

# 14<sup>th</sup> Annual Report 2011 - 2012



**Inter-connected Stock Exchange of India Limited**



# Inter-connected Stock Exchange of India Limited

## 14<sup>th</sup> Annual Report 2011-12

Particulars	Page No.
<b>Corporate Information</b>	<b>3-4</b>
<b>Directors' Report</b>	<b>7-19</b>
<b>Corporate Governance Report for the FY 2011-12</b>	<b>20-28</b>
<b>Compliance Certificate</b>	<b>29-31</b>
<b>Auditors' Report</b> (for the period April 1, 2011 to March 31, 2012)	<b>32-34</b>
<b>Balance Sheet</b> (as at March 31, 2012)	<b>35</b>
<b>Profit &amp; Loss Account</b> (for the period April 1, 2011 to March 31, 2012)	<b>36</b>
<b>Schedule forming part of the Accounts</b> (for the period April 1, 2011 to March 31, 2012)	<b>37-57</b>
<b>Inter-connected Stock Exchange of India Ltd. -Investor Protection Fund Trust (ISE-IPF)</b> (for the period April 1, 2011 to March 31, 2012)	<b>58-62</b>
<b>13<sup>th</sup> Annual Report 2011-12</b> <b>ISE Securities &amp; Services Limited</b> (Wholly owned subsidiary of Inter-connected Stock Exchange of India Limited)	<b>65-98</b>

CONTENTS



## Inter-connected Stock Exchange of India Limited

### BRANCH OFFICES

#### AHMEDABAD

105, 1<sup>st</sup> Floor,  
Shalibhadra Complex Opp. Jain Derasar (Temple)  
Nehru Nagar, Ambawadi, Ahmedabad  
Gujarat - 380 015  
(Branch Incharge: Shri Mihir Gandhi)

#### KOLKATA

Eastern Regional Office  
Mukti Chambers - 306 & 403  
4, Clive Road, Kolkata  
West Bengal- 700 001  
(Branch Incharge: Shri Ramesh Kumar)

#### COIMBATORE

683-686,  
Stock Exchange Building  
Trichy Road, Singanallur  
Coimbatore  
Tamil Nadu - 641 005  
(Branch Incharge: Shri T. Umashankar)

#### NAGPUR

Saraswati Sadanam  
Block No. 6A-I, Bajaj Wing, 3rd Floor,  
Mangalwari Complex, Near Anjuman College Sadar, Nagpur  
Maharashtra - 440 001  
(Branch Incharge: Shri Jay Kumar Mishra)

#### DELHI

16/11, 3rd Floor, R.D. Chamber  
Arya Samaj Road, Karol Bagh  
New Delhi - 110 005  
(Branch Incharge: Shri Santosh Kumar)

#### PATNA

Ashiana Plaza, 8th Floor, Room No. 803  
Budh Marg, Patna  
Bihar - 800 001  
(Branch Incharge: Shri Nageswar Kumar Tiwary)

#### HYDERABAD

101-103, 1st Floor, Kubera Towers, 1st Floor,  
Naryanaguda, Hyderabad,  
Andhra Pradesh-500029  
(Branch Incharge: Shri K. V. Nagabushan)

#### GUWAHATI

Shine Tower, 2nd Floor,  
S. J. Road, Arya Chowk,  
Rehabari, Guwahati  
Assam- 781008  
(Branch Incharge: Shri Naba Krishna Kalita)

### INVESTOR POINTS

#### HYDERABAD

101-103, 1st Floor, Kubera Towers,  
Naryanaguda,  
Hyderabad,  
Andhra Pradesh-500029  
(Incharge: Shri K. V. Nagabushan)

#### TIRUNELVELI

No:G1, "Atura Jose Complex",  
Near, Uzhavar Market, Maharaja Nagar,  
Palayamkottai, Tirunelveli  
Tamil Nadu - 627 011  
(Incharge: Shri S. P. Nagarajan)



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### PUBLIC INTEREST DIRECTORS



