PRIME HOLDINGS & INVESTMENTS INC
Form 10QSB/A
September 12, 2002

Amended Form 10-QSB

U.S. Securities and Exchange Commission

Washington, D.C. 20549

(Mark One)

[X] **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the period ended June 30, 2002

[ ] **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from _____ to _____

Commission File NO: 000-30477

PRIME HOLDINGS AND INVESTMENTS, INC.

(Exact name of small business issuer as specified in its charter)

Nevada	88-0421215
(State or other jurisdiction of incorporation or organization)	(I.R.S. Identification No.)

8275 South Eastern Avenue

Las Vegas, Nevada 89123

(Address of principal executive offices)

(702) 990-8800

(Issuer's telephone number)

Check whether the issuer:

(1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and

(2) has been subject to such filing requirements for the past 90 days. Yes _X_ No _____

Applicable only to corporate issuers

:

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 53,527,000 shares common stock issued and outstanding as of June 30, 2002.

Transitional Small Business Disclosure Format (check one) Yes _____ No _X_

PART I - FINANCIAL INFORMATION

PRIME HOLDINGS AND INVESTMENTS INC.

Consolidated Interim Financial Statements

(Unaudited)

June 30, 2002

(U.S. Dollars in thousand)

PRIME HOLDINGS AND INVESTMENTS INC.

CONTENTS

June 30, 2002

(U.S. Dollars in thousand)

EVANCIC PERRAULT ROBERTSON

CERTIFIED GENERAL ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Stockholders

Prime Holdings and Investments Inc.

We have reviewed the accompanying consolidated balance sheet of Prime Holdings and Investments Inc. as at June 30, 2002 and the consolidated statements of earnings, stockholders' equity and cash flows for the six months ended June 30, 2002. These consolidated financial statements are the responsibility of Prime Holdings and Investments, Inc.'s management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of consolidated financial statements consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, no such opinion is expressed.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements for them to be in conformity with generally accepted accounting principles established by the American Institute of Certified Public Accountants.

CERTIFIED GENERAL ACCOUNTANTS

North Vancouver, B.C.

August 14, 2002

#102 - 1975 Lonsdale Avenue, North Vancouver, BC V7M 2K3

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Office Across Canada

Affiliates Around the World

PRIME HOLDINGS AND INVESTMENTS INC.

STATEMENT 1

CONSOLIDATED BALANCE SHEET

June 30, 2002

(U.S. Dollars in thousand)

		June 30, 2002		June 30, 2001
ASSETS				
Current:				
Cash and cash equivalents	$	660	$	1,414
Accounts receivable, net of allowance for doubtful accounts				
(2002 - $108) (2001 - $96)		9,279		6,571
Inventory - note 3		2,401		1,219
Net construction work in progress		39		-
Prepaid expenses		342		21
		12,721		9,225
Long-term accounts receivable		-		71

Property, plant and equipment - note 4		853		768
Investments - note 5		624		974
Other investments - note 5		43		-
Goodwill - note 6		2,058		1,584
Other intangible assets - note 7		112		49
	$	16,411	$	12,671
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current:				
Demand loan - note 8	$	3,454	$	3,862
Accounts payable and accruals		6,723		3,213
Customer deposits		-		247
Corporate taxes payable		487		379
Current portion of long term debt - note 9		112		16
		10,776		7,717
Long-term debt - note 9		65		71
Reserve for employee termination indemnities		217		233
Minority interest		564		572
		11,622		8,593
Contingent liabilities / commitments - note 13				
Stockholders' equity				
Capital stock and additional paid-in capital		5,594		5,560
Other comprehensive income		579		(244)
Deficit		(1,384)		(1,238)
		4,789		4,078
	$	16,411	$	12,671

On behalf of the Board

______________________________Director _________________________ Director

The accompanying notes are an integral part of these financial statements.

EVANCIC PERRAULT ROBERTSON

PRIME HOLDINGS AND INVESTMENTS INC.

