Debtors		279,086,133	123,933,710
(c) Cash & Bank Balances		439,083,112	382,843,570
(d) Loans & Advances		<u>241,258,385</u>	<u>342,557,779</u>
	<b>A</b>	<u>959,574,396</u>	<u>850,173,128</u>
Less: Current Liabilities & Provisions :	7		
(a) Current Liabilities		593,108,260	417,272,268
(b) Provisions		<u>42,640,132</u>	<u>44,835,766</u>
	<b>B</b>	<u>635,748,392</u>	<u>462,108,034</u>
<b>Net Current Assets</b>	<b>(A-B)</b>	<b>323,826,004</b>	388,065,094
(5) Miscellaneous Expenditure	8	-	7,135
(6) Profit & Loss A/c		<u>1 70,090,588</u>	<u>93,781,963</u>
<b>TOTAL</b>		<u><u>725,778,798</u></u>	<u><u>720,722,373</u></u>
Notes forming part of accounts and Significant accounting policies	15		

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 : May 28, 2010

For and on behalf of the Board

**R. Sankaran**  
Chairman

**Girish Dev**  
Executive Director & CEO

**Trupti Lalpuria**  
Company Secretary

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedule No.	31.03.2010 Rupees	31.03.2009 Rupees
<b>INCOME</b>			
(a) Income from Operations		440,535,057	386,880,639
(b) Income from Trading & Arbitrage activities		-	(41,242,406)
(c) Other Income	9	32,660,425	40,289,049
		<u>473,195,482</u>	<u>385,927,282</u>
<b>EXPENDITURE</b>			
(a) Employment Cost	10	183,117,938	170,095,898
(b) Operating Expenses	11	127,309,422	100,673,253
(c) Administrative Expenses	12	202,634,638	197,063,066
(d) Interest & Financial Charges	13	25,537,203	29,551,119
		<u>538,599,200</u>	<u>497,383,336</u>
<b>PROFIT/(LOSS) BEFORE DEPRECIATION &amp; TAX</b>		(65,403,718)	(111,456,054)
Depreciation	4	21,449,287	21,539,763
<b>PROFIT/(LOSS) BEFORE TAX</b>		(86,853,005)	(132,995,817)
Less: Provision for Taxation			
- Current Year Tax			-
- Deferred Tax		(3,033,106)	(2,667,343)
- Wealth Tax		-	55,167
- Fringe Benefit Tax		-	1,230,803
<b>PROFIT/(LOSS) AFTER TAX</b>		(83,819,899)	(131,614,444)
Add/(Less): Prior period adjustments & Extra Ordinary items	14	(346,800)	(223,457)
Add/(Less) : Profit brought forward from Previous Year		(93,781,962)	38,055,938
<b>PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION</b>		(177,948,661)	(93,781,963)
Amount transfer from General Reserve		(7,858,073)	-
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<u>(170,090,588)</u>	<u>(93,781,963)</u>
Earnings Per Share - Basic		(7.49)	(11.74)
Earnings Per Share - Diluted		( 7.49)	(11.74)
(Face Value of Rs. 10/- per share)			
Notes forming part of accounts and Significant accounting policies	15		

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 : May 28, 2010

For and on behalf of the Board

**R. Sankaran**

Chairman

**Girish Dev**

Executive Director & CEO

**Trupti Lalpuria**

Company Secretary



## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	31.03.2010 Rupees	31.03.2009 Rupees
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before tax and extraordinary Items	(86,853,005)	(132,995,817)
Adjustments for:		
Depreciation	21,449,287	21,539,763
Preliminary/Share Issue Exp. Written off	7,135	44,225
Finance Expenses	25,537,203	6,481,984
Loss on assets sold/discarded	7,125,928	3,596,578
Provision for Doubtful Debts	5,839,345	17,489,386
Dividend Received	(45,604)	(1,600,170)
Interest Received	(32,371,778)	(37,679,469)
Operating profit before working capital changes	(59,311,490)	(123,123,520)
Adjustments for:		
Decrease (Increase) in Trade and other Receivables	(46,290,497)	(68,129,190)
Increase (Decrease) in Trade Payable and Provisions	173,640,357	(59,276,941)
Cash Generated from operations	68,038,370	(250,529,651)
Income Tax Paid For The Year	(12,709,374)	(14,134,995)
Prior Period Items	(346,800)	(223,457)
<b>Net Cash From Operating Activities</b>	54,982,197	(264,888,102)
<b>B. Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	(22,156,834)	(31,077,766)
Sale of Fixed Assets	3,738,882	5,783,388
Purchase of Shares/Mutual Funds	(118,182)	(49,990,000)
Sales of Shares/Mutual Funds	-	50,018,279
Interest Received	32,371,778	37,679,469
Dividend Received	45,604	1,600,170
<b>Net Cash from Investing Activities</b>	13,881,248	14,013,541
<b>C. Cash flow From Financing Activities</b>		
Finance Expenses	(25,537,203)	(6,481,984)
Loan Funds	12,913,301	196,237,223
<b>Net Cash used in Financing Activities</b>	(12,623,902)	189,755,239
Net Increase in Cash & Cash Equivalents	56,239,543	(61,119,322)
Opening Balance of Cash & Cash Equivalents	382,843,570	443,962,891
Closing Balance of Cash & Cash Equivalents	439,083,112	382,843,570

### 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

**R. Sankaran**

Chairman

**Girish Dev**

Executive Director & CEO

**A. R. Sodha**

Partner

M. No. 31878

**Trupti Lalpuria**

Company Secretary

Place : Mumbai

Date : May 28, 2010



## SCHEDULES TO ACCOUNTS

	31.03.2010 Rupees	31.03.2009 Rupees
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL :</b>		
<b>Authorised</b>		
15,000,000 Equity Shares (P.Y.15,000,000) of Rs. 10/- each	150,000,000	150,000,000
250,000 Cumulative Redeemable 6% Preference Shares (P.Y. 250,000) of Rs. 100/- each	<u>25,000,000</u>	<u>25,000,000</u>
<b>Issued, Subscribed &amp; Paid-up</b>		
11,231,600 Equity Shares (P.Y. 11,231,600) of Rs. 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>
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS :</b>		
(1) Security Premium As Per last Balance Sheet	380,644,386	380,644,386
A	<u>380,644,386</u>	<u>380,644,386</u>
(2) General Reserves As Per last Balance Sheet	7,858,073	7,858,073
Add : Transfer to Profit & Loss Account	<u>(7,858,073)</u>	-
B	<u>-</u>	<u>7,858,073</u>
(3) Capital reserves As Per last Balance Sheet	15,163,560	-
Add : Forfeiture of Share Warrant money	<u>15,163,560</u>	-
C	<u>15,163,560</u>	<u>-</u>
(A+B+C)	<u>395,807,946</u>	<u>388,502,459</u>
<b>SCHEDULE 3</b>		
<b>LOAN FUNDS :</b>		
<b>Secured Loans :</b>		
(1) Car Loans from Banks	1,271,478	6,405,769
(2) Overdraft against Fixed Deposits	<u>216,383,374</u>	198,335,782
	<u>217,654,852</u>	<u>204,741,551</u>

Note:

Vehicle loans are secured against hypothecation of vehicles purchased.