**Shri K. Rajendran Nair**  
Chairman



**Shri A. K. Mago**



**Shri H. C. Parekh**

### SHAREHOLDER DIRECTORS



**Shri P. Sivakumar**



**Shri K. V. Thomas**



**Shri Dharmendra  
B. Mehta**



**Shri Debaraj Biswal**



**Shri Santosh Muchhal**



**Shri Bharat Meisheri**

### TRADING MEMBER DIRECTORS



**Shri Surendra Holani**



**Shri Rajeeb Ranjan Kumar**

### MANAGING DIRECTOR



**Shri P. J. Mathew**



# CORPORATE INFORMATION

## COMPANY SECRETARY & COMPLIANCE OFFICER

Shri Milind Nigam

## AUDIT COMMITTEE

Shri P. Sivakumar  
Shri Dharmendra B. Mehta  
Shri Santosh Muchhal

## STATUTORY AUDITORS

**M/s. Contrator, Nayak & Kishnadwala,**  
Chartered Accountants

## INTERNAL AUDITORS

**M/s. M. P. Chitale & Co.,**  
Chartered Accountants  
(till FY 2011-12)

**M/s. Haribhakti & Co.,**  
Chartered Accountants  
(w.e.f. FY 2012-13)

## REGISTRAR & SHARE TRANSFER AGENT

**Bigshare Services Pvt. Ltd.**  
E-2 & 3, Ansa Industrial Estate,  
Saki-Vihar Road, Sakinaka, Andheri  
(E) Mumbai-400 072

## BANKERS

**HDFC Bank Limited**  
Vashi Branch  
Sector 17, Vashi  
Navi Mumbai 400703.

**Axis Bank Limited**  
Vashi Branch  
Sector 17, Vashi  
Navi Mumbai 400703.

## REGISTERED OFFICE

International Infotech Park  
Tower No. 7, 5<sup>th</sup> Floor  
Sector - 30, Vashi  
Navi Mumbai - 400703.

**Notice of the 14th Annual General Meeting of Inter-connected Stock Exchange of India Limited  
to be held on Friday, September 14, 2012 at 11.30 am at Chandragupt Hall, 2nd Floor,  
Hotel Abbott, Sector - 2, Near Meghraj Cinema Hall, Vashi, Navi Mumbai 400 703**

**NOTICE** is hereby given that the 14th Annual General Meeting of the Members of Inter-connected Stock Exchange of India Ltd. will be held on Friday, September 14, 2012 at 11.30 am at Chandragupt Hall, 2nd Floor, Hotel Abbott, Sector - 2, Near Meghraj Cinema Hall, Vashi, Navi Mumbai 400 703 to transact the following business:

**Ordinary Business**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2012 and Profit & Loss Account for the period April 1, 2011 to March 31, 2012 and Reports of the Directors and Auditors thereon.
2. To appoint a Shareholder Director in place of **Mr. Debaraj Biswal**, who is liable to retire by rotation, as per the applicable provisions of the Articles of Association of the Company and being eligible, offers himself for re-appointment subject to approval of Securities and Exchange of India (SEBI).
3. To appoint a Shareholder Director in place of **Mr. Bharat Meisheri**, who is liable to retire by rotation, as per the applicable provisions of the Articles of Association of the Company and being eligible, offers himself for re-appointment subject to approval of Securities and Exchange of India (SEBI).
4. To appoint Auditors and to fix their remuneration

**SPECIAL BUSINESS**

To pass a resolution that the vacancy caused in the office of director due to the retirement by rotation of **Mr. Surendra Holani** be not filled by any fresh appointment.

**BY ORDER OF THE BOARD**

**Date:** July 30, 2012  
**Place:** Vashi, Navi Mumbai

sd/-  
**MILIND NIGAM**  
**COMPANY SECRETARY**

**Notes:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. **THE PROXY TO BE EFFECTIVE, SHOULD BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. The explanatory statement as required under Section 173(2) of the Companies Act, 1956, in respect of the Special Business set out, if any, above is annexed hereto.
4. Members who hold Shares in dematerialized form are requested to write their Client ID and DP ID Nos. and those who hold shares in Physical form are requested to write their Folio No. in the attendance slip while attending the Meeting

for easy identification of attendance at the Meeting.

5. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him and such proxy need not be a member of the company. Under the provisions of Companies Act, 1956, voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding paid up capital of atleast Rs. 50,000/-.
6. The Register of Members and Share Transfer Books of the Company will remain closed from September 4, 2012 to September 14, 2012 (both days inclusive). Dividend on equity shares, if any, as recommended by the directors, if declared at the ensuing Annual General Meeting, the payment of the dividend will be made to those shareholders whose name appears in the Register of Members of the Company as on September 3, 2012. In respect of the shares held in electronic form (dematerialized mode), the dividend will be payable on the basis of the details of beneficial ownership, furnished by M/s. Central Depository Services (India) Limited for this purpose as at the end of business hours on September 3, 2012.
7. Members are requested to
  - i. Write to the Company at least 7 days before the date of the meeting, in case they desire any information as regards the Audited Accounts for the financial year ended 31st March 2012, so as to enable the Company to keep the information ready.
  - ii. Bring their copy of the Annual Report and the Attendance Slip at the Annual General Meeting.
  - iii. Intimate to the Registrar & Transfer Agent (R&TA) of the Company immediately, about any change in their addresses, where the shares are held in electronic form such change is to be informed to the Depository Participant (DP) and not to the Company / R&TA.
  - iv. Quote Registered Folio Number or DP ID / Client ID in all the correspondence.
  - v. Approach the R & TA of the Company for consolidation of folios.
  - vi. Furnish bank account details to the R&TA / Depository Participant to prevent fraudulent encashment of dividend warrants.
  - vii. Avail of Nomination facility by filling in and forwarding the nomination form to the R&TA, if not already done.
  - viii. Send all share transfer lodgments (physical mode) / correspondence to the **R&TA** of the Company up to **Bigshare Services Pvt. Ltd., E-2 & 3, Ansa Industrial Estate, Saki-Vihar Road, Sakinaka, Andheri (E), Mumbai-400072** up to the date of book closure.



8. Members/ Proxies are requested to bring the Attendance Slip duly filled up for attending the Meeting.
9. Corporate Members are requested to forward a certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
10. All the documents referred to in the Notice are open for inspection at the Corporate Office of the Company between 10.30 a.m. to 12.30 p.m. on all working days except Saturdays, Sundays and Public Holidays until the date of the Annual General Meeting or any adjournment(s) thereof.
11. Members are requested to Contact for any query related to shares, dividend and other inquiry at the following address:

**Inter-connected Stock Exchange of India Ltd.**

International Infotech Park  
Tower No. 7, 5th Floor  
Sector 30, Vashi  
Vashi, Navi Mumbai - 400 703  
Ph.: +91-22-67941100

**EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956**

**Item No.5**

In the normal course the vacancy in the office of director caused by the retirement by rotation of Mr. Surendra Holani would have been filled either by re-appointing Mr. Surendra Holani himself or any other Trading Member in his place.

However, due to the changes effected by SEBI in the regulations concerning the composition of the board of directors of a stock exchange, your directors have proposed not to fill the said vacancy arising as a result of the retirement of Mr. Surendra Holani by rotation.

The Securities and Exchange Board of India (the SEBI) made the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (the said Regulations) which were promulgated by SEBI vide notification dated June 20, 2012. These are applicable to stock exchanges and clearing corporations.

Regulation 23(1) of the said regulations has laid down the composition of the Governing Board of every recognized Stock Exchange as under:

*“The governing board of every recognised stock exchange and recognised clearing corporation shall include:*

- (a) *Shareholder directors;*
- (b) *Public interest directors; and,*
- (c) *Managing director”*

*Further, Regulation 23(7) states that “No trading member or clearing member, or their associates and agents, shall be on the Governing Board of any recognised Stock Exchange.”*

ISE being a recognized Stock Exchange would have to ensure due compliance with the amended provisions of the said regulation within a period of three months from the date of commencement of these regulations as stipulated in the said Regulations.

An important change that has been effected by the said regulations is deleting the category of Trading Member Directors from the Board of a recognised stock exchange. Consequently, in the case of ISE as well, henceforth, there cannot be any Trading Member Director.

Consequently, as per the said regulations, the effective composition of the Board of Directors of ISE, will be as under:

1. Public Interest Directors- 5 Nos.
2. Shareholder Directors- 5 Nos.
3. Managing Director - 1 No.

In the circumstances, when Mr. Surendra Holani, a Trading Member Director, retires by rotation at the ensuing Annual General Meeting of ISE, in view of the changes effected by the said regulations, neither he nor any other person will be eligible for appointment to fill the said vacancy as henceforth no Trading Member Director can be appointed to the board of ISE.

Therefore, it is necessary for the members to pass a resolution to the effect that the said vacancy arising as a result of the retirement by rotation of Mr. Surendra Holani shall not be filled by any fresh appointment. If no such resolution is passed then the provisions of section 256(4) of the Companies Act, 1956, will be attracted and it can also result in the automatic re-appointment of Mr. Surendra Holani as a director.

Hence, the Board commends the resolution set out at Item No.5 for your approval.

**BY ORDER OF THE BOARD**

**Date:** July 30, 2012  
**Place:** Vashi, Navi Mumbai

sd/-  
**MILIND NIGAM**  
**COMPANY SECRETARY**



# Director's Report 2011-12

The Board of Directors of Inter-connected Stock Exchange of India Ltd. is pleased to present the Fourteenth (14th) Annual Report for the year ended March 31, 2012 together with the Audited Statement of Accounts for the financial year 2011-12.

## FINANCIAL HIGHLIGHTS

The financial performance of your Exchange for the year 2011-12, together with the comparable figures for the four previous years, is given below in Table No. 1:

Table No. 1: Comparative Financial Performance					(₹ in lakh)
Particulars	2011-12	2010-11	2009-10	2008-09	2007-08
<b>INCOME</b>					
Admission Fee from Trading Members	5.50	6.70	163.09	190.35	16.75
Annual Subscription from Trading Members	76.32	94.47	110.00	88.66	85.18
Listing Fees	0.96	0.62	0.66	1.67	1.40
Transaction Charges	-	-	-	-	-
Income from DP Operation	138.09	173.13	182.66	154.70	185.63
Income from Training Programmes	8.51	9.16	6.95	12.44	22.72
Income from Research	0.73	0.23	0.43	1.01	1.09
Income from Rent	20.40	18.00	18.00	26.40	48.42
Interest on Bank Deposits	160.61	158.09	277.90	245.69	210.11
Management Services Fee	60.00	30.00	30.00	30.00	30.00
Reimbursement of Expenses from Subsidiary Company	61.54	31.15	31.57	42.09	53.19
Others	139.57	80.33	29.66	75.87	15.54
Income from Current Investments – Mutual Fund	-	-	-	-	21.41
<b>Total Income</b>	<b>672.23</b>	<b>601.88</b>	<b>850.92</b>	<b>868.88</b>	<b>691.44</b>
<b>EXPENDITURE</b>					
Employee Cost	298.44	239.59	197.88	146.37	141.45
Administrative & Operational Expenses	264.67	258.53	274.36	304.66	225.38
DP Expenses	26.65	37.72	46.16	46.02	65.03
Training Programmes Expenses	2.98	2.47	2.19	3.76	8.31
Research Expenses	-	-	0.05	0.12	0.06
Depreciation	32.05	28.37	26.27	25.61	20.87
<b>Total Expenditure</b>	<b>624.79</b>	<b>566.68</b>	<b>546.91</b>	<b>526.54</b>	<b>461.10</b>
<b>Profit/(Loss) before Taxation</b>	<b>47.44</b>	<b>35.21</b>	<b>304.01</b>	<b>342.34</b>	<b>230.34</b>
<b>Less: Provision for Tax and other adjustments</b>	<b>13.39</b>	<b>(8.69)</b>	<b>63.79</b>	<b>166.16</b>	<b>131.40</b>
<b>PROFIT/(LOSS) AFTER TAXATION</b>	<b>34.05</b>	<b>43.90</b>	<b>240.22</b>	<b>176.18</b>	<b>98.94</b>