STATEMENT 2

CONSOLIDATED STATEMENT OF EARNINGS

For the periods ended June 30, 2002

(U.S. Dollars in thousand)

	Three Months Ended June 30		Six months ended June 30	
	2002	2001	2002	2001
Revenue	$ 1,258	$ 2,032	$ 1,676	$ 2,462
Operating expenses				
Amortization	77	127	107	253
Bank charges and interest	129	25	146	32
Other operating expenses	19	32	79	88
Other provisions	-	803	-	822
Outside services	743	500	1,313	599
Purchases	260	284	301	521
Rent	43	56	69	152
Salaries and benefits	80	180	178	180
	1,351	2,007	2,193	2,647
	(93)	25	(517)	(185)
Other income (expense)				
Interest income	4	9	4	9
Miscellaneous	380	63	493	70
Extraordinary income	-	34	-	34
Loss before minority interest and income taxes	291	131	(20)	(72)
Income taxes	6	108	8	113
Loss before minority interest	285	23	(28)	(185)
Minority Interest	17	75	18	81
Net earnings (loss) for the period	$ 268	$ (52)	$ (46)	$ (266)
Weighted average common shares				
outstanding	53,527	53,527	53,527	53,527
Earnings (loss) per share	$ 0.005	$ (0.001)	$ (0.001)	$ (0.005)

The accompanying notes are an integral part of these financial statements.

EVANCIC PERRAULT ROBERTSON

PRIME HOLDINGS AND INVESTMENTS INC.

STATEMENT 3

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

For the six months ended June 30, 2002

(U.S. Dollars in thousand)

	Common Stock Number(000)	Common Stock and Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive Income	Total
Balance, December 31, 2000	740	4,623	(972)	(1)	3,650
Net loss for the period	-	937	(266)	(243)	428
Balance, June 30, 2001	740	5,560	(1,238)	(244)	4,078
Increase in paid-in capital in SITI S.p.A. before reverse					
Reverse Acquisition					
Pre-acquisition shares of Prime Holdings and Investment Inc.,					

(Note 2)	3,527		34		-		-	34
Issuance of common shares for reverse acquisition of SITI on September 13, 2001	50,000		-		-		-	-
Less exchange of SITI S.p.A. shares	(740)		-		-		-	-
Balance after reverse acquisition	53,527		5,594		(1,238)		(244)	4,112
Net loss for the period	-		-		(100)		253	153
Balance, December 31, 2001	53,527		5,594		(1,338)		9	4,265
Net income (loss) for the period	-		-		(46)		570	524
Balance, June 30, 2002	53,527	$	5,594	$	(1,384)	$	579	4,789

The accompanying notes are an integral part of these financial statements.

EVANCIC PERRAULT ROBERTSON

PRIME HOLDINGS AND INVESTMENTS INC.

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2002

(U.S. Dollars in thousand)

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
Cash flows from operating activities:		
Loss from operating activities	$ (47)	$ (266)
Items not requiring an outlay of funds		
Amortization	107	253
Minority interest	18	81
	78	68
Changes in non-cash working capital		
Accounts receivable	(2,691)	(263)
Long-term receivables	-	(61)
Inventory	(71)	(39)
Net construction work in progress	(36)	-
Prepaid expenses	580	-
Accounts payable and accrued liabilities	2,059	134
Customer deposits	(454)	245
Corporate taxes payable	40	3
Reserve for employee termination indemnities	(67)	(15)
	(562)	72
Cash flows from financing activities:		
Proceeds (repayment) of long-term debt	(22)	4
Increase in minority interest	110	116
Increase in share capital/paid in capital	-	(937)
Proceeds of demand loans	600	1,320
Decrease in due to minority interest shareholders	(109)	-
	579	503
Cash flows from investing activities:		
Purchases of capital assets	(15)	(223)
Sale (purchase) of long-term investments	40	(272)
Sale of other investments	119	141
Net cash acquired on acquisition of business	-	738
	144	384

Effect of exchange rate changes on cash		101		(99)
Increase in cash		262		860
Cash, beginning of period		398		554
Cash, end of period	$	660	$	1,414
Supplemental Disclosures				
Interest paid	$	147	$	6
Income taxes paid		-		-

The accompanying notes are an integral part of these financial statements.

EVANCIC PERRAULT ROBERTSON

PRIME HOLDINGS AND INVESTMENTS INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2002

(U.S. Dollars in thousand)

The Company was incorporated on December 3, 1998, under the laws of the State of Nevada.

On August 8, 2001, the Company changed its name to Prime Holdings and Investments, Inc. (Prime) and acquired 100% of the shares of SITI S.p.A. Societa Italiana Telecommunicazioni Integrate (SITI), an Italian corporation. The Company's principal activities are telecommunications and construction contracting.

1. Nature of Business

S.I.T.I. S.p.A. owns majority interest in a group of companies specializing in the engineering and construction of transportation infrastructure and fiber optics networks; resort construction; manufacture and sale of telecommunications hardware and related network systems; and asset management and brokerage services for works of art.

Datico S.p.A. is established in 1981. It is an information technology services company that specializes in the design, building and maintenance of advanced network systems. It manufactures and markets network components such as modems, converters, adapters, statistical multiplexers, ethernet hubs and media converters under the Datico trade name. In addition, Datico is a certified distributor for network component supply companies which includes Nokia, Cisco and Newbridge.

Datico Services S.p.A. is a switchless long distance reseller and prepaid phone cards supplier to ethnic group and call shop centers, focused in southern Italy. Over the next 3 years, Datico Services S.p.A. will expand operations and continue its move into international telecommunications transmissions.

Kelti S.r.L. is a long distance reseller that aims at providing telephone systems to the banking sector in the eastern part of Italy, including the region of Abruzzo.

Impresa Mondelli S.r.L. is an engineering and general contracting company, specializing in the construction of cable and fiber optic networks, bridges, highways and commercial buildings. Mondelli has a notable 120-year history of partnering with major Italian construction companies and related consortia to from Temporary Associations of Enterprises, having completed major works throughout Italy.

Artel S.r.L. is a company that specialize in the purchase, sale and brokerage of works of art, painting, furniture, watches, rugs, prints, antique drawings, antiques and contemporary works of art.

Sardegna 97 S.p.A. is developing an 80-Villa resort project in Sardinia. The project is in Phase I and is approximately 20% completed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The financial statements of entities, which are controlled by the Company, referred to as subsidiaries, are consolidated. Entities which are not controlled but over which the Company has the ability to exercise significant influence, referred to as associated companies, are accounted for using the equity method. Investments in entities that the Company does not control or over which it does not exercise significant influence are accounted for using the cost method.

The acquisition by the Company of the shares of SITI S.p.A. on September 13, 2001 was accounted for as a reverse acquisition whereby SITI S.p.A. is considered the acquiring company. The comparative figures presented are those of SITI S.p.A..

Reverse acquisition

On September 13, 2001, the Company completed an agreement with the shareholders of SITI S.p.A., an Italian company, whereby the Company issued 50,000,000 common shares to acquire all of the issued and outstanding shares of SITI S.p.A. No cash was transacted.

The acquisition has been accounted for as a reverse takeover using the purchase method, and accordingly, for financial statement reporting purposes, the net assets of SITI have been included in the consolidated balance at book values, and the net assets of Prime have been recorded at fair market value at the date of acquisition. The consolidated operations of the Company for the period from January 1, 2001 to the date of acquisition, September 13, 2001, are those of SITI and exclude the results of operations of Prime. The results of Prime are included in the consolidated statements of operations after the date of acquisition.

The cost of the acquisition is the assumption of the liability position of Prime Holdings and Investments Inc as at September 13, 2001 and consists of:

Accounts payable	34
Total liabilities assumed on acquisition	34

This amount has been reflected as increase in capital stock on the statement of stockholders' equity.

Cash and cash equivalents

Cash and cash equivalents includes cash and those short-term market instruments which, on acquisition, have a term to maturity of three months or less.

Marketable securities

Publicly traded securities deemed available-for-sale by the Company are measured at fair value. Gains and losses on available-for-sale securities are presented separately in the stockholders' equity section.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at 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.

Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is established on a LIFO basis. No reserve for obsolete and slow-moving inventories is deemed necessary.

Investments

Investments are shown at the lower of cost or fair market value.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided annually on a straight-line basis at rates calculated to write-off the assets over their estimated useful lives as follows except in the year of acquisition when one half of the rate is used.

Buildings	3%
Plant and machinery	15.50%
Other equipment	25%
Other plant and equipment	12% - 25%

Intangible Assets

Intangible assets are stated at cost, reduced on a straight-line basis to their net book value through provision for amortization provided at the following annual rates:

Licenses, trade-marks and similar rights	20%
Patents and intellectual property rights	33%
Purchased goodwill	10%
Other intangible assets	20%

Additions during the year are amortized at the above rates.

Goodwill

Prior to July 2001, goodwill arising on consolidation was not amortized, whereas the goodwill arising on the acquisition of a business by S.I.T.I. S.p.A. is amortized over 10 years.

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141") and statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires all business combinations to be accounted for using the purchase method of accounting and that certain intangible assets acquired in a business combination shall be recognized as assets apart from goodwill. SFAS 142 recognizes that goodwill has an indefinite useful life and will no longer be subject to periodic amortization. Goodwill will be tested at least annually for impairment in lieu of amortization. The SFAS 142 requires that goodwill arising from acquisitions subsequent to June 30, 2001 should not be amortized.

The Company evaluates the carrying value of goodwill and long-lived assets to be held and used. The carrying value of an asset is considered impaired when the anticipated undiscounted cash flow from such assets is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value. Fair market value is determined using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced by the cost of disposition of such assets.

Revenue recognition

Telecommunication products and services:

Revenue is recorded net of trade discounts and allowances upon shipment of products or rendering of services and when all significant contractual obligations have been satisfied and collection is reasonably assured.

Construction activities:

Construction contracts range up to 8 years in length and revenues are recognized using the percentage-of-completion method. Percentage-of-completion is calculated using the cost-to-cost method.

Income taxes

National corporate taxes (IRPEG) in Italy are levied on book income adjusted for disallowable expenses at the rate of 36% (36% in 2001).

In addition, a regional tax on value produced (IRAP) is levied at the rate of 4.25%. In accordance with the principles established by the Italian accounting profession, this tax is classified with income taxes, even though certain significant costs and expenses (e.g. personnel costs and interest expense) are not deductible in the determination of the related IRAP tax liability.

Reserve for Employee Termination Indemnities

Provision has been made, under Italian law and labour regulations, for termination indemnities to employees upon termination of employment.

Earnings (Loss) per share

Basic EPS is determined using net income divided by the weighted average shares outstanding during the period. Diluted EPS is computed by dividing net income by the weighted average shares outstanding, assuming all dilutive potential common shares were issued. Since the Company has no common shares that are potentially issuable, such as stock options, convertible securities or warrants, basic and diluted EPS are the same.

As the acquisition has been recorded as a reverse acquisition, the shares outstanding after the acquisition was used in the EPS calculations for the 2000 year.

Translation of foreign currencies

The functional currency of the Company is the United States dollar. The financial statements of the Company's operations whose functional currency is other than the United States dollar are translated from such functional currency to United States dollars using the current rate method. Under the current rate method, assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Revenues and expenses, including gains and losses on foreign exchange transactions, are translated at average rates for the period. Where the current rate method is used, the unrealized translation gains will be accumulated in other comprehensive income under the shareholders' equity section.

Financial instruments

The estimated fair value of cash and equivalents, short-term investments, accounts receivable, loans receivables, and accounts payable and accrued liabilities approximate their carrying amounts in the financial statements. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial statements.

3. INVENTORY

	June 30 2002	June 30 2001
Raw materials	$ 233	$ -
Finished goods	2,168	1,219
	$ 2,401	**$ 1,219**

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value	June 30 2002 Net Book Value	June 30 2001
Fixed assets construction in progress					

$ 251

$ - $ 251 $ 198Land and buildings284 154130119Other equipment 37636412 17Other plant and equipment 316 174 142 63Plant and machinery1,061743318 371**$ 2,288$ 1,435 $ 853$ 768**

5. INVESTMENTS AND OTHER INVESTMENTS

	June 30 2002	June 30 2001
Investments in enterprises		
Advances to sub-contractors of Impresa Mondelli Srl	$ 54	$ -

Consortium Tecnos	570	490
Advances to Sardegna 97 S.p.A.	-	108
Advances to Kelti SrL	-	303
Advances to Artel SrL	-	73
Total	**$ 624**	**$ 974**

Other investments

Other investments are represented by fixed interest securities.

6. GOODWILL

	June 30 2002	June 30 2001
Goodwill	$ 2,072	$ 1,592
Accumulated amortization	14	8
Total	**$ 2,058**	**$ 1,584**

7. OTHER INTANGIBLE ASSETS

			June 30 2002	June 30 2001
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Intangibles in progress and advances	$ -	$ -	$ -	$ 10
Licenses, trade-marks and similar rights	85	55	30	27
Others intangible assets	127	50	77	4
Patents and intellectual property rights	16	13	3	8
Research and development expenditures	8	6	2	-
	$ 236	**$ 124**	**$ 112**	**$ 49**

8. DEMAND LOAN

Group companies have credit lines available to the extent of US $3.5 million at interest rates of 7.25% - 9.75% on June 30, 2002.

9. LONG-TERM DEBT

	June 30 2002	June 30 2001
Mortgage payable to Creditor Fondiario S.p.A., secured by building, no payment terms and non-interest bearing.		
Balance	$ 97	$ -
Mortgage payable to Comit (Banca Commerciale Italiana), secured by building, requiring semi-annually payments of $4, including interest at 5.198%.		
Balance	24	25
Mortgage payable to Ambrosiano Veneto, secured by building, requiring semi-annually payments of $4, including interest at 4.675%.		
Balance	56	62
	$ 177	$ 87
Less current portion	112	16
	$ 65	**$ 71**

9. LONG-TERM DEBT (continue)

Principal amounts due within the next three years on mortgages payable are as follows:

2003	$ 112
2004	56
2005	9

10. CAPITAL STOCK

Authorized: 500,000,000 common shares with par value of $0.0001

100,000,000 preferred shares with par value of $0.001

11. ACQUISITIONS

On June 4, 2001, Datico S.p.A. acquired 93% of the share capital of Impresa Mondelli S.r.l. which is an engineering and general contracting company specializing in the construction of cable and fiber optic networks, bridges, highways and commercial buildings. The purchase price was $127. The purchase included goodwill of $5.

On September 25, 2001, the Company acquired 51% of the share capital of Artel S.r.l. The Company purchases, sells and brokers of works of art, paintings, furniture, watches, rugs, prints and antique drawings. The purchase price was $7.

On October 7, 2001, the Company acquired 100% of the share capital of Sardegna 97 SpA. The Company is developing on an 80-Villa resort project in Sardinia. The project is in Phase I with approximately 20% completed. The purchase price was $112. The purchase included goodwill with the amount of $101.

All of these acquisitions are accounted for under the purchase method. The consolidated financial statements include the operating results of each of these businesses from the beginning of the financial year in which the acquisition took place.

Goodwill has been determined on the basis of the difference between the purchase price paid and the fair market value of the underlying assets and liabilities acquired.

12. SEGMENTED INFORMATION

Telecommunications

The telecommunication segment supplies and installs telecommunication equipment in Italy under contractual agreements with major telecommunication equipment suppliers.

Construction

The construction segment contracts to build major highway projects in Italy under long-term contracts ranging up to 8 years in length.

Below are the sales and operating profit by segment for the three month period ended

June 30, 2002 and a reconciliation of segment operating profit to earnings before income taxes.

	Construction	Telecommunication	Total
Revenues	$ 890	$ 369	$ 1,259
Operating expenses	953	399	1,352
Operating income (loss)	(63)	(30)	(93)
Other income (expenses)	19	365	384
Earnings (loss) before income taxes and minority interest	$ (44)	$ 335	$ 291

13. COMMITMENTS AND CONTINGENCIES

Group companies have provided guarantees to third parties relating to construction activities approximating US $11 million and has received guarantees approximating US $4 million. These relate to construction projects substantially completed in prior years and will be terminated once final completion of the related projects has been authorized.

14. RELATED PARTY TRANSACTIONS

During the three month period the Company has received from the former shareholders of SITI S.p.A. $6 (2001 - nil) for reimbursement of acquisition expenses.

Item 2. Management's Discussion and Analysis

This Management Discussion and Analysis presents a review of the consolidated operating results and financial condition of the Company for the quarter ended June 30, 2002. This discussion and analysis is intended to assist in understanding the financial condition and results of operation of the Company, its subsidiaries and associated companies. This section should be read in conjunction with the consolidated financial statements and the related notes appearing elsewhere in this report.

The accompanying consolidated financial statements include the accounts of the Company, its subsidiaries and associated companies. The consolidated financial statements include the operating results of each of these companies from the beginning of the quarter ended March 31, 2002. A list of the Company's subsidiaries is filed as Exhibit 21 to this Form 10-QSB.

The financial statements of entities, which are controlled by the Company (referred to as subsidiaries) are consolidated. These include the accounts of the following companies: S.I.T.I. SpA; Datico SpA; Impresa Mondelli SrL; Datico Services SpA; Sardegna '97 SpA; Artel SrL; and KELTI SrL. Investments in subsidiary companies are accounted for using the purchase method. Entities which are not controlled, and over which the Company does not exercise significant influence (referred to as associated companies), are accounted for using the cost method. This includes the accounts of Consorzio Tecnos.

From the date of incorporation on December 3, 1998, to September 13, 2000, the Company was a development stage company that did not have revenues from operations. From December 3, 1998 to February 25, 2000, the Company operated under the name Diligencia Technologies, Inc. and from February 25, 2000 to August 15, 2000, operated under the name MyTravelGuide.com Inc. As of September 13, 2001, S.I.T.I. held $1,337,000 in cash, a portion of which was used by the Company to satisfy its cash requirements.

The Company believes its existing cash balances will be sufficient to meet anticipated cash requirements for at least the next twelve months. The Company may, nonetheless, seek additional financing to support its activities during the next twelve months or thereafter, including additional public offerings of its common stock. There can be no assurances, however, that additional capital will be available on reasonable terms, if at all, when needed or desired.

RESULTS OF OPERATIONS

Quarter ended June 30, 2002 compared to quarter ended June 30, 2001.

Total revenues for the quarter ended June 30, 2002 were $1,257,785, a decrease of 38%, as compared to revenues of $2,032,000 for the quarter ended June 30, 2001.

Discussion of Subsidiary Companies reporting revenue during fiscal 2002

The Company's subsidiary companies that reported revenues during second quarter 2002, are Datico, Datico Services, Impresa Mondelli, SITI and Kelti.

During second quarter 2002, Datico had revenues of $82,800, a decrease of 82%, compared to revenues of $465,000 during the same quarter 2001.

During second quarter 2002, Datico Services, had revenues of $2,359 a decrease of 94%, compared to revenues of $38,000 during the same quarter 2001.

During second quarter 2002, Impresa Mondelli, had revenues of $888,817, a decrease of 31%, compared to $1,285,000 revenues during the same quarter 2001

During second quarter 2002, SITI, had revenues of $58,613 a decrease of 46%, compared to revenues of $109,000 during the same quarter 2001.

During second quarter 2002, Kelti had revenues of $225,196 an increase of 67%, compared to revenues of $135,000 during the same quarter 2001.

All the of the Company's revenues were generated by subsidiary companies operating in Italy.

Total expenses decreased by $656,000 or 33%, from $2,007,000 for second quarter 2001, to $1,351,000 for second quarter 2002. All increases in total expenses were a result of acquisition of the Company's subsidiaries and associated companies on September 13, 2001. Employment compensation and related costs decreased by $100,000 or 55%, from $180,000 for second quarter 2001 to $80,000 for second quarter 2002.

Occupancy and rental costs decreased by $13,000 or 23%, from $56,000 for second quarter 2001 to $43,000 for first quarter 2002.

Depreciation and amortization decreased by $50,000 or 39%, from $127,000 for second quarter 2001 to $77,000 for second quarter 2002, due to amortization associated with assets acquired during acquisition of SITI in September 13, 2001, and subsequent acquisitions of subsidiary companies by SITI up to December 31, 2001.

The income tax provision decreased from $108,000 for second quarter 2001 to $6,000 for first quarter 2002. An income of $285,000 was recorded in the second quarter 2002, as a result of the operations of and expenses incurred by subsidiary companies.

As a consequence of the foregoing, Prime's operating income increased from $23,000 for second quarter 2001, to an income of $285,000 for second quarter 2002.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 5. Other Information

Not applicable

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRIME HOLDINGS AND INVESTMENTS, INC.

/s/ John Visendi

John Visendi

CEO and Duly Authorized Officer