## SCHEDULE 4

Schedule of Fixed Assets

(Amount in Rs)

Particulars	Depn. %	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2009	Additions	Deductions	As at 31.03.2010	As at 01.04.2009	For the year	on Deductions	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
<b>Tangible Assets :</b>											
Air Conditioner	4.75	8,826,365	587,862	269,250	<b>9,144,977</b>	1,201,140	415,802	37,700	<b>1,579,242</b>	<b>7,565,735</b>	7,625,225
Computer	16.21	77,950,932	7,901,919	3,367,490	<b>82,485,361</b>	31,020,268	11,955,265	1,854,563	<b>41,120,970</b>	<b>41,364,391</b>	46,930,663
Improvement to Leased Assets		16,113,600	-	-	<b>16,113,600</b>	4,531,004	1,062,704	-	<b>5,593,708</b>	<b>10,519,892</b>	11,582,596
Furnitures & Fixtures	6.33	17,979,314	4,977,469	323,800	<b>22,632,983</b>	3,353,322	1,230,154	61,504	<b>4,521,972</b>	<b>18,111,011</b>	14,625,992
Office Equipments	4.75	22,794,695	4,221,984	181,161	<b>26,835,518</b>	3,072,345	1,155,701	25,095	<b>4,202,951</b>	<b>22,632,567</b>	19,722,350
Vehicles	9.50	18,487,043	-	12,341,794	<b>6,145,249</b>	5,064,558	608,427	3,639,823	<b>2,033,162</b>	<b>4,112,087</b>	13,422,486
<b>Intangible Assets :</b>											
Computer Software	20.00	25,089,301	67,600	-	<b>25,156,901</b>	3,357,214	5,021,234	-	<b>8,378,448</b>	<b>16,778,453</b>	21,732,087
<b>TOTAL</b>	<b>A</b>	<b>187,241,250</b>	<b>17,756,834</b>	16,483,495	<b>188,514,589</b>	<b>51,599,851</b>	<b>21,449,287</b>	<b>5,618,685</b>	<b>67,430,453</b>	<b>121,084,136</b>	<b>135,641,399</b>
Capital Work In Process	<b>B</b>	1,600,000	4,400,000	-	<b>6,000,000</b>	-	-	-	-	<b>6,000,000</b>	1,600,000
<b>Current Year</b>	<b>(A+B)</b>	<b>188,841,250</b>	<b>22,156,834</b>	16,483,495	<b>194,514,589</b>	<b>51,599,851</b>	<b>21,449,287</b>	<b>5,618,685</b>	<b>67,430,453</b>	<b>127,084,136</b>	<b>137,241,399</b>
Previous Year		170,286,029	31,077,766	12,522,547	<b>188,841,249</b>	33,202,668	21,539,763	3,142,580	<b>51,599,851</b>	<b>137,241,399</b>	137,083,362

### Notes :

1) Capital work in progress represents advance given for development of software

**31.03.2010**  
**Rupees**

**31.03.2009**  
**Rupees**

## SCHEDULE 5

### INVESTMENTS

#### A. Long Term Investments (At Cost)

##### a) QUOTED

Equity Shares :

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

**24,235**

24,235

**24,235**

**24,235**

##### b) UNQUOTED

Equity Shares :

##### In Subsidiary Company :

1,400,100 Shares (PY 1,400,100) of Networth Commodities & Investments Ltd.

**20,001,000**

20,001,000

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

**500,000**

500,000

1,000,000 Shares (PY 1,000,000) of Networth Wealth Solutions Ltd

**10,000,000**

10,000,000

5,000,000 Shares (PY 4,999,900) of Ravisha Financial Services Pvt. Ltd

**62,922,205**

62,804,023

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

**100,000**

100,000

(Refer Note No. 6 of Part B of Schedule No. 16)

##### In Associates Concern

949,400 Shares (PY 949,400) of Networth Financial Services Ltd.

**9,494,000**

9,494,000

##### Other :

11,401 Shares (P.Y.877) of Bombay Stock Exchange Ltd.

**877**

877

**103,018,082**

**102,899,900**

##### c) Other Investments :

Insurance Policies

**494,107**

494,107

**494,107**

**494,107**

##### Total Long term Investments

**A**

**103,536,424**

**103,418,242**

#### B. Current Investments - At lower of Cost or Fair Value

##### Mutual Fund :

Reliance Fixed Horizon Fund - VI - Series 2

-

-

Government Securities :

National Savings Certificates

**4,000**

4,000

##### Total Current Investments

**B**

**4,000**

**4,000**

##### Total Investments

**(A+B)**

**103,540,424**

**103,422,242**

Aggregate Market Value of Quoted Investment

**168,885**

**40,676**

	31.03.2010 Rupees	31.03.2009 Rupees
<b>SCHEDULE 6</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES :</b>		
Stock in Trade / Error	146,766	838,069
(As taken, valued & certified by Management)	<b>A</b> <u>146,766</u>	<u>838,069</u>
Sundry Debtors		
<b>(Unsecured, Considered Good Except otherwise stated)</b>		
Client balances outstanding for more than six months	81,062,967	44,885,023
Other Clients Balances	215,753,724	124,477,057
Dues from Stock Exchanges	<u>35,057,739</u>	<u>1,520,582</u>
	331,874,430	170,882,662
Less: Provision for Doubtful Debts	<u>52,788,297</u>	<u>46,948,952</u>
	<b>B</b> <u>279,086,133</u>	<u>123,933,710</u>
<b>Cash &amp; Bank Balances</b>		
Cash Balance	212,732	410,667
Balances with Scheduled Banks :		
in Current Account	13,401,470	25,657,776
in Fixed Deposit Accounts*	396,452,935	356,775,127
Cheques in hand	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> <u>439,083,112</u>	<u>382,843,570</u>
<b>LOANS &amp; ADVANCES :</b>		
<b>(Unsecured, Considered Good Except otherwise stated)</b>		
<b>a) Advances and Loans to Subsidiary</b>	3,224,810	16,958,940
<b>b) Advances recoverable in cash or in kind or for value to be received</b>		
Advance Income Tax	63,169,617	50,460,243
Advance Fringe Benefit Tax	19,999,868	19,933,926
Advance Wealth Tax	106,911	51,744
Fringe Benefit Tax Recoverable under ESOP Scheme	2,043,377	5,905,810
Advance to Staff	2,526,637	1,864,156
Advance to Suppliers	2,498,472	7,397,659
Capital Advances Recoverable	-	10,000,000
Prepaid Expenses	6,749,184	7,317,091
Other Advances	14,808	1,539
<b>c) Deposits</b>		
Deposit & Margins with Stock Exchanges	14,920,002	82,736,947
Trade Margin Security Deposit with IL & FS Ltd.	54,670,606	64,088,158
Deposits for Office Premises	66,593,135	71,021,920
Deposit for DP Empanelment	500,000	1,500,000
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 BSE under Securities Lending Scheme	1,058,298	1,003,148
Deposits for Telephone, VSAT, Electricity, etc.	<u>1,922,661</u>	<u>1,056,499</u>
	<b>D</b> <u>241,258,385</u>	<u>342,557,779</u>
<b>TOTAL</b>	<b>(A+B+C+D)</b> <u>959,574,396</u>	<u>850,173,128</u>

	31.03.2010 Rupees	31.03.2009 Rupees
<b>SCHEDULE 7</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS :</b>		
<b>A) Current Liabilities :</b>		
Sundry Creditors - Clients	360,297,216	311,132,621
Sundry Creditors - Banks & Financial Institutions	156,958,067	36,887,535
Sundry Creditors - Stock Exchanges	698,696	602,225
Security Deposit from Business Associates	21,333,573	19,735,479
Sundry Creditors - Others	46,745,761	43,534,923
Unclaimed Dividend*	144,203	144,701
Statutory Liabilities	6,930,744	5,234,785
*Kept in Separate Bank A/c.	<u>593,108,260</u>	<u>417,272,268</u>
<b>B) Provisions For :</b>		
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	(118,408)	2,077,226
	<u>42,640,132</u>	<u>44,835,766</u>
<b>SCHEDULE 8</b>		
<b>MISCELLANEOUS EXPENDITURE :</b>		
(To the extent not written off or adjusted)		
Public Issue Expenses	-	7,135
	<u>-</u>	<u>7,135</u>
<b>SCHEDULE 9</b>		
<b>OTHER INCOME :</b>		
Interest on Fixed Deposit	32,371,778	37,679,469
Dividend on Shares	45,604	102,586
Dividend on Mutual Fund	-	1,497,584
Bad Debts Recovered	243,043	972,730
Other Income	-	36,679
	<u>32,660,425</u>	<u>40,289,049</u>
<b>SCHEDULE 10</b>		
<b>EMPLOYMENT COST :</b>		
Salary & Other Allowances	171,521,793	161,219,359
(Refer Note No. 8 of Part B of Schedule No. 15)		
Contribution to Provident & other funds	8,785,658	6,182,997
Staff Welfare Expenses	2,810,487	2,630,989
Recovery of Expenses*	-	62,552
	<u>183,117,938</u>	<u>170,095,898</u>
* This represents recovery or charge against payment to employees by parent company for subsidiary and vice versa.		
<b>SCHEDULE 11</b>		
<b>OPERATING EXPENSES :</b>		
Demat Charges	4,954,563	3,463,575
Commission	84,352,508	56,830,058
Stamp Duty & Exchange Charges	9,276,139	7,184,661
Connectivity Charges	15,107,028	16,123,767
Insurance Charges - NSE, BSE & CDSL	1,993,207	2,374,473
Membership Fees & Subscription	1,662,222	3,080,515
Software Charges	9,963,755	11,616,204
	<u>127,309,422</u>	<u>100,673,253</u>

	31.03.2010 Rupees	31.03.2009 Rupees
<b>SCHEDULE 12</b>		
<b>ADMINISTRATIVE EXPENSES :</b>		
Professional Charges	42,482,698	44,962,472
Telephone Charges	9,781,563	8,756,207
Electricity Charges	14,752,970	12,886,470
Rent, Rates & Taxes	79,326,738	75,271,714
Repairs & Maintenance	12,302,367	5,859,578
Manpower supply charges	11,946,567	-
Insurance Charges	120,528	246,148
Postage & Courier Charges	13,654,071	17,026,497
Advertisement	101,650	207,377
Bad Debts Written Off	544,234	3,934,379
Conveyance & Traveling	4,608,863	5,081,413
Printing, Stationery & Xerox Charges	6,130,961	8,595,312
Business Promotion Expenses	4,218,959	1,579,900
Directors' Remuneration	1,499,378	4,854,613
Directors' Sitting Fees	190,000	-
Provident Fund Administrative Charges	548,629	402,989
Profession Tax	36,975	44,060
Provision for Doubtful Debts	5,839,345	17,489,386
Charity & Donations	10,502	6,101
Share Registrar's Charges	30,406	30,434
Miscellaneous Expenses	1,190,080	(89,603)
Staff Recruitment Expenses	1,576,208	364,941
Auditors' Remuneration	670,386	512,000
Loss on Exchange Fluctuation	1,190	3,624
Loss on Assets sold / discarded	7,125,928	3,596,578
Miscellaneous Expenditures W/off	7,135	44,225
Recovery of Expenses*	<u>(16,063,693)</u>	<u>(14,603,751)</u>
	<u>202,634,638</u>	<u>197,063,066</u>
* This represents recovery of expenses, in agreed proportion towards utilization of common facilities, from subsidiary and associate concerns.		
<b>SCHEDULE 13</b>		
<b>INTEREST &amp; FINANCIAL CHARGES :</b>		
Bank Charges	1,824,745	2,543,984
Bank Guarantee Charges	3,420,014	4,395,077
Interest on Car Loan	271,695	749,593
Interest on Bank Overdraft	20,020,749	21,862,465
	<u>25,537,203</u>	<u>29,551,119</u>
<b>SCHEDULE 14</b>		
<b>EXTRA-ORDINARY &amp; PRIOR PERIOD ADJUSTMENTS :</b>		
Prior Period Adjustment	<u>(346,800)</u>	<u>(223,457)</u>
	<u>(346,800)</u>	<u>(223,457)</u>

## SCHEDULE 15

### ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Accounting

Financial statements are prepared under the historical cost convention ignoring changes if any in purchasing power of money on accrual basis of accounting and in conformity with the accounting principles generally accepted in India.

##### 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 Life Insurance Corporation of India, determined on the basis of actuarial valuation by the said Corporation 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. In the previous year, a client of the Company along with set of clients transacted fraudulently in particular scrip with the company and other brokers for which SEBI has passed the interim order withholding the payout to the selling client till completion of investigation. Considering this fact, company has not provided for amount of Rs. 239 Lacs recoverable from this client.

2. The Company has taken suitable legal action for recovering deposits of Rs. 40 lacs for premises at Bangalore and expects favorable order for the same, hence no provisions have been made thereof.

### 3. 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.



#### 4. Related Party Disclosures:

##### a) List of Related Parties and Relationship:

Name Of The Related Party	Nature Of Relationship
Networth Commodities & Investments Ltd. Networth SoftTech Ltd. Networth Wealth Solutions Ltd. Ravisha Financial Services Private Ltd. Networth Insurance Broking Private Ltd. Networth Financial Services Ltd.	Subsidiary Company 100% Subsidiary Company 100% Subsidiary Company 100% Subsidiary Company 100% Subsidiary Company Associate Company
<b>Key Management Personnel</b>  Girish Dev Manish Ajmera	Chief Executive Officer/Director Chief Financial Office
<b>Others</b>  S. P. Jain Kanta Jain S.P. Jain HUF Sun Capital Advisory Services Private Limited Sanjay & Vijay Associates	Dominant Promoter Group and  Enterprises over which Director/ Key Managerial Personnel/DPG are able to exercise significant influence

##### b) Transaction with the Related Parties . (Amount in Rs., Previous years figures in italics)

Transactions	Subsidiaries	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	Total
Revenue received	<b>16,063,693</b> <i>15,295,471</i>	- -	- <i>618,517</i>	<b>736,033</b> <i>1,582,624</i>	<b>16,799,726</b> <i>17,496,612</i>
Rendering of services	<b>12,000,000</b> <i>21,300,000</i>	- -	<b>3,286,629</b> <i>4,84,613</i>	- <i>490,000</i>	<b>15,286,629</b> <i>26,644,613</i>
Other transaction	<b>337,948</b> <i>608,200</i>	- -	- <i>111,667</i>	<b>1,538,411</b> <i>1,844,445</i>	<b>1,876,359</b> <i>2,564,312</i>
Loan given	- <i>60,750,000</i>	- -	- -	- -	- <i>60,750,000</i>
Current Account transaction (Maximum O/s Credit/(Debit) Balance)	- <i>16,227,908</i>	- -	- -	- -	- <i>16,227,908</i>
Investment / Advance for purchase of shares	- <i>49,990,000</i>	- -	- -	- -	- <i>49,990,000</i>
Outstanding Balance included in current liabilities	<b>34,205</b> <i>17,054,109</i>	<b>17,048,707</b> <i>17,054,109</i>	- <i>108,216</i>	- <i>15,222</i>	<b>1,708,291</b> <i>17,177,547</i>
Outstanding Balance included in current assets	<b>32,242,028</b> <i>494,906</i>	- -	- <i>7,156,277</i>	<b>263,683</b> <i>5,238,811</i>	<b>32,505,712</b> <i>13,104,028</i>

#### 5. Earnings Per Share:

Sr. No.	Particulars	Year ended on 31st March 2010	Year ended on 31st March 2009
A)	Net profit or loss for the period attributable to equity shareholders Basic Diluted	(84,166,699) (84,166,699)	(131,837,901) (131,837,901)
B)	Weighted Number of Shares outstanding during the period for calculating Basic Earnings per Share Add: Adjustment for potential dilutive shares (Preferential Allotment) Weighted number of shares used for calculation of Dilutive Earnings per share	11,231,600 NIL 11,231,600	11,231,600 NIL 11,231,600
C)	Earnings per share (Equity shares having face value Rs. 10/-) Basic (Rs.) Diluted (Rs.)	(7.49) (7.49)	(11.74) (11.74)

## 6. Deferred Tax Asset / Liabilities:

The components of deferred tax assets/liability as at 31st March, 2010 in accordance with Accounting Standard 22 "Accounting for Taxes on Income" are as under

### Timing Difference:

(Amount in Rs.)

Particulars	For the year ended 31.3.2010	For the year ended 31.3.2009
<b>Deferred Tax Liabilities:</b>		
Depreciation	(1,228,749)	3,142,623
DTL due to change in Tax Rate	-	(405,745)
<b>Total "A"</b>	<b>(1,228,749)</b>	<b>2,736,878</b>
<b>Deferred Tax Assets:</b>		
Provision for Doubtful Debts	1,804,357	5,404,220
<b>Total "B"</b>	<b>1,804,357</b>	<b>5,404,220</b>
<b>Deferred Tax Liability (Net) "(A-B)"</b>	<b>3,033,106</b>	<b>2,667,343</b>

## 7. 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. (Rupees)	Previous Yr. (Rupees)
a) Foreign Currency Out go	393,414	346,630
B) Foreign Currency Inflow	Nil	Nil

- Directors Remuneration

Particulars	Current Yr. (Rupees)	Previous Yr. (Rupees)
Director Remuneration	1,499,378	4,854,613
Director Sitting fees	190,000	Nil

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. Therefore the same has not been considered for the above purpose.

- Payment to Auditors:

Particulars	Current Yr. (Rupees)	Previous Yr. (Rupees)
For Statutory Audit	425,000	375,000
For Tax Audit	125,000	125,000
Other Services	128,000	113,000
<b>Total</b>	<b>678,000</b>	<b>613,000</b>

## 8. 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	2009-10 (Rs.)	2008-09 (Rs.)
Employer's Contribution to Provident and Pension Fund	6,321,848	4,537,231

## Defined Benefit Plan:

The employees' gratuity fund scheme managed by Life Insurance Corporation of India 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	2009-10 (Rs.)	2008-09 (Rs.)
<b>a. Amount recognized in Profit and Loss Account</b>	896,614	(181,401)
<b>b. Reconciliation of opening and closing balances of Defined Benefit obligation</b>		
Defined Benefit obligation at beginning of the year	3,193,283	3,287,251
Current Service Cost	1,133,433	1,400,170
Interest Cost	276,577	262,980
Actuarial (gain) / loss	(80,485)	(1,757,118)
Benefits paid	1,065,589	Nil
Settlement cost	Nil	Nil
Defined Benefit obligation at year end	3,457,219	3,193,283
<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 -	1,116,057	1,028,624
Expected return on plan assets	89,285	82,290
Actuarial gain/(loss) -	100,160	5,143
Employer contribution	3,335,715	Nil
Benefits paid -	1,065,589	Nil
Fair value of plan assets at year end	3,575,628	1,116,057
Actual return on plan assets	189,445	87,433
<b>d. Reconciliation of fair value of assets and obligations</b>		
Fair value of plan assets as at 31st March	3,575,628	1,116,057
Present value of obligation as at 31st March	3,457,219	3,193,283
Amount recognised in Balance Sheet	(118,409)	2,077,226
<b>e. Investment Details % invested</b>		
As at 31st March		
L.I.C. Group Gratuity (Cash Accumulation) Policy	103.43%	34.95%
<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.

#### 9. 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.

#### 10. Capital Commitments:

There are outstanding Capital commitments amounting to Rs. 12,999,624 (previous year Rs. 7,640,480) on account of development of software.

11. 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.

#### 12. 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 2007-08. The disputed demand outstanding upto the said assessment year is Rs. 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 Rs. 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.

#### 13. 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.

14. 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)

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

Place : Mumbai  
Date : May 28, 2010

For and on behalf of the Board

**R. Sankaran**  
Chairman

**Girish Dev**  
Executive Director & CEO

**Trupti Lalpuria**  
Company Secretary

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

**I Registration Details**

Registration No.	:	75393
State Code No.	:	11
Balance Sheet Date	:	31.03.2010

**II Capital raised during the year**

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

**III Position of Mobilisation and Deployment of Funds (Amount Rs. In Thousand)**

Total Liabilities	:	725,779
Total Assets	:	725,779

**Sources of funds**

Paid-up Capital	:	112,316
Reserves & Surplus	:	395,808
Secured/Unsecured Loans	:	217,655

**Application of funds**

Net Fixed Assets	:	127,084
Investments	:	103,540
Deferred Tax Asset	:	1,238
Net Current Assets	:	323,826
Misc. Expenditure	:	-
Accumulated losses	:	170,091

**IV Performance of Company (Amount Rs. In Thousands)**

Turnover/Income	:	473,195
Total Expenditure	:	538,599
Profit before taxes	:	(86,853)
Profit after taxes	:	(83,820)
Earnings Per Share	:	(7.49)
Dividend Rate	:	Nil

**V Generic Names of Three Principal Products/Services of the Company**

Product Description	:	Item Code No
Stock Broking	:	N.A.
Advisory	:	N.A.

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

Statement pursuant to Section 212(1)(e) of the Companies Act, 1956 relating to Company's interest in the subsidiary companies. (Amount in Rs.)

Sr. No.	Name of the subsidiary company	Networth Commodities & Investments Ltd.	Networth Wealth Solutions Ltd.	Ravisha Financial Services Pvt. Ltd.	Networth SoftTech Ltd.	Networth Insurance Broking Pvt. Ltd.
1	Financial Year of the Subsidiary Company ended on	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010
2	Date from which it became Subsidiary Company	06.09.2003	29.02.2008	21.04.2008	29.06.2007	07.07.2008
3	a) Number of Shares held by Networth Stock Broking Ltd in the Subsidiary as on March 31, 2009 b) Extent of Interest of Holding Company as at March 31, 2010	14,00,100 Equity Shares of the face value of Rs. 10/- each fully paid up 99.96%	10,00,000 Equity Shares of the face value of Rs. 10/- each fully paid up 100%	50,00,000 Equity Shares of the face value of Rs. 10/- each fully paid up 100%	50,000 Equity Shares of the face value of Rs. 10/- each fully paid up 100%	10,000 Equity Shares of the face value of Rs. 10/- each fully paid up 100%
4	The net aggregate amount of the Profit / (Loss) so far at it concerns the members of the Holding Company a) Not Dealt with the Holding Company's Accounts i. For the financial Year ended on March 31, 2010 ii. For the previous financial year of the Subsidiary Company since they became the Holding Company's Subsidiary b) Dealt with in the Holding Company's Accounts i. For the financial Year ended on March 31, 2010 ii. For the previous financial year of the Subsidiary Company since they became the Holding Company's Subsidiary	   7,252,501  1,118,031  Nil  (41,313)	   (49,783,028)  (23,017,458)  Nil  Nil	   7,382,856  3,159,590  Nil  Nil	   1,089,193  39,381  Nil  Nil	   Nil  Nil  Nil  Nil

For and on behalf of the Board

**R Sankaran**  
Chairman

**Girish Dev**  
Executive Director & CEO

**Trupti Lalpuria**  
Company Secretary

## INFORMATION WITH REGARD TO SUBSIDIARY COMPANIES

The Company has received approval from the Government of India, Ministry of Corporate Affairs, New Delhi vide its order no. 47/468/2010-CL-III dated May 17, 2010 granting exemption from attaching the audited accounts of the five subsidiaries to the Balance Sheet of the Company for the financial year ended March 31, 2010. As required under the said order, the details regarding subsidiary companies of the Company are given below:

(Amount in Rs.)

Sr. No.	Name of the subsidiary company	Networth Commodities & Investments Ltd.	Networth Wealth Solutions Ltd.	Ravisha Financial Services Pvt. Ltd.	Networth SoftTech Ltd.	Networth Insurance Broking Pvt. Ltd.
1.	Financial year ends on	31.03.2010	31.03.2010	31.03.2010	31.03.2010	31.03.2010
2.	Share Capital	14,007,000	10,000,000	50,000,000	500,000	100,000
3.	Reserve & Surplus	14,236,473	72,800,486	21,765,197	1,128,576	-
4.	Total Assets	58,815,248	7,477,355	217,706,468	3,192,774	325,049
5.	Total Liabilities	30,638,017	69,953,677	145,949,881	1,581,942	225,049
6.	Investments (excluding investments in subsidiary companies)	44,554	-	-	-	-
7.	Turnover & Other Income	30,907,655	21,563,238	20,481,048	12,000,000	N.A.*
8.	Profit/(Loss) before Taxation	10,983,096	(49,535,850)	10,664,460	1,654,287	N.A.*
9.	Provision for Taxation	3,727,693	247,178	3,286,690	565,093	N.A.*
10.	Profit/ (Loss) after Taxation	7,255,403	(49,783,028)	7,382,856	1,089,193	N.A.*
11.	Proposed Dividend	Nil	Nil	Nil	Nil	Nil

\* Since the above subsidiary company has not commenced any business till March 31, 2010, all the pre-operative expenses have been capitalized, hence no Profit & Loss accounts is prepared.

## AUDITORS' REPORT

To,

The Board of Directors,

**NETWORTH STOCK BROKING LIMITED**

We have audited the attached Consolidated Balance Sheet of **NETWORTH STOCK BROKING LIMITED** and its subsidiaries and associate (referred to as 'Group') as at March 31, 2010 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

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 March 31, 2010 and

ii) In the case of Consolidated Profit & Loss Account of the results for the year ended on that date.

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 : May 28, 2010

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



## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

	Schedule No.	31.03.2010 Rupees	31.03.2009 Rupees
<b>SOURCES OF FUNDS :</b>			
(1) Shareholders' Funds :			
(a) Share Capital	1	112,316,000	112,316,000
(b) Share Warrant Application Money		-	15,162,363
(c) Reserves & Surplus	2	395,807,946	388,502,459
(2) Loan Funds	3	228,372,400	223,257,648
(3) Minority Interest		17,996	14,877
<b>TOTAL</b>		<u><u>736,514,342</u></u>	<u><u>739,253,347</u></u>
<b>APPLICATION OF FUNDS :</b>			
(1) Fixed Assets :			
(a) Gross Block	4	198,693,323	191,705,818
(b) Less : Depreciation		68,111,697	51,895,425
(c) Net Block		<u>130,581,626</u>	<u>139,810,393</u>
(2) Investments	5	9,223,339	26,726,571
(3) Deferred Tax Asset		961,524	(697,190)
(4) Current Assets, Loans & Advances :	6		
(a) Stock in Trade / Error		146,766	838,069
(b) Sundry Debtors		455,553,004	148,958,607
(c) Cash & Bank Balances		456,322,458	461,736,060
(d) Loans & Advances		<u>277,718,247</u>	<u>352,297,315</u>
	A	<u>1,189,740,475</u>	<u>963,830,051</u>
Less: Current Liabilities & Provisions :	7		
(a) Current Liabilities		766,691,466	456,571,903
(b) Provisions		53,395,818	49,668,980
	B	<u>820,087,284</u>	<u>506,240,882</u>
Net Current Assets	(A-B)	<u>369,653,191</u>	<u>457,589,169</u>
(5) Miscellaneous Expenditure	8	561,199	668,226
(6) Profit & Loss A/c		<u>225,533,465</u>	<u>115,156,177</u>
<b>TOTAL</b>		<u><u>736,514,342</u></u>	<u><u>739,253,347</u></u>
Notes forming part of accounts and Significant Accounting Policies	16		

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 : May 28, 2010

For and on behalf of the Board

**R. Sankaran**  
Chairman

**Girish Dev**  
Executive Director & CEO

**Trupti Lalpuria**  
Company Secretary

# CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedule No.	31.03.2010 Rupees	31.03.2009 Rupees
<b>INCOME</b>			
(a) Sales			265,244
(b) Income from Operations		506,528,698	426,757,033
(c) Income from Trading & Arbitrage Activities		-	(41,242,406)
(d) Other Income	9	39,543,930	46,695,125
		<u>546,072,628</u>	<u>432,474,996</u>
<b>EXPENDITURE</b>			
(a) Cost of Goods Sold	10		265,244
(b) Employment Cost	11	226,225,550	205,543,486
(c) Operating Expenses	12	139,386,230	110,651,763
(d) Administrative Expenses	13	239,361,639	201,163,608
(e) Interest & Financial Charges	14	32,350,865	36,177,262
		<u>637,324,283</u>	<u>553,801,363</u>
<b>PROFIT/(LOSS) BEFORE DEPRECIATION &amp; TAX</b>		<u>(91,251,655)</u>	<u>(121,326,367)</u>
Depreciation	4	21,835,357	21,683,503
<b>PROFIT/(LOSS) BEFORE TAX</b>		<u>(113,087,012)</u>	<u>(143,009,869)</u>
Less: Provision for Taxation			
- Current Year Tax		6,473,361	3,028,083
- Deferred Tax		(1,658,713)	(3,849,630)
- Wealth Tax		-	55,167
- Fringe Benefit Tax		-	1,350,209
- Prior Year Short/(Excess) Tax Provision		(26,186)	(2,800)
<b>PROFIT/(LOSS) AFTER TAX</b>		<u>(117,875,474)</u>	<u>(143,590,898)</u>
Add/(Less): Prior Period Adjustments & Extra Ordinary Items	15	(346,800)	869,229
Add/(Less): Share of Loss of Associate		(9,967)	(353,635)
Add/(Less): Goodwill on Consolidation			(630,508)
Add/(Less): Misc Exp w/off on Consolidation			(1,198,890)
Add/(Less) : Minority Interest		(3,120)	(9,898)
Add/(Less) : Profit Brought Forward From Previous Year		<u>(115,156,177)</u>	<u>29,758,423</u>
<b>PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION</b>		<u>(233,391,538)</u>	<u>(115,156,177)</u>
Amount Transfer from General Reserve		7,858,073	-
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<u>(225,533,465)</u>	<u>(115,156,177)</u>
Earnings Per Share - Basic		(10.53)	(12.90)
Earnings Per Share - Diluted		(10.53)	(12.90)
(Face Value of Rs.10/- per share)			
Notes forming part of accounts and Significant accounting policies	16		

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 : May 28, 2010

For and on behalf of the Board

**R. Sankaran**

Chairman

**Girish Dev**

Executive Director & CEO

**Trupti Lalpuria**

Company Secretary

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	31.03.2010 Rupees	31.03.2009 Rupees
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before tax and extraordinary Items	(113,087,012)	(143,009,869)
Adjustments for		
Depreciation	21,835,309	21,683,503
Preliminary/Share Issue Exp. Written Off	-	155,134
Finance Expenses	32,350,865	7,796,101
Loss on assets sold/discarded	7,125,928	3,596,578
Provision for Doubtful Debts	4,153,924	19,063,083
Dividend Received	(45,604)	(2,821,420)
Interest Received	(39,104,676)	(38,508,695)
Operating profit before working capital changes	(86,771,267)	(132,045,585)
Adjustments for		
Decrease (Increase) in Trade and other Receivables	(235,833,519)	(119,161,253)
Increase (Decrease) in Trade Payable and Provisions	313,846,401	(33,969,001)
Cash Generated from operations	(8,758,384)	(285,175,839)
Income Tax Paid For The Year	(6,447,175)	9,330,826
Prior Period Items	-	(223,457)
<b>Net Cash From Operating Activities</b>	(15,205,559)	(276,068,470)
<b>B. Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	(23,500,853)	(33,281,040)
Sale of Fixed Assets	3,768,383	5,783,388
Purchase of Shares/ Mutual Funds	-	(58,802,709)
Sales of Shares/ Mutual Funds	17,503,232	100,018,279
Interest Received	39,104,676	39,601,686
Dividend Received	45,604	1,728,429
<b>Net Cash from Investing Activities</b>	36,921,043	55,048,033
<b>C. Cash flow From Financing Activities</b>		
Share Issue expenses	-	(459,928)
Finance Expenses	(32,350,865)	(7,796,101)
Loan Funds	5,114,752	219,923,449
<b>Net Cash used in Financing Activities</b>	(27,236,113)	211,667,420
<b>Net Increase in Cash &amp; Cash Equivalents</b>	(5,520,630)	(9,353,016)
Opening Balance of Cash & Cash Equivalents	461,736,060	471,089,076
<b>Closing Balance of Cash &amp; Cash Equivalents</b>	456,215,431	461,736,060

### 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)

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

Place : Mumbai  
Date : May 28, 2010

For and on behalf of the Board

**R. Sankaran**  
Chairman

**Girish Dev**  
Executive Director & CEO

**Trupti Lalpuria**  
Company Secretary

## SCHEDULES TO CONSOLIDATED ACCOUNTS

	31.03.2010 Rupees	31.03.2009 Rupees
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL :</b>		
<b>Authorised</b>		
1,50,00,000 Equity Shares (P.Y.1,50,00,000) of Rs. 10/- each	150,000,000	150,000,000
250,000 Cumulative Redeemable 6% Preference Shares (P.Y. 2,50,000) of Rs. 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 Rs. 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>
<b>SCHEDULE 2</b>		
<b>RESERVES &amp; SURPLUS :</b>		
(1) Security Premium		
As Per Last Balance Sheet	380,644,386	380,514,386
Add: Addition During Year	-	130,000
<b>A</b>	<u>380,644,386</u>	<u>380,644,386</u>
(2) General Reserves		
As Per Last Balance Sheet	7,858,073	7,858,073
Add : Transfer to Profit & Loss Account	<u>(7,858,073)</u>	
<b>B</b>	<u>-</u>	<u>7,858,073</u>
(3) Capital reserves		
As Per last Balance Sheet	-	
Add : Forfeiture of Share Warrant money	<u>15,163,560</u>	-
<b>C</b>	<u>15,163,560</u>	-
<b>(A+B+C)</b>	<u>395,807,946</u>	<u>388,502,459</u>
<b>SCHEDULE 3</b>		
<b>LOAN FUNDS :</b>		
<b>Secured Loans :</b>		
(1) Car Loans from Banks	1,271,478	6,405,769
(2) Overdraft against Fixed Deposits	<u>227,100,922</u>	216,851,879
	<u>228,372,400</u>	<u>223,257,648</u>

**Note:**

Vehicle loans are secured against hypothecation of vehicles purchased.

## SCHEDULE 4

Schedule of Fixed Assets

(Amount in Rs)

Particulars	Depn. %	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2009	Additions	Deductions	As at 31.03.2010	As at 01.04.2009	For the year	on Deductions	As at 31.03.2010	As at 31.03.2010	As at 31.03.200
<b>Tangible Assets :</b>											
Air Conditioner	4.75	8,890,993	717,175	269,250	<b>9,338,918</b>	1,201,140	420,483	37,700	<b>1,583,923</b>	<b>7,754,995</b>	7,625,225
Computer	16.21	79,405,045	8,589,733	3,367,490	<b>84,627,288</b>	31,272,829	12,249,361	1,854,563	<b>41,667,627</b>	<b>42,959,661</b>	46,930,663
Improvement to Leased Assets		16,113,600	-	-	<b>16,113,600</b>	4,531,004	1,062,704	-	<b>5,593,708</b>	<b>10,519,892</b>	11,582,596
Furnitures & Fixtures	6.33	18,774,907	5,321,528	328,645	<b>23,767,790</b>	3,358,576	1,287,525	61,606	<b>4,584,495</b>	<b>19,183,295</b>	14,625,992
Office Equipments	4.75	23,344,930	4,404,817	206,170	<b>27,543,577</b>	3,110,105	1,185,576	25,346	<b>4,270,335</b>	<b>23,273,242</b>	19,722,350
Vehicles	9.50	18,487,043	-	12,341,794	<b>6,145,249</b>	5,064,558	608,427	3,639,823	<b>2,033,162</b>	<b>4,112,087</b>	13,422,486
<b>Intangible Assets :</b>											
Computer Software	20.00	25,089,301	67,600	-	<b>25,156,901</b>	3,357,214	5,021,234	-	<b>8,378,448</b>	<b>16,778,453</b>	21,732,087
<b>TOTAL</b>	<b>A</b>	<b>190,105,819</b>	<b>19,100,853</b>	<b>16,513,349</b>	<b>192,693,323</b>	<b>51,895,426</b>	<b>21,835,309</b>	<b>5,619,038</b>	<b>68,111,697</b>	<b>124,581,626</b>	<b>135,641,399</b>
Capital Work In Process	<b>B</b>	<b>1,600,000</b>	<b>4,400,000</b>	-	<b>6,000,000</b>	-	-	-	-	<b>6,000,000</b>	<b>1,600,000</b>
<b>Current Year</b>	<b>(A+B)</b>	<b>191,705,819</b>	<b>23,500,853</b>	<b>16,513,349</b>	<b>198,693,323</b>	<b>51,895,426</b>	<b>21,835,309</b>	<b>5,619,038</b>	<b>68,111,697</b>	<b>130,581,626</b>	<b>137,241,399</b>
<b>Previous Year</b>		<b>170,286,029</b>	<b>31,077,766</b>	<b>12,522,547</b>	<b>188,841,249</b>	<b>33,202,668</b>	<b>21,539,763</b>	<b>3,142,580</b>	<b>51,599,851</b>	<b>137,241,399</b>	<b>137,083,362</b>

Note :

1) Capital work in process represents advance given for development of software

**31.03.2010**  
**Rupees**

**31.03.2009**  
**Rupees**

## SCHEDULE 5

### INVESTMENTS

#### A. Long Term Investments (At Cost)

##### a) QUOTED

Equity Shares :

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

<b>a</b>	<b>24,235</b>	<b>24,235</b>
	<b>24,235</b>	<b>24,235</b>

##### b) UNQUOTED

Equity Shares :

**In Associates Concern :**

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

<b>8,655,566</b>	<b>8,665,533</b>
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**Other :**

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

	<u>877</u>	<u>877</u>
b	8,656,443	8,666,410

##### c) Other Investments :

Insurance Policies

<b>494,107</b>	<b>494,107</b>
<b>c</b>	<b>494,107</b>

Total Long Term Investment

<b>(a+b+c=A)</b>	<b>9,174,785</b>	<b>9,184,752</b>
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#### B. Current Investments - At lower of Cost or Fair Value

**Mutual Fund :**

Reliance Fixed Horizon Fund - VI - Series 2

-	<b>17,503,819</b>
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Government Securities :

National Savings Certificates

<b>48,554</b>	<b>38,000</b>
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Total Current Investment

<b>B</b>	<b>48,554</b>	<b>17,541,819</b>
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Total Investment

<b>(A+B)</b>	<b>9,223,339</b>	<b>26,726,571</b>
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Aggregate Market Value of Quoted Investment

<b>168,885</b>	<b>40,676</b>
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		31.03.2010 Rupees	31.03.2009 Rupees
<b>SCHEDULE 6</b>			
<b>CURRENT ASSETS, LOANS &amp; ADVANCES :</b>			
Stock in Trade / Error		146,766	838,069
(As taken, valued & certified by Management)	<b>A</b>	<u>146,766</u>	<u>838,069</u>
Sundry Debtors			
(Unsecured, Considered Good Except Otherwise Stated)			
Client balances outstanding for more than six months		81,600,979	45,143,000
Other Clients Balances		391,622,782	151,301,976
Dues from Stock Exchanges		35,423,540	1,520,582
		508,647,301	197,965,559
Less: Provision for Doubtful Debts		53,094,297	49,006,952
	<b>B</b>	<u>455,553,004</u>	<u>148,958,607</u>
Cash & Bank Balances Cash Balance		294,745	706,710
Balances with Scheduled Banks :			
In Current Account		(10,092,314)	30,647,783
In Fixed Deposit Accounts*		437,104,052	430,381,567
Cheques in Hand		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>	<u>456,322,458</u>	<u>461,736,060</u>
<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		77,864,062	56,918,305
Advance Fringe Benefit Tax		20,117,030	20,068,341
Advance Wealth Tax		106,911	51,744
Fringe Benefit Tax Recoverable under ESOP Scheme		2,043,377	5,905,810
Advance to Staff		2,603,682	1,941,302
Advance to Suppliers		3,214,163	8,754,959
Capital Advances Recoverable		-	10,000,000
Prepaid Expenses		7,531,443	8,008,862
Other Advances		179,351	336,964
<b>b) Deposits</b>			
Deposit & Margins with Stock Exchanges		36,022,522	99,519,197
Trade Margin Security Deposit with IL & FS Ltd. (Including Interest Accrued of Rs. 4,24,712)		54,670,606	64,088,158
Deposits for Office Premises		68,478,535	71,738,420
Deposit for DP Empanelment		500,000	1,500,000
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 BSE under Securities Lending Scheme		1,058,298	1,003,148
Deposits for Telephone, VSAT, Electricity, etc.		2,068,269	1,202,107
	<b>D</b>	<u>277,718,247</u>	<u>352,297,315</u>
<b>TOTAL</b>	<b>(A+B+C+D)</b>	<u>1,189,593,709</u>	<u>962,991,982</u>

	31.03.2010 Rupees	31.03.2009 Rupees
<b>SCHEDULE 7</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS :</b>		
<b>A) Current Liabilities :</b>		
Sundry Creditors - Clients	382,551,659	338,569,467
Sundry Creditors - Banks & Financial Institutions	296,991,743	36,887,535
Sundry Creditors - Stock Exchanges	996,348	1,495,576
Security Deposit from Business Associates	21,987,178	20,240,479
Sundry Creditors - Others	55,917,596	52,914,236
Unclaimed Dividend*	144,203	144,701
Statutory Liabilities	8,102,739	6,319,909
*Kept in Separate Bank A/c.	<u>766,691,466</u>	<u>456,571,903</u>
<b>B) Provisions For :</b>		
Provision for Income Tax	34,760,101	28,477,841
Provision for Fringe Benefit Tax	18,062,636	18,062,636
Provision for Wealth Tax	106,911	106,911
Prov. For Commission refund on 1st year premium	485,000	260,000
Provision for Gratuity	(18,830)	2,761,592
	<u>53,395,818</u>	<u>49,668,980</u>
<b>SCHEDULE 8</b>		
<b>MISCELLANEOUS EXPENDITURE :</b>		
(To the extent not written off or adjusted)		
Preliminary Expenses	561,199	661,091
Public Issue Expenses	-	7,135
	<u>561,199</u>	<u>668,226</u>
<b>SCHEDULE 9</b>		
<b>OTHER INCOME :</b>		
Interest on Fixed Deposit	39,104,676	43,951,014
Gain/loss on Exchange Fluctuation		2,284
Dividend on Shares	45,604	102,586
Dividend on Mutual Fund	86,822	1,629,662
Bad Debts Recovered	243,043	972,730
Other Income	63,785	36,849
	<u>39,543,930</u>	<u>46,695,125</u>
<b>SCHEDULE 10</b>		
<b>Cost of Goods Sold :</b>		
Opening Stock	-	265,244
Add: Purchase	-	-
Less: Closing Stock	-	-
	<u>-</u>	<u>265,244</u>
<b>SCHEDULE 11</b>		
<b>EMPLOYMENT COST :</b>		
Salary & Other Allowances	211,483,403	194,971,213
Contribution to Provident & Other Funds	11,158,669	7,633,131
Staff Welfare Expenses	3,583,478	2,876,590
Recovery of Expenses*	-	62,552
	<u>226,225,550</u>	<u>205,543,486</u>

\* This represents recovery or charge against payment to employees by parent company for subsidiary and vice versa.

	31.03.2010 Rupees	31.03.2009 Rupees
<b>SCHEDULE 12</b>		
<b>OPERATING EXPENSES :</b>		
Demat Charges	4,995,969	3,616,758
Commission	92,915,172	64,486,831
Stamp Duty & Exchange Charges	10,072,357	7,531,705
Connectivity Charges	15,445,743	16,273,157
Insurance Charges - NSE, BSE & CDSL	2,115,562	2,400,986
Membership Fees & Subscription	2,357,676	3,445,300
Software Charges	11,320,281	12,734,752
Transportation Expenses	163,470	102,856
Clearing & Settlement Charges		59,418
	<u>139,386,230</u>	<u>110,651,763</u>

<b>SCHEDULE 13</b>		
<b>ADMINISTRATIVE EXPENSES :</b>		
Professional Charges	38,143,263	26,735,994
Telephone Charges	12,946,082	9,456,327
Electricity Charges	15,308,560	12,923,536
Rent, Rates & Taxes	83,650,892	75,814,787
Repairs & Maintenance	13,004,977	6,209,334
Manpower supply charges	22,113,269	-
Insurance Charges	120,528	246,148
Postage & Courier Charges	14,121,949	17,449,298
Advertisement	103,550	208,557
Bad Debts Written Off	2,713,282	4,364,829
Conveyance & Traveling	5,616,489	5,663,970
Printing, Stationery & Xerox Charges	7,269,155	9,252,470
Business Promotion Expenses	4,781,404	1,913,671
Directors' Remuneration	1,499,378	4,854,613
Directors' Sitting Fees	190,000	-
Provident Fund Administrative Charges	748,306	501,713
Profession Tax	92,175	102,990
Provision for Doubtful Debts	4,153,924	19,063,083
Charity & Donations	10,502	6,101
Share Registrar's Charges	30,406	30,434
Miscellaneous Expenses	895,797	181,890
Staff Recruitment Expenses	1,757,864	1,054,125
Auditors' Remuneration	803,386	658,500
Loss on Exchange Fluctuation	1,190	3,624
Loss on Assets sold / discarded	7,125,928	3,596,578
Miscellaneous Expenditures W/off	118,042	155,134
Share Capital Structure Charges	-	115,000
Service Tax & Education Cess credit	2,020,740	456,702
Recovery of Expenses*	20,600	144,200
	<u>239,361,639</u>	<u>201,163,608</u>

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

<b>SCHEDULE 14</b>		
<b>INTEREST &amp; FINANCIAL CHARGES :</b>		
Bank Charges	2,038,958	2,692,299
Bank Guarantee Charges	3,942,208	5,084,353
Interest on Car Loan	271,695	749,593
Interest on Loan availed	2,742,114	3,112,464
Interest on Bank Overdraft	23,355,890	24,538,553
	<u>32,350,865</u>	<u>36,177,262</u>

<b>SCHEDULE 15</b>		
<b>EXTRA-ORDINARY &amp; PRIOR PERIOD ADJUSTMENTS :</b>		
Prior Period Adjustment	(346,800)	(223,457)
	<u>(346,800)</u>	<u>(223,457)</u>



## SCHEDULE 16

### NOTES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010 AND CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Accounting

The consolidated Financial Statements of Network Stock Broking Limited ("the Company") and its domestic subsidiaries Network Commodities & Investments Limited, Network Wealth Solutions Limited, Ravisha Financial Services Private Limited, Network SoftTech Limited and Network Insurance Broking Private 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

a) 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.

b) 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 Parent company's separate financial statements except otherwise stated elsewhere in this schedule.

c) 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.

d) 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
Network Commodities & Investments Ltd.	March 31, 2010	99.96%	India
Network SoftTech Ltd.	March 31, 2010	100%	India
Network Wealth Solutions Ltd.	March 31, 2010	100%	India
Ravisha Financial Services Pvt. Ltd.	March 31, 2010	100%	India
Network Insurance Broking Pvt. Ltd.	March 31, 2010	100%	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 recorded 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.

(a) 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".

(b) 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".

(Rs. In Lacs)

Sr. No	Particulars	Year Ended on March 31, 2010	Year Ended on March 31, 2009
1	<b>Segment Revenue (net sale / income from each segment)</b>		
	a) Broking	4,695.11	4,113.23
	b) Wealth management	206.31	165.30
	c) Non banking financial business	167.45	116.58
	d) Others	120.00	93.00
	<b>Total</b>	<b>5,188.87</b>	<b>4,488.11</b>
	Less: Inter segment revenue	120.75	220.54
	<b>Net sales / income from operations</b>	<b>5,068.12</b>	<b>4,267.57</b>
2	<b>Segment Results Profit/ (Loss) before tax and interest</b>		
	a) Broking	(898.39)	(1,349.64)
	b) Wealth management	(495.99)	(231.24)
	c) Non banking financial business	120.16	44.49
	d) Others	16.54	1.31
	<b>Total</b>	<b>(1,257.68)</b>	<b>(1,535.09)</b>
	Less: i. Interest Expenses	(263.70)	(308.68)
	Add: i. Un-allocable income	-	17.69
	ii. Interest Income	391.05	395.98
	<b>Total Profit Before Tax</b>	<b>(1,130.33)</b>	<b>(1,430.10)</b>
3	<b>Capital Employed (Segment Assets - Segment Liabilities)</b>		
	a) Broking	3,464.51	3,530.67
	b) Wealth management	(730.76)	36.05
	c) Non banking financial business	130.64	665.41
	d) Others	8.43	9.67
	<b>Total</b>	<b>2,872.82</b>	<b>4,241.80</b>

## 2. Related Party Disclosures:-

### a) List of Related Parties & Relationship:-

Name of the Related Party	Nature of Relationship
Networth Commodities & Investments Ltd. Networth SoftTech Ltd. Networth Wealth Solutions Ltd. Ravisha Financial Services Pvt. Ltd. Networth Insurance Broking Pvt. Ltd.	Subsidiary Company
Networth Financial Services Ltd.	Associate Company
<b>Key Management Personnel</b> Girish Dev S P Jain	Director Director
<b>Others</b> S.P. Jain Kanta Jain  S.P. Jain HUF Sun Capital Advisory Services Private Limited Sanjay & Vijay Associates	Dominant Promoter Group   Enterprises over which Director/ Key Managerial Personnel/DPG are able to exercise significant influence

### b) Transaction with the Related Parties . (Amount in Rs., Previous years figures in italics )

Transactions	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	Total
Revenue Received	- -	- <i>618,517</i>	<b>7,36,033</b> <i>1,582,624</i>	<b>7,36,033</b> <i>17,496,612</i>
Rendering of Services	- -	<b>3,286,629</b> <i>4,854,613</i>	- <i>490,000</i>	<b>1,499,378</b> <i>26,644,613</i>
Other Transaction	- -	- <i>111,667</i>	<b>1,538,411</b> <i>1,844,445</i>	<b>1,538,411</b> <i>2,564,312</i>
Outstanding Balance included in current liabilities	<b>17,048,707</b> <i>17,054,109</i>	- <i>108,216</i>	- <i>15,222</i>	<b>17,048,707</b> <i>17,177,547</i>
Outstanding Balance included in current assets	- -	- <i>7,156,277</i>	<b>263,683</b> <i>5,238,811</i>	<b>263,683</b> <i>13,104,028</i>

## 3. Earnings per Share

(Amount in Rs.)

Sr. No.	Particulars	Year ended on March 31st 2010	Year ended on March 31st 2009
a)	Net profit or loss for the period attributable to equity shareholders		
	Basic	<b>(118,235,361)</b>	(144,914,600)
	Diluted	<b>(118,235,361)</b>	(144,914,600)
b)	Weighted Number of Shares outstanding during the period for calculating Basic Earnings per Share	<b>11,231,600</b>	11,231,600
c)	Earnings per share (Equity shares having face value Rs 10/-)		
	Basic	<b>(10.53)</b>	(10.53)
	Diluted	<b>(12.90)</b>	(12.90)

#### 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:

(Amount in Rs.)

Particulars	For the year ended 31.3.2010	For the year ended 31.3.2009
<b>Deferred Tax Liabilities:</b>		
Depreciation	(1,228,749)	3,317,255
DTL due to change in Tax Rate		(405,745)
<b>Total "A"</b>	<b>(1,228,749)</b>	<b>2,911,510</b>
<b>Deferred Tax Assets:</b>		
Provision for Gratuity		271,237
Provision for Doubtful Debts	1,804,357	6,040,142
MAT Credit under Income Tax Act		449,760
Unabsorbed Depreciation Loss		-
<b>Total "B"</b>	<b>1,804,357</b>	<b>6,761,139</b>
<b>Deferred Tax Assets (Net) "(B-A)"</b>	<b>3,033,106</b>	<b>3,849,630</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:

(Amount in Rs.)

Sr. No.	Particulars	Current Year	Previous Year
1	Disputed lease premises	165 Lacs	-
2	Disputed Legal Case with Bank Of India	125 Lacs	-
3	Disputed Income Tax Penalty for A.Y. 2005-06	9 Lacs	-
4	Disputed Income Tax Demand for A.Y. 2005-06, 2006-07, 2007-08	893 Lacs	81 Lacs

#### 8. 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.

9. 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)

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

Place : Mumbai  
Date : May 28, 2010

For and on behalf of the Board

**R. Sankaran**  
Chairman

**Girish Dev**  
Executive Director & CEO

**Trupti Lalpuria**  
Company Secretary

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



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