## APPROPRIATIONS

Appropriations of the net profit for the period are as under:

(₹ in lakh)

General Reserves	-
Proposed Dividend	-
Corporate Dividend Tax	-
Balance carried to Reserves and Surplus	34.05

## DIVIDEND

As per Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, vide notification dated June 20, 2012, an Exchange shall not distribute profit in any manner to its shareholders until the networth of ₹100 Crore is achieved. The Governing Board took note of the said regulation and decided not to recommend any dividend till the networth is enhanced to the extent of ₹100 Crore.

## OPERATIONS OF THE EXCHANGE

### (i) Trading Membership

The status of registration of Trading Members on the Exchange was as given in Table No. 2.

Table No. 2: Status of Trading Members	
<b>Position as on 31.03.2011</b>	<b>724</b>
Fresh Registration	11
Resignation	71
Default	Nil
Expulsion	Nil
<b>Position as on 31.03.2012</b>	<b>664</b>

The distribution of the Trading Members across the different geographical regions of the country as on March 31, 2012 was as given in Table No. 3.

Table 3: Geographical distribution of Trading Members			
Sr. No.	Region	States	Trading Members
1	West	Goa, Gujarat, Maharashtra	281
2	North	Haryana, Delhi, Punjab, Rajasthan, Uttarakhand and Uttar Pradesh	106
3	East	Assam, Bihar, Orissa and West Bengal	176
4	South	Andhra Pradesh, Karnataka, Kerala and Tamilnadu	84
5	Central	Jharkhand, Chhattisgarh and Madhya Pradesh	17
	<b>Total</b>		<b>664</b>

### (ii) Listing

During the financial year 2011-12, no new companies were listed on your Exchange. As at the end of March 31, 2012, there were 5 Companies listed on your Exchange.

### (iii) Depository Participant (DP) Operations

The growth in DP Operations during the last two years of operations of your Exchange in terms of the number of demat accounts opened and number of instructions processed was as shown in Table No. 4:



**Table 4: Growth in DP Operations**

Particulars	2011-12	2010-11
Income (₹ in lakh)	138.09	173.13
Expenditure (₹ in lakh)	26.65	37.72
Net Income (₹ in lakh)	111.44	135.41
No. of beneficiary accounts	45,446	41,916
No. of instructions processed	8,74,626	13,09,700
No. of collection centers	122	124
No. of DP branches	8	8
No. of investor points	2	2

The number of DP accounts opened with your Exchange grew from 41,916 in 2010-11 to 45,446 in 2011-12 i.e. 3530 new Beneficiary Owner (BO) accounts were opened in 2011-12.

Your Exchange is registered as DP with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

#### (iv) Training Programme

The training courses conducted by your Exchange are aimed at improving the financial literacy levels in the securities market. These courses are conducted not from the point of pure commercial interest, but with the objective of increasing the level of knowledge on the various aspects of the securities market. Your Exchange believes that it is essential for all the participants operating in the securities market to be fully aware of not only the practical aspects related to day-to-day functioning, but also the regulatory framework governing the operations of the intermediaries and their clients. Training and education, therefore, are seen by your Exchange as initiatives to help in reducing operational risks and improving confidence levels in the market.

Details of training programmes conducted during 2011-12 are given in Table No. 5

**Table No. 5: Details of training programmes conducted in 2011-12**

Sr. No.	Name of Training Programme	Date	No. of Participants
1	Compliance Requirement For Brokers and Sub-brokers	April 9, 2011	13
2	Capital Market (In-house at SIES College, Sion-West, Mumbai)	April 5 -18, 2011	44
3	Advanced MS Excel	April 30 & May 1, 2011	16
4	Capital Market at Kolkata	June 6 - 11, 2011	10
5	Strategic Live Stock Market Trading	June 9, 2011	12
6	Advanced MS Excel	June 25 & 26, 2011	17
7	Anti Money Laundering	June 30, 2011	10
8	Equity Research & Valuation	July 23 - 25, 2011	8
9	Advanced MS Excel	July 30 & 31, 2011	12
10	Capital Market	Aug. 6 -10, 2011	7
11	Advanced MS Excel (In-house at HSBC, Goregaon-West, Mumbai)	Aug. 23 & 24, 2011	20
12	Advanced MS Excel (In-house at MGM Institute of Management, Kamothe, Navi Mumbai)	Sept 24 & 25, 2011	60
13	Advanced MS Excel (In-house at MGM Institute of Management Kamothe, Navi Mumbai)	Oct. 9 & 10, 2011	60
14	Capital Market (In-house at VES College, Chembur, Mumbai)	Oct. 12 - 20, 2011	65
15	Compliance Requirement for Brokers and Sub- brokers	Nov. 26, 2011	18
16	Anti Money Laundering	Nov. 30, 2011	21
17	Basic MS Excel (In-house at MGM Institute of Management, Kamothe, Navi Mumbai)	Dec. 10, 2011	40
18	Basic MS Excel (In-house at MGM Institute of Management, Kamothe, Navi Mumbai)	Dec 12, 2011	40
19	Basic MS Excel (In-house at MGM Institute of Management, Kamothe, Navi Mumbai)	Dec 17, 2011	40
20	Capital Market (In-house at MGM Institute of Management, Kamothe, Navi Mumbai)	Dec. 13-16, 2011	60
21	Capital Market (In-house at MGM Institute of Management, Kamothe, Navi Mumbai)	Dec 17- 20, 2011	60
22	Advanced MS Excel	Jan. 7 & 8, 2012	9
23	Anti Money Laundering (In-house at Municipal Coop. Bank, Fort, Mumbai))	Jan. 14, 2012	34
24	Anti Money Laundering (In-house for New India Co. Bank, at ISE Training Centre, Vashi Navi Mumbai)	March 2, 2012	23
25	Capital Market (In-house at PTVA Institute of Management)	March 3, 2012 onwards	38

**Table No. 5: Details of training programmes conducted in 2011-12**

Sr. No.	Name of Training Programme	Date	No. of Participants
26	Anti Money Laundering (In-house for New India Co. Bank, at ISE Training Centre, Vashi Navi Mumbai)	14-Mar-2012	25
27	Capital Market (In-house at Pillai College, Panvel)	March 20 – April 4, 2012	53
28	Capital Market (In-house at Rajeev Gandhi College of Management, Ghansoli, Navi Mumbai)	March 25 - April 13, 2012	34
29	Capital Market (In-house at SIES College, Sion-West, Mumbai)	March 30 –April 17, 2012	24
30	Capital Market (MBA Project work-Hyderabad)	March 15, 2012 onwards	24

The training department has tied-up with Trinity Academy, Kurla, Mumbai and K.B.P. College, Navi Mumbai in addition to the Indira Institute of Management, Pune to start Certified/Diploma course in the Capital Market for various market intermediaries and management students. The Exchange has also tied- up with Investors Relations Society for Investor Relations Programs.

During the year, the Exchange has tied- up with Oriole Capital Services Pvt. Ltd, SecMark Advisory Services Pvt. Ltd, Perfect Solution Pvt. Ltd, Akhil Bhartiya Maitri Shrimali Sangam and Shri Anand Daga Kolkata for conducting Capital Market Programs.

Some new Modules viz. 2-day Workshop on Financial Modelling, 2-day Workshop on Finance for Non-Finance Executives and 1-Day Workshop on Back Office Operations shall be commenced shortly. Your Exchange also plans to introduce a Training Program for “MBA students Summer Internship / Project work” at its Head Office.

Your Exchange has been conducting classroom training programmes at Mumbai and Hyderabad. A need was felt to take the training programmes to other centres also. In order to expand its reach across the nation and take the Institution to a new technologically advanced level through www.iseonline.in portal, your Exchange has joined hands with CMS Ltd. to provide e-learning modes of Training Programmes on Capital Market and related subjects, wherