

INDEPENDENT AUDITORS' REPORT

To,
The Members of **PRIME SECURITIES LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of **PRIME SECURITIES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2017 the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Basis for Qualified Opinion

- 1. As referred in Note 23.5, the Company has written-back a loan of Rs. 525.00 Lacs as in the opinion of the management the same was no longer payable. Accordingly, the loss for the year is lower by the said amount and the short-term borrowing is lower by Rs. 1,400.00 Lacs (including Rs. 875.00 Lacs written-back in the previous financial year).*
- 2. As referred in Note 23.6(b), the Company has not provided for interest on certain secured loans of Rs. 1,855.99 Lacs in respect of period up to March 31, 2016 as in the opinion of the management the same is under renegotiations with the lenders. Had the Company made such provision in the earlier years, the reserves and surplus would have been lower by the said amount.*
- 3. As referred in Note 23.7, the Company has written-back Rs. 327.50 Lacs which was written-off as not recoverable in the earlier financial year. Accordingly, the loss for the year is lower, and the long-term loans and advances are higher, by the said amount.*

Qualified Opinion

In our opinion and to the best of our knowledge and according to the information and explanations given to us, *except for the effects of the matters described in point nos. 1 to 3 of the Basis for Qualified Opinion paragraph*, the said financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2017 and its loss and its cash flows for the year ended on that date.

Emphasis of Matter:

Our opinion is not modified in respect of the following:

- 1. As referred to in Note 23.3(a) & 23.3(b), the net worth of Company's subsidiaries viz. Primesec Investments Limited and Prime Research & Advisory Limited have been eroded but having regard to the circumstances specified in the said Notes, the subsidiaries have prepared their accounts on a going concern basis. Relying on the same, the Company has not considered making any adjustments to its financial exposure in the subsidiaries.*



2. As referred to in Note 23.6(a), the Company has assigned a loan of Rs. 2,318.39 Lacs to a subsidiary company subject to consent of the lender.
3. As referred to in Note 23.8, there is a diminution of Rs. 98.46 Lacs in value of non-current investments (other than in subsidiary companies). The Company has not provided for such diminution on the basis that the same is temporary in nature.
4. As referred to in Note 23.9, remuneration of Rs. 33.00 Lacs paid to the Managing Director is subject to approval of members.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143 (3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, *except for the effects of the matters described in point nos. 1 to 3 of the Basis for Qualified Opinion paragraph*, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note No. 23.2 to the financial statements;
 - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts;



- iii. There has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the Company.
- iv. The Company has made requisite disclosures in its financial statements as to holdings as well as dealings in `Specified Bank Notes` during the period 8th November, 2016 to 30th December, 2016 which is in accordance with the books of accounts maintained by the Company.

For GANDHI & ASSOCIATES LLP

Chartered Accountants

(FRN: 102965W/W100192)



A handwritten signature in blue ink that reads "Gandhi".

[MILIND GANDHI]

Partner

Membership No. 043194

Mumbai,
Date: 6th April 2017

ANNEXURE - A TO THE AUDITORS' REPORT

The annexure referred to in Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31st March 2017 we report that:

1. a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
b) As explained to us, all the fixed assets were physically verified by the management at reasonable intervals during the year. According to the information and explanations given to us, no discrepancies were noticed on such physical verification.
c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the company.
2. The Company does not hold any inventories and therefore Clause 3(ii) of the Order is not applicable to the Company.
3. The Company has granted unsecured loans to wholly-owned subsidiary companies covered in the register maintained under Section 189 of the Act. Considering the loans are to wholly-owned subsidiaries, in our opinion, the terms and conditions of the loans are not prejudicial to the Company's interest. The loans are repayable on demand and during the year part of loan to one subsidiary was repaid as demanded. Interest is paid by the subsidiary where applicable.
4. In our opinion and according to the information and explanation given to us, the Company has complied with the provisions of Section 185 and 186 of the Act with respect to the loans and investments made.
5. The Company has not accepted any deposits within the meaning of the directives issued by the Reserve Bank of India and the provisions of section 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder and therefore Clause 3(v) of the Order is not applicable to the Company.
6. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act for any of the services rendered by the Company and hence the provisions of clause 3(vi) of the Order is not applicable to the Company.
7. a) According to the information and explanations given to us and the records of the Company examined by us, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, income tax, service tax and other statutory dues applicable to it. Further, according to the information and explanations given to us, there are no undisputed amounts payable in respect of provident fund, income tax, service tax and other statutory dues with the appropriate authorities outstanding at the end of the year for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, the particulars of statutory dues outstanding at the end of the year on account of a dispute are as follows:



| Statue | Assessment Year | Nature Dues | Forum before whom pending | Rs. Lacs |
|---------------------|-----------------|-------------|---|----------|
| Income Tax Act 1961 | 2006-2007 | Income Tax | Assessing Officer (Rectification Proceedings) | 13.18 |

8. Based on our audit procedures and according to the information and explanations given by the management, the Company has not defaulted in repayment of its loans and borrowings to any financial institution and banks. The Company does not have any loan or borrowing from Government or debenture holders.
9. The Company did not raise any amount by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly Clause 3(ix) of the Order is not applicable.
10. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
11. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with provisions of section 197 read with Schedule V of the Act but is subject to approval of the members by a special resolution in the ensuing general meeting.
12. In our opinion and according to the information and explanation given to us, the Company is not a nidhi company and therefore, Clause 3(xii) of the Order is not applicable.
13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and the details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
14. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year and therefore, Clause 3(xiv) of the Order is not applicable.
15. On the basis of our examination and according to the information and explanations given to us, the company has not entered into any non-cash transactions with directors or persons connected with him and therefore, Clause 3(xv) of the Order is not applicable.
16. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act 1934 and therefore Clause 3(xvi) of the Order is not applicable.



**For GANDHI & ASSOCIATES LLP
Chartered Accountants**

(FRN: 102965W/W100192)



A handwritten signature in black ink, appearing to read "Milind Gandhi".

**[MILIND GANDHI]
Partner**

Membership No. 043194

Mumbai,
Date: 6th April 2017

ANNEXURE - B TO THE AUDITORS' REPORT

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **PRIME SECURITIES LIMITED** ("the Company") as of 31st March, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; and,
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and,
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2017 based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the ICAI.

For GANDHI & ASSOCIATES LLP

Chartered Accountants

(FRN: 102965W/W100192)



A handwritten signature in black ink that reads "Gandhi".

[MILIND GANDHI]

Partner

Membership No. 043194

Mumbai,
Date: 6th April 2017

PRIME SECURITIES LIMITED

BALANCE SHEET AS AT MARCH 31, 2017

| | Note No. | As at 31-Mar-17 (Rs. in Lacs) | | As at 31-Mar-16 (Rs. in Lacs) | |
|--------------------------------|----------|----------------------------------|-----------------|----------------------------------|------------------|
| EQUITY AND LIABILITIES | | | | | |
| Shareholders' Funds | | | | | |
| Share Capital | 1 | 1,329.94 | | 1,327.85 | |
| Reserves and Surplus | 2 | 5,150.67 | 6,480.61 | 5,301.99 | 6,629.84 |
| Non-current Liabilities | | | | | |
| Long-term Borrowings | 3 | 209.29 | | 400.00 | |
| Long-term Provisions | 4 | 173.79 | 383.08 | 155.54 | 555.54 |
| Current Liabilities | | | | | |
| Short-term Borrowings | 5 | 620.00 | | 3,824.95 | |
| Trade Payables | 6 | 53.60 | | 114.89 | |
| Other Current Liabilities | 7 | 213.40 | | 278.65 | |
| Short-term Provisions | 8 | 28.22 | 915.22 | 19.53 | 4,238.01 |
| Total | | | 7,778.91 | | 11,423.40 |
| ASSETS | | | | | |
| Non-current Assets | | | | | |
| Fixed Assets | 9 | | | | |
| - Tangible Assets | | 291.23 | | 285.69 | |
| - Intangible Assets | | 0.02 | | 0.18 | |
| Non-current Investments | 10 | 1,462.09 | | 4,713.23 | |
| Long Term Loans and Advances | 11 | 516.02 | 2,269.36 | 189.66 | 5,188.76 |
| Current Assets | | | | | |
| Current Investments | 12 | 14.68 | | 17.80 | |
| Trade Receivables | 13 | 28.78 | | - | |
| Cash and Bank Balances | 14 | 9.24 | | 61.04 | |
| Short-term Loans and Advances | 15 | 5,453.27 | | 6,152.22 | |
| Other Current Assets | 16 | 3.58 | 5,509.55 | 3.58 | 6,234.64 |
| Total | | | 7,778.91 | | 11,423.40 |
| Notes on Accounts | 23 | | | | |

As per our Report attached
For and on behalf of
GANDHI & ASSOCIATES
Chartered Accountants
(FRN: 102965W/W100192)



Milind Gandhi
Partner
Membership No. 043194

For and on behalf of the Board

N. Jayakumar
Managing Director

Pradip Dubhashi
Chairman

Anil Dharker
Director

Alpana Parida
Director

S. R. Sharma
Director

Ajay Shah
Company Secretary

Mumbai, April 6, 2017

Mumbai, April 6, 2017

PRIME SECURITIES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017

| | Note No. | Year ended 31-Mar-17 (Rs. in Lacs) | Year ended 31-Mar-16 (Rs. in Lacs) |
|--|----------|---------------------------------------|---------------------------------------|
| I REVENUE FROM OPERATIONS | 17 | 463.00 | 1,040.56 |
| II OTHER INCOME | 18 | 213.60 | 943.41 |
| III TOTAL REVENUE (I + II) | | 676.60 | 1,983.97 |
| IV EXPENSES | | | |
| Employee Benefit Expenses | 19 | 151.40 | 117.80 |
| Finance Costs | 20 | 0.87 | 0.60 |
| Depreciation and Amortisation Expense | 9 | 12.68 | 62.72 |
| Other Expenses | 21 | 193.59 | 282.74 |
| TOTAL EXPENSES | | 358.54 | 463.86 |
| V PROFIT / (LOSS) BEFORE EXTRAORDINARY ITEMS AND TAX (III - IV) | | 318.06 | 1,520.11 |
| VI EXTRAORDINARY ITEMS | 22 | (473.56) | (52.61) |
| VII PROFIT / (LOSS) BEFORE TAX (V - VI) | | (155.50) | 1,467.50 |
| VII TAX EXPENSE | | | |
| - Current Tax | | - | 63.30 |
| - Deferred Tax | | - | - |
| IX PROFIT / (LOSS) FOR THE YEAR (VII - VIII) | | (155.50) | 1,404.20 |
| Earning per Equity Share (Face Value per Share Rs. 5/-) | | | |
| - Basic | | (0.59) | 5.30 |
| - Diluted | | (0.59) | 5.30 |
| Notes on Accounts | 23 | | |

As per our Report attached
For and on behalf of
GANDHI & ASSOCIATES
Chartered Accountants
(FRN: 102965W/W100192)



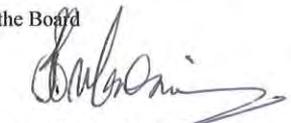

Milind Gandhi
Partner
Membership No. 043194

Mumbai, April 6, 2017

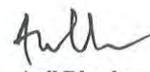
For and on behalf of the Board



N. Jayakumar
Managing Director



Pradip Dubhashi
Chairman



Anil Dharker
Director



Alpina Parida
Director



S. R. Sharma
Director



Ajay Shah
Company Secretary

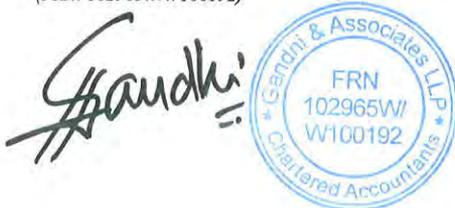
Mumbai, April 6, 2017

PRIME SECURITIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2017

| | INFLOWS/(OUTFLOWS) | |
|--|--|--|
| | Year ended 31-Mar-17 (Rs. in lacs) | Year ended 31-Mar-16 (Rs. in lacs) |
| A Cash flow from Operating Activities | | |
| Net Profit / (Loss) before tax | (155.50) | 1,467.50 |
| Adjustments for : | | |
| Dividend Received | (0.00) | (14.14) |
| Interest Received | (16.33) | (42.20) |
| Depreciation | 12.68 | 62.72 |
| Interest & Finance Charges | 0.87 | 0.60 |
| Fixed Assets written off | - | 70.07 |
| Loss / (Gain) on Sale of Investments (Net) | (192.47) | 164.98 |
| Amount Written-back | (973.16) | (1,372.64) |
| Provisions no longer required, Written back | - | (1,047.24) |
| Balances written off | 1,446.72 | 1,425.25 |
| Provision for Doubtful Advances | - | 1.02 |
| | <u>278.31</u> | <u>(751.58)</u> |
| Operating Profit / (Loss) before Working Capital changes | 122.81 | 715.92 |
| Adjustments for Changes in the Working Capital | | |
| Debtors | (28.78) | - |
| Current Assets | - | 7,500.00 |
| Loans & Advances | 698.97 | (5,508.30) |
| Current Liabilities & Provisions | (62.58) | 20.94 |
| | <u>607.61</u> | <u>2,012.64</u> |
| Cash generated from Operations | 730.42 | 2,728.56 |
| Direct Taxes (Paid) / Refund (net) | 1.15 | (19.21) |
| Net Cash from Operating Activities (A) | <u>731.57</u> | <u>2,709.35</u> |
| B Cashflow from Investment Activities | | |
| Purchase of Fixed Assets | (18.07) | (1.58) |
| Sale of Investments | 2,000.00 | 146.40 |
| Dividend Received | 0.00 | 14.14 |
| Interest Received | 16.33 | 42.20 |
| | <u>1,998.26</u> | <u>201.16</u> |
| Net Cash from Investment Activities (B) | | |
| C Cashflow from Financing Activities | | |
| Interest & Finance Charges | (0.87) | (0.60) |
| Proceeds from issue of shares (ESOP) | 6.26 | - |
| Funds Borrowed / (Repaid) (net) | (2,787.02) | (2,872.23) |
| | <u>(2,781.63)</u> | <u>(2,872.83)</u> |
| Net Cash from Financing Activities (C) | | |
| Net Cashflow (A + B + C) | <u>(51.80)</u> | <u>37.68</u> |
| Changes in the Cash & Bank Balances | <u>(51.80)</u> | <u>37.68</u> |
| Cash and Cash Equivalents at the beginning of the year | 61.04 | 23.36 |
| Cash and Cash Equivalents at the end of the year | 9.24 | 61.04 |

As per our Report attached
For and on behalf of
GANDHI & ASSOCIATES
Chartered Accountants
(FRN: 102965W/W100192)



Milind Gandhi
Partner
Membership No. 043194
Mumbai, April 6, 2017

For and on behalf of the Board

N. Jayakumar
Managing Director

Anil Dharker
Director

S. R. Sharma
Director

Pradip Dubhashi
Chairman

Alpana Parida
Director

Ajay Shah
Company Secretary

Mumbai, April 6, 2017

PRIME SECURITIES LIMITED

NOTES ON ACCOUNTS FORMING PART OF THE BALANCE SHEET FOR THE YEAR ENDED MARCH 31, 2017

| NOTE 1 - SHARE CAPITAL | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|--|--|--|
| AUTHORISED | | |
| 3,00,00,000 Equity Shares of Rs. 5/- each | 1,500.00 | 1,500.00 |
| 2,00,000 13% Cumulative Redeemable Preference Shares of Rs. 100/- each | 200.00 | 200.00 |
| 18,00,000 Unclassified Shares of Rs. 100/- each | 1,800.00 | 1,800.00 |
| Total | 3,500.00 | 3,500.00 |
| ISSUED | | |
| 2,72,22,725 (Previous Year 2,72,22,725) Equity Shares of Rs. 5/- each | 1,361.14 | 1,361.14 |
| Total | 1,361.14 | 1,361.14 |
| SUBSCRIBED & FULLY PAID | | |
| 2,65,15,325 (Previous Year 2,64,73,525) Equity Shares of Rs. 5/- each | 1,325.77 | 1,323.68 |
| Add : Share Forfeiture Account [7,48,600 Equity Shares forfeited] | 4.17 | 4.17 |
| Total | 1,329.94 | 1,327.85 |

a) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year

| Particulars | As at 31-Mar-17 No. of Shares | As at 31-Mar-16 No. of Shares |
|--------------------------------------|--|--|
| Opening Balance | 26,473,525 | 26,473,525 |
| Add: Shares Issued during the period | 41,800 | - |
| Closing Balance | 26,515,325 | 26,473,525 |

b) Details of equity shareholders holding more than 5% of equity shares:

| Name of Shareholder | Current Year | | Previous Year | |
|------------------------------------|---------------------|----------------------|----------------------|----------------------|
| | % | No. of Shares | % | No. of Shares |
| Judith Investments Private Limited | 10.12 | 2,683,497 | 10.14 | 2,683,497 |
| N. Jayakumar | 7.86 | 2,084,759 | 7.87 | 2,084,759 |
| Videocon Industries Limited | - | - | 6.66 | 1,762,565 |

c) **Employees Stock Option Schemes (ESOS)**

The Company's stock based compensation plan for employees comprises of three schemes viz. the ESOS 2007 Scheme, ESOS 2008 and the ESOS 2009 Scheme. The schemes have been instituted for all eligible employees of the Company and its subsidiaries. The Company has reserved issuance of 253,200 (Previous year 488,400) Equity Shares of Rs. 5/- each for offering to eligible employees of the Company and its subsidiaries under Employees Stock Option Scheme (ESOS) approved by Members. During the year, the Company has granted NIL (Previous year NIL) Options to the eligible employees.

ESOS 2007 Scheme

The Scheme permits allocation of an aggregate of 1,000,000 equity shares of the face value of Rs. 5/- per share to the eligible employees on the recommendation of the Compensation Committee at an exercise price of Rs. 38/-.

ESOS 2008 Scheme

The Scheme permits allocation of an aggregate of 1,200,000 equity shares of the face value of Rs. 5/- per share to the eligible employees on the recommendation of the Compensation Committee at an exercise price of Rs. 15/-.

ESOS 2009 Scheme

The Scheme permits allocation of an aggregate of 2,000,000 equity shares of the face value of Rs. 5/- per share to the eligible employees on the recommendation of the Compensation Committee at an exercise price of Rs. 38/-.

The number of options granted, exercised and lapsed under the above schemes is set out below:

| Particulars (Exercise Price) | ESOS 2007 (Rs. 38/-) | | ESOS 2008 (Rs. 15/-) | | ESOS 2009 (Rs. 38/-) | |
|---|-----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Options outstanding, beginning of the Y | 80,000 | 226,300 | 88,400 | 220,500 | 320,000 | 395,400 |
| Add: Granted during the Year | - | - | - | - | - | - |
| Less: Exercised during the Year | - | - | 41,800 | - | - | - |
| Less: Lapsed during the Year | 40,000 | 146,300 | 46,600 | 132,100 | 106,800 | 75,400 |
| Options outstanding, end of the Year | 40,000 | 80,000 | - | 88,400 | 213,200 | 320,000 |

PRIME SECURITIES LIMITED

| NOTE 2 - RESERVES AND SURPLUS | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|---------------------------------------|--|--|
| Capital Reserve | | |
| As per last Balance Sheet | 165.00 | 165.00 |
| | 165.00 | 165.00 |
| Capital Redemption Reserve | | |
| As per last Balance Sheet. | 217.27 | 217.27 |
| | 217.27 | 217.27 |
| Securities Premium Reserve | | |
| As per last Balance Sheet.. | 5,312.64 | 5,312.64 |
| Add: Received during the Year | 4.18 | - |
| | 5,316.82 | 5,312.64 |
| General Reserve | | |
| As per last Balance Sheet... | 2,400.00 | 2,400.00 |
| | 2,400.00 | 2,400.00 |
| Surplus | | |
| Balance at the beginning of the Year | (2,792.92) | (4,197.12) |
| Add: Net Profit / (Loss) for the Year | (155.50) | 1,404.20 |
| | (2,948.42) | (2,792.92) |
| | | |
| Total | 5,150.67 | 5,301.99 |

| NOTE 3 - LONG-TERM BORROWINGS | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|--|--|--|
| Term Loans | | |
| Secured | | |
| - From Bank | 9.29 | - |
| <i>[Secured against hypothecation of own asset]</i> | | |
| Other Loan and Advances | | |
| Secured | | |
| - From Bank | 200.00 | 400.00 |
| <i>[Against pledge of shares owned by other parties]</i> | | |
| Total | 209.29 | 400.00 |

| Terms of Repayment of Long Term Borrowings | | | | | | |
|---|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|
| | 1-2 Years | | 2-3 Years | | 3-4 Years | |
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Term Loan From Banks | 4.14 | 3.34 | 7.13 | - | - | - |
| Loans and Advances from Bank | 400.00 | 200.00 | - | 400.00 | - | - |

| NOTE 4 - LONG-TERM PROVISIONS | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|--|--|--|
| Provision for Employee Benefits | | |
| - Leave Encashment | 173.79 | 155.54 |
| Total | 173.79 | 155.54 |

| NOTE 5 - SHORT-TERM BORROWINGS | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|---|--|--|
| From Banks | | |
| Unsecured | - | 400.00 |
| Loan and Advances other than Banks | | |
| Secured <i>[Against pledge of specified investments owned by the Company and other parties]</i> | - | 2,185.00 |
| Unsecured | 30.00 | 555.00 |
| Loan and Advances from Related Parties | | |
| Unsecured | | |
| From an Associate Company | 335.00 | 335.00 |
| From Managing Director | 255.00 | 349.95 |
| Total | 620.00 | 3,824.95 |

PRIME SECURITIES LIMITED

| NOTE 6 - TRADE PAYABLES | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|---|--|--|
| Trade Payables | 53.60 | 114.89 |
| [As per the information available with the Company, there are no dues outstanding as on March 31, 2017 to any micro, small and medium enterprise as defined under section 7 of Micro, Small & Medium Enterprises Development Act, 2006] | | |
| Total | 53.60 | 114.89 |

| NOTE 7 - OTHER CURRENT LIABILITIES | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|--|--|--|
| Current Maturities of Long Term Debt | | |
| Secured | | |
| - From Banks... | 201.97 | 203.34 |
| <i>[Against hypothecation of own asset of the company and pledge of shares owned by other parties (refer note 23.4)]</i> | | |
| Income Received in Advance | 2.40 | 2.40 |
| Other Payables | | |
| Statutory Dues | 1.07 | 38.26 |
| Outstanding Expenses | 7.96 | 34.65 |
| Total | 213.40 | 278.65 |

| NOTE 8 - SHORT-TERM PROVISIONS | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|---------------------------------------|--|--|
| Provision for Employee Benefits | | |
| - Leave Encashment. | 15.98 | 14.94 |
| - Gratuity | 12.24 | 4.58 |
| Total | 28.22 | 19.53 |

| NOTE 10 - NON-CURRENT INVESTMENTS (NON-TRADE) | Face Value | Quantity As at 31-Mar-17 | Quantity As at 31-Mar-16 | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|--|-----------------------|---|---|--|--|
| INVESTMENT IN EQUITY INSTRUMENTS | | | | | |
| A) In Wholly-owned Subsidiary Companies | | | | | |
| Unquoted, Fully Paid-up | | | | | |
| Prime Broking Company (India) Limited | Rs. 10 | 5,341,000 | 5,341,000 | 1,719.70 | 1,719.70 |
| Prime Commodities Broking (India) Limited | Rs. 10 | 500,000 | 500,000 | 50.00 | 50.00 |
| Prime Research & Advisory Limited | Rs. 10 | 350,000 | 350,000 | 33.02 | 33.02 |
| Primesec Investments Limited | Rs. 10 | 1,636,000 | 1,636,000 | 798.00 | 798.00 |
| | | | | 2,600.72 | 2,600.72 |
| Less: Provision for Diminution in value of Investments | | | | 1,752.72 | 1,752.72 |
| Total A | | | | 848.00 | 848.00 |
| B) In Other Companies | | | | | |
| I) Quoted, Fully Paid-up | | | | | |
| ABG Shipyard Limited | Rs. 10 | - | 219,300 | - | 856.78 |
| Dr Datsons Lab Limited | Rs. 10 | - | 6,500 | - | 1.96 |
| El forge Limited | Rs. 10 | 1,437,277 | 1,437,277 | 94.31 | 94.31 |
| Greycells Entertainment Limited | Rs. 10 | 79,000 | 79,000 | 89.65 | 89.65 |
| IOL Netcom Limited | Rs. 10 | - | 923,910 | - | 343.08 |
| Total B (I) | | | | 183.96 | 1,385.78 |
| II) Unquoted, Fully Paid-up | | | | | |
| Baron International Limited | Rs. 10 | 1,828,300 | 1,828,300 | 882.36 | 882.36 |
| ^ Blue Chip Technologies Limited | Rs. 10 | 100,000 | 100,000 | - | - |
| Bussiness India Publication Limited | Rs. 10 | - | 67,295 | - | 69.37 |
| Gateway Entertainment Limited | Rs. 10 | 28,500 | 28,500 | - | - |
| Roop Automotives Limited | Rs. 10 | - | 401,674 | - | 1,807.53 |
| Sarju International Limited | Rs. 10 | 535,000 | 535,000 | 240.75 | 240.75 |
| ^ Trinity Fuels Limited | Rs. 10 | 320,000 | 320,000 | - | - |
| Tunip Agro Limited | Rs. 10 | 623,687 | 873,687 | 430.13 | 602.55 |

PRIME SECURITIES LIMITED

| | | | | | |
|--|--|--|--|----------|----------|
| Less: Provision for Diminution in value of Investments | | | | 1,553.24 | 3,602.56 |
| Total B (II) | | | | 1,123.11 | 1,123.11 |
| Total B [B (I)+B (II)] | | | | 430.13 | 2,479.45 |
| | | | | 614.09 | 3,865.23 |
| Total Non-Current Investments (A+B) | | | | 1,462.09 | 4,713.23 |
| Aggregate amount of Quoted Investments (A) | | | | 183.96 | 1,385.78 |
| Market Value of Quoted Investments | | | | 85.50 | 191.31 |
| Aggregate Amount of Unquoted Investments (B) | | | | 1,278.13 | 3,327.45 |
| NOTES: | | | | | |
| ^ Cost written-off on account of permanent diminution. | | | | | |

| NOTE 11 - LONG-TERM LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD) | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|--|--|--|
| Security Deposits | 19.93 | 19.93 |
| Other Loans and Advances | | |
| Advances recoverable in cash or kind or for value to be received | 327.50 | - |
| Advance Income Tax (Net of Provisions) | 168.59 | 169.73 |
| Total | 516.02 | 189.66 |

| NOTE 12 - CURRENT INVESTMENTS (NON-TRADE) | Face Value | Quantity As at 31-Mar-17 | Quantity As at 31-Mar-16 | As at (Rs. in Lacs) 31-Mar-17 | As at (Rs. in Lacs) 31-Mar-16 |
|--|-----------------------|---|---|--|--|
| INVESTMENT IN EQUITY INSTRUMENTS | | | | | |
| A) Quoted, Fully Paid up | | | | | |
| Hitech Plast Limited | Rs. 10 | - | 9,000 | - | 3.12 |
| International Hometex Limited | Rs. 10 | 400,000 | 400,000 | 0.00 | 0.00 |
| Solid Stone Company Limited | Rs. 10 | 41,939 | 41,939 | 14.68 | 14.68 |
| Total Current Investments | | | | 14.68 | 17.80 |
| Aggregate amount of Quoted Investments | | | | 14.68 | 19.70 |
| Market Value of Quoted Investments | | | | 36.72 | 29.64 |

| NOTE 13 - TRADE RECEIVABLES (UNSECURED, CONSIDERED GOOD) | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|---|--|--|
| Outstanding for a period exceeding six months | 18.28 | - |
| Other Debts | 10.50 | - |
| Total | 28.78 | - |

| NOTE 14 - CASH AND BANK BALANCES | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|---|--|--|
| Cash and Cash Equivalents | | |
| Balances with Banks | 8.66 | 52.90 |
| Cash on Hand | 0.58 | 8.14 |
| Total | 9.24 | 61.04 |

| NOTE 15 - SHORT-TERM LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD) | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|---|--|--|--|
| Loans and Advances to Related Parties | | | |
| Subsidiary Companies | 5,483.47 | | 6,192.49 |
| Less : Provision for doubtful Advances | (48.59) | | (48.59) |
| | | 5,434.88 | 6,143.90 |
| Prepaid Expenses. | | 11.93 | 5.69 |
| Advances recoverable in cash or kind or for value to be received | | 6.46 | 2.63 |
| Total | | 5,453.27 | 6,152.22 |

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PRIME SECURITIES LIMITED

| NOTE 16 - OTHER CURRENT ASSETS (UNSECURED, CONSIDERED GOOD) | As at 31-Mar-17 (Rs. in Lacs) | As at 31-Mar-16 (Rs. in Lacs) |
|--|--|--|
| Receivable on Sale of Investments | 3.58 | 3.58 |
| Total | 3.58 | 3.58 |

| NOTE 17 - REVENUE FROM OPERATIONS | Year ended 31-Mar-17 (Rs. in Lacs) | Year ended 31-Mar-16 (Rs. in Lacs) |
|--|---|---|
| Merchant Banking and Advisory Fees | 463.00 | 1,040.56 |
| Total | 463.00 | 1,040.56 |

| NOTE 18 - OTHER INCOME | Year ended 31-Mar-17 (Rs. in Lacs) | Year ended 31-Mar-16 (Rs. in Lacs) |
|---|---|---|
| Interest Income | 16.33 | 42.20 |
| Dividend Income | 0.00 | 14.14 |
| Net Gain / (Loss) on Sale of Investments | 192.47 | (164.98) |
| Rent | 4.80 | 4.80 |
| Other Non-Operating Income | | |
| Provisions no longer required, Written back | - | 1,047.24 |
| Total | 213.60 | 943.41 |

| NOTE 19 - EMPLOYEE BENEFIT EXPENSES | Year ended 31-Mar-17 (Rs. in Lacs) | Year ended 31-Mar-16 (Rs. in Lacs) |
|--|---|---|
| Salaries | 141.35 | 109.16 |
| Contribution to Provident and Other Funds | 3.73 | 2.48 |
| Staff Welfare Expenses | 6.32 | 6.16 |
| Total | 151.40 | 117.80 |

| NOTE 20 - FINANCE COSTS | Year ended 31-Mar-17 (Rs. in Lacs) | Year ended 31-Mar-16 (Rs. in Lacs) |
|--------------------------------|---|---|
| Interest Expense | 0.87 | 0.60 |
| Total | 0.87 | 0.60 |

| NOTE 21 - OTHER EXPENSES | Year ended 31-Mar-17 (Rs. in Lacs) | Year ended 31-Mar-16 (Rs. in Lacs) |
|---|---|---|
| Electricity Expenses | 3.49 | 3.66 |
| Rent | 39.36 | 39.54 |
| Repairs & Maintenance | 8.11 | 2.29 |
| Insurance Premium | 2.66 | 1.22 |
| Rates & Taxes | 1.82 | 0.98 |
| Travelling & Conveyance | 27.41 | 31.61 |
| Consultancy & Professional Charges | 45.58 | 75.03 |
| Director's Sitting Fees | 5.90 | 7.00 |
| Auditor's Remuneration | | |
| - For Audit Fees | 6.20 | 5.00 |
| - For Other Services | 0.75 | - |
| Loss on Asset Sold/Discarded | - | 70.07 |
| Donations | 5.00 | 1.00 |
| Provision for Doubtful Debts & Advances | - | 1.02 |
| Miscellaneous Expenses | 47.31 | 44.31 |
| Total | 193.59 | 282.74 |

| NOTE 22 - EXTRAORDINARY ITEMS | Year ended 31-Mar-17 (Rs. in Lacs) | Year ended 31-Mar-16 (Rs. in Lacs) |
|--------------------------------------|---|---|
| Amounts Written Back | 973.16 | 1,372.64 |
| Balances Written off | (1,446.72) | (1,425.25) |
| Total | (473.56) | (52.61) |

PRIME SECURITIES LIMITED

NOTE 9 - FIXED ASSETS

| DESCRIPTION | GROSS BLOCK AT COST | | | | DEPRECIATION | | | NET BLOCK | |
|--------------------------|---------------------|--------------|----------------------------|--------------------|--------------------|----------------|--------------------|--------------------|--------------------|
| | As On 01-Apr-16 | Additions | Deletions & Adjustments | As on 31-Mar-17 | As on 01-Apr-16 | For the period | As on 31-Mar-17 | As on 31-Mar-17 | As on 31-Mar-15 |
| | | | | | | Provided | Adjustments | | |
| Tangible Assets | | | | | | | | | |
| Building | 392.80 | - | - | 392.80 | 132.72 | 6.55 | - | 139.27 | 253.53 |
| Furniture & Fixture | 19.79 | 0.90 | - | 20.69 | 7.63 | 2.02 | - | 9.65 | 11.04 |
| Vehicles | 126.89 | 15.54 | - | 142.43 | 115.81 | 2.81 | - | 118.62 | 23.81 |
| Office Equipments | 4.63 | 0.29 | - | 4.92 | 3.03 | 0.57 | - | 3.60 | 1.61 |
| Computers | 2.99 | 1.34 | - | 4.33 | 2.23 | 0.57 | - | 2.80 | 1.53 |
| Intangible Assets | | | | | | | | | |
| Computer Software | 1.29 | - | - | 1.29 | 1.11 | 0.16 | - | 1.27 | 0.02 |
| Total | 548.39 | 18.07 | - | 566.46 | 262.53 | 12.68 | - | 275.21 | 291.25 |
| Previous Year | 645.77 | 1.58 | 98.96 | 548.39 | 228.70 | 62.72 | 28.90 | 262.52 | 285.87 |

Note:

Net block of the Building include a residential flat of Rs. 253.53 lacs in a co-operative society, acquired from a debtor in satisfaction of a claim. In view of the restraining orders, the society has kept in abeyance the admission of membership of the Company. In the earlier year, pursuant to the order of the Hon'ble High Court, the possession of the flat was handed over to the Official Assignee. An appeal was filed by the Company against the said order whereby the said order was set aside. Pursuant to the fresh chamber summons filed by the Company for removing attachment, the Official Assignee has been directed not to sell or dispose-off the flat. The Company has been legally advised that the said developments will not have a bearing on the Company's title to the flat and consequently there is no impairment in the value of the asset and the Company is not likely to have any further claim or liability against the said flat.

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PRIME SECURITIES LIMITED

23. NOTES FORMING PARTS OF ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2017

23.1 Significant Accounting Policies

a) Basis of Presentation of Financial Statements

These financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as prescribed under section 133 of the Companies Act 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules 2014, the provisions of the Act (to the extent notified) and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

b) Fixed Assets

Fixed Assets are stated at historical cost less accumulated depreciation and impairment loss, if any.

c) Depreciation

Depreciation on tangible assets is provided on straight-line method over the useful life of the assets as prescribed in Schedule II to the Companies Act 2013. Depreciation on Intangible assets are amortised over their respective individual estimated useful lives on straight-line basis, commencing from the date the asset is available to the Company for its use.

d) Investments

Investments intended, at the time of acquisition, to be held for a period exceeding twelve months are classified as "Non-Current Investments". All other Investments are classified as "Current Investments".

Investments are accounted on trade date at cost of acquisition which includes brokerage and other charges.

Current Investments are valued at cost or market value, whichever is lower, whereby the cost of each script is compared with its market value and the resultant shortfall, if any, is charged to revenue.

Non-Current Investments are stated at cost less provision, if any, for diminution which is considered other than temporary in nature.

e) Revenue Recognition

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

Interest is accounted on accrual basis.

Dividend is accounted when the right to receive is established.

Gains or losses on sale of Investments are recognised on trade dates by comparing the sales realisation with the weighted average cost of such investment.

f) Employee Benefits

i) Defined Contribution Plan

Contribution to defined contribution plan (being Provident Fund) is charged to the Profit and Loss Account.

ii) Defined Benefit Plan

The present value of the obligation under defined benefit plan (being Gratuity and Leave Encashment) is determined based on actuarial valuation using the projected unit credit method. Actuarial gains and losses arising on such valuation are recognized immediately in the Profit and Loss Account. In case of funded benefit plans the fair value of the plan assets is compared with the gross obligation under the benefit plan to recognize the obligation on net basis.

iii) Other Benefits

Short term and long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

g) Taxation

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

PRIME SECURITIES LIMITED

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

h) Earnings Per Share

In determining basic earnings per share, the Company considers the net profit after tax and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

i) Impairment of Assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is impaired when the carrying amount of the asset exceeds the recoverable amount. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. An impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of the recoverable amount.

j) Operating Leases

Leases of Assets under which all the risk and benefits of the ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Profit and Loss account.

k) Derivative Transactions

Gains are recognized only on settlement/expiry of derivative instruments.

All open positions are marked to market and unrealized losses are provided for. Unrealized gains, if any, on marked to market are not recognized.

Debit/Credit balance on open interest as on the balance sheet dates are shown as current assets/liabilities, as the case may be.

l) Foreign Currency Transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognized in the profit and loss account.

There are no monetary assets or liabilities outstanding as at the year end.

m) Provisions and contingencies

A provision is recognized when the Company has a legal and constructive obligation as a result of a past event, for which it is probable that cash outflow will be required and a reliable estimate can be made of the amount of the obligation. A contingent liability is disclosed when the Company has a possible or present obligation where it is not probable that an outflow of resources will be required to settle it. Contingent assets are neither recognized nor disclosed.

23.2 Contingent Liabilities

(Rs. in lacs)

| Particulars | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|------------------------------|------------------------------|
| Demands raised by Income Tax departments against which the Company has preferred appeals | 13.18 | 13.18 |
| Corporate guarantee given for financial facilities for a subsidiary (Amount outstanding at the close of the year) | - | 15.00 |
| Claim made against the Company not acknowledged as debt (Interest liability on the same cannot be ascertained) | 1,855.99 | 2,593.34 |

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PRIME SECURITIES LIMITED

- 23.3 (a) The Company has a financial exposure of Rs. 5,974.11 lacs (Previous year Rs. 6,519.20 lacs) in its wholly-owned subsidiary viz. Primesec Investments Limited ('PIL') - investment in equity shares of Rs. 798.00 lacs (Previous year Rs. 798.00 lacs) and loans & advances of Rs. 5,176.11 lacs (Previous year Rs. 5,721.20 lacs). PIL has a negative net worth of Rs. 5,083.02 lacs (Previous year Rs. 7,240.12 lacs). However, having regard to efforts undertaken by the Board of PIL, among other things to negotiate re-statement of loans and realize value of its investments, the financial statements of PIL have been prepared on the basis that it is a going-concern and that no adjustments are required to the carrying value of assets and liabilities. Considering that the Company's investment in PIL is of strategic and long term nature and having regard to the efforts undertaken by the Board of PIL, no provision is considered necessary by the management for diminution in the value of the Company's financial exposure in PIL.
- (b) The Company has advanced Rs. 143.22 lacs (Previous year Rs. 80.02 lacs) to its wholly-owned subsidiary viz. Prime Research & Advisory Limited ('PRAL'). PRAL has a negative net worth of Rs. 343.35 lacs (Previous year Rs. 340.56 lacs). However, having regard to efforts undertaken by the Board of PRAL, among other things to negotiate re-statement of loans and realize value of its investments, the financial statements of PRAL have been prepared on the basis that it is a going-concern and that no adjustments are required to the carrying value of assets and liabilities. Considering that the Company's investment in PRAL is of strategic and long term nature and having regard to the efforts undertaken by the Board of PRAL, no provision is considered necessary by the management.
- 23.4 In the previous financial year the Company had given effect to a one-time settlement scheme under which a bank has re-stated the loan amount and waived past and future interest. The re-statement and waiver is conditional upon Company's adherence to repayment schedule failing which the Company would be liable to pay the entire loan amount with interest. The Company has, until the end of the current financial year, adhered to the terms and conditions of the scheme.
- 23.5 The Company has written-back a sum of Rs. 525.00 lacs by crediting the statement of profit & loss as in opinion of the management the same is not repayable. Including a similar write-back of Rs. 875.00 lacs in the previous financial year, the outstanding amount of loan as on March 31, 2017 is re-stated at Rs. NIL. The loss for the year would have been higher by Rs. 525.00 lacs had the Company not accounted the write-back of loan.
- 23.6 (a) The Company had on March 31, 2016 assigned a secured loan liability of Rs. 2,318.39 lacs to its wholly owned subsidiary by adjusting the advance given to the said subsidiary. The assignment was subject to lender's consent which has not been received during the current year.
- (b) The Company has not accounted for interest of Rs. 1,855.99 lacs for period up to March 31, 2016 in respect of the said secured loan as in the opinion of the management the same would not be payable pursuant to a proposed restructuring/settlement of loans. Further no provision for interest has been made after April 1, 2016 as the loan has been assigned by the Company.
- (c) Simultaneously, the Company has written-off certain investments in shares of companies aggregating to Rs. 1,446.72 lacs which were pledged as security for the said loans.
- 23.7 A deposit of Rs. 327.50 lacs was written-off as non-recoverable in the previous financial year. During the year, the Company has received confirmation from the party acknowledging their liability to pay and pursuant to which the management is hopeful of recovery of said amount. Accordingly, the Company has reinstated the deposit by crediting the statement of profit and loss by a sum of Rs. 327.50 lacs.
- 23.8 There has been a decline of Rs. 98.46 lacs as on March 31, 2017 in the carrying value of Non-current Investments. No provision for diminution in the value of such investments has been considered necessary since, in the opinion of the management, such diminution is only temporary in nature.
- 23.9 On the recommendation of the Nomination & Remuneration Committee, the Board of Directors have amended the terms of appointment of the Managing Director by approving salary of Rs. 11.00 lacs a month with effect from January 1, 2017. Accordingly, the Company has paid salary of Rs. 33.00 lacs to the Managing Director which is subject to approval of the members by a special resolution in a general meeting.
- 23.10 The Company's main business is to provide corporate advisory services. All other activities are incidental to the main business. As such, there are no separate reportable segments, as per Accounting Standard on 'Segment Reporting' (AS 17) issued by the Institute of Chartered Accountants of India.

23.11 Retirement Benefits



PRIME SECURITIES LIMITED

(Disclosure as required by AS 15 (Revised), "Accounting for Retirement Benefits" issued by Institute of Chartered Accountants of India)

Contribution to gratuity for India based employees are accrued on the basis of actuarial valuation and are also accordingly funded. The balance of Projects Benefit Obligation (PBO) on gratuity over the funded amount is accrued as liability.

(A) Disclosure in terms of revised AS 15 on Retirement Benefits in respect of Defined Benefits Plans (Gratuity - funded scheme) (Rs. in lacs)

| Particulars | Year ended March 31, 2017 | Year ended March 31, 2016 |
|---|------------------------------|------------------------------|
| Change in Projected Benefits Obligation (PBO) | | |
| PBO at beginning of the year | 25.60 | 13.27 |
| Service cost | 6.55 | 1.31 |
| Interest cost | 2.04 | 1.06 |
| Actuarial (gain)/loss | 0.69 | 9.96 |
| Benefits paid | - | - |
| PBO at the end of the period | 34.88 | 25.60 |
| Change in Plan Assets | | |
| Plan assets at the beginning of the year at fair value | 21.01 | 19.37 |
| Expected return on plan assets | 1.67 | 1.55 |
| Employer Contribution | 0.03 | - |
| Actuarial gain/ (loss) | (0.10) | 0.09 |
| Benefits paid | - | - |
| Fair value of plan assets at the end of the year | 22.61 | 21.01 |
| Reconciliation of PBO and the fair value of the plan assets | | |
| Fair value of plan assets at the end of the year | 22.61 | 21.01 |
| Present value of the defined benefit obligations at the end of the year | 34.88 | 25.60 |
| Funded Status of the Plan | (12.27) | (4.59) |
| Gratuity costs for the year | | |
| Service cost | 6.55 | 1.31 |
| Interest cost | 2.04 | 1.06 |
| Expected return on plan assets | (1.67) | (1.55) |
| Actuarial (gain)/loss | 0.79 | 9.87 |
| Net Gratuity | 7.71 | 10.69 |
| Assumption | | |
| Discount Factor | 7.36% | 7.96% |
| Estimated rate of return on plan assets | 7.36% | 7.96% |

(B) During the year, a provision of Rs. 24.81 lacs (Previous year Rs. 18.42 lacs) is made on account of actuarial liability for leave encashment and compensated absences. The aggregate provision as at year end is Rs. 189.77 lacs (Previous Year Rs. 170.49 lacs). The actuarial liability is computed assuming the discount factor of 7.36%.

23.12 Earnings per Share

| Particulars | Year ended March 31, 2017 | Year ended March 31, 2016 |
|-------------|------------------------------|------------------------------|
| Basic | | |

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| | | |
|--|------------|------------|
| Opening Number of Shares | 26,473,525 | 26,473,525 |
| Closing Number of Shares | 26,515,325 | 26,473,525 |
| Weighted Average Number of Shares for Basic EPS | 26,479,251 | 26,473,525 |
| Profit / (Loss) after Tax (Rs. in lacs) | (155.50) | 1,404.20 |
| Basic EPS (Rs.) | (0.59) | 5.30 |
| Diluted | | |
| Dilutive Component of Stock Options / Warrants Outstanding | - | - |
| Weighted Average Number of Shares for Diluted EPS | 26,479,251 | 26,473,525 |
| Diluted EPS (Rs.) | (0.59) | 5.30 |

The Guidance Note on Accounting of Employee Share Based Compensation issued by Institute of Chartered Accountant of India applies to employee share based payment plans, the grant date of which falls on or after April 1, 2005 and allows accounting for employee share based payment plans based on either the Intrinsic value method or the fair value method. The Company follows the intrinsic value method. Under the fair value method, the net loss for the period ended March 31, 2017 would have been higher by Rs. 11.56 lacs and the Basic EPS and Diluted EPS would have been Rs. (0.63) and Rs. (0.63) respectively.

The fair value of each option is estimated on the date of grant using the Black-Scholes model with the following assumptions:

| Particulars | Year ended March 31, 2017 |
|---------------------------------|------------------------------|
| Dividend Yield (%) | - |
| Expected Volatility (%) | 66.43 |
| Risk Free Interest Rate (%) | 8.00 |
| Expected Term (Number of Years) | 2 |

23.13 Operating lease for asset taken on lease (Rs. in lacs)

| Particulars | Year ended March 31, 2017 | Year ended March 31, 2016 |
|--|------------------------------|------------------------------|
| i) Total of future minimum lease payments | | |
| a) Not later than one year | 33.48 | 35.70 |
| b) Later than one year and not later than five years | 51.30 | 6.12 |
| ii) Lease payments recognised in the Profit and Loss account | 39.12 | 39.30 |

23.14 Expenditure in Foreign Currency (Rs. in lacs)

| Particulars | Year ended March 31, 2017 | Year ended March 31, 2016 |
|--------------------------|------------------------------|------------------------------|
| Overseas travel expenses | 0.31 | - |

23.15 Disclosure of Specified Bank Notes (SBN) (Rs. in lacs)

| Particulars | SBNs | Other Denomination Notes | Total |
|--|------|--------------------------------|-------|
| Closing cash in hand as on November 8, 2016 | 1.43 | 0.05 | 1.48 |
| (+) Permitted receipts | - | 2.00 | 2.00 |
| (-) Permitted payments | - | 1.48 | 1.48 |
| (-) Amount deposited in bank | 1.43 | - | 1.43 |
| Closing cash in hand as on December 30, 2016 | - | 0.57 | 0.57 |

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23.16 Related Party Disclosures

1. Related party disclosures in respect of related parties with whom transactions have taken place during the year are given below:

Relationships

i) **Subsidiary Companies**

- Prime Broking Company (India) Limited
- Prime Research & Advisory Limited
- Prime Commodities Broking (India) Limited
- Primesec Investments Limited

ii) **Associate Company**

- Gateway Entertainment Limited
- Judith Investments Private Limited

iii) **Key Management Personnel**

- Mr. N. Jayakumar
- Mr. Ajay Shah

iv) **Relative of Key Management Personnel**

- Mrs. Madhu Jayakumar

2. The following transactions were carried out with the related parties in the ordinary course of business during the year 2016 -2017: (Rs. in lacs)

| Sr. No | Nature of Transaction | Transactions during the year | | Balance as on | |
|--------|--|------------------------------|---------------|----------------|----------------|
| | | Current Year | Previous Year | March 31, 2017 | March 31, 2016 |
| 1 | Sums paid / received from Prime Broking Company (India) Limited on current account | | | | |
| | - Sums Received | - | - | 48.59 | 48.59 |
| | - Sums Paid | - | 1.02 | (Debit) | (Debit) |
| 2 | Interest received from Prime Commodities Broking (India) Limited | 8.18 | 24.46 | - | - |
| 3 | Inter corporate deposit paid to Prime Commodities Broking (India) Limited | | | | |
| | - Sums Paid | 189.00 | 168.00 | 115.55 | 342.68 |
| | - Refund received | 423.50 | 63.80 | (Debit) | (Debit) |
| 4 | Interest free Inter corporate deposit paid to Prime Research & Advisory Limited | | | | |
| | - Sums Received | - | 0.25 | 143.22 | 80.02 |
| | - Sums paid | 63.20 | 6.80 | (Debit) | (Debit) |
| 5 | Interest free Inter corporate deposit given to Primesec Investment Limited | | | | |
| | - Sums Paid | 79.91 | 292.66 | 5,176.11 | 5,721.20 |
| | - Sums Received | 625.00 | 72.25 | (Debit) | (Debit) |
| | - Share Application Money Transferred to Loan | - | 7,500.00 | | |
| | - Loan of Religare Finvest Limited | | | | |

PRIME SECURITIES LIMITED

| | | | | | |
|-----------|---|--------------|----------|----------------------------------|----------------------------------|
| | assigned | - | 2,318.39 | | |
| 6 | Share Application Money (Pending Allotment) to Primesec Investment Limited | | | | |
| | - Advanced | - | - | - | - |
| | - Refund received | - | - | | |
| | - Transferred to Loan | - | 7,500.00 | | |
| 7 | Interest free Inter corporate deposit received from Gateway Entertainment Limited | - | - | 30.00 (Credit) | 30.00 (Credit) |
| 8 | Rent paid to Mrs. Madhu Jayakumar for residential accommodation. | - | - | - | 5.70 (Credit) |
| 9 | Remuneration paid to Key Managerial Personnel | 66.28 | 20.03 | - | - |
| 10 | Shares issued to Key Managerial Personnel | 2.49 | - | - | - |
| 11 | Repayment of Interest free loan received from Mr N Jayakumar | 94.95 | - | 255.00 (Credit) | 349.95 (Credit) |
| 12 | Interest free Inter Corporate Deposit from Judith Investments Private Limited | - | - | 335.00 (Credit) | 335.00 (Credit) |

23.17 The net effect of taxation timing differences results in a deferred tax asset. As a measure of prudence such deferred tax asset is, for the time being, not recognized in the accounts in absence of certainty about its realization.

23.18 Previous period figures are regrouped / rearranged wherever necessary.

As per our Report attached
For and on behalf of
GANDHI & ASSOCIATES LLP
Chartered Accountants
(FRN: 102965W/W100192)

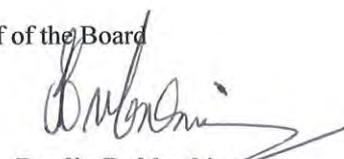



Milind Gandhi
Partner
Membership No. 043194

Mumbai, April 6, 2017

For and on behalf of the Board


N. Jayakumar
Managing Director


Pradip Dubhashi
Chairman


Anil Dharker
Director


Alpana Parida
Director


S. R. Sharma
Director


Ajay Shah
Company Secretary

Mumbai, April 6, 2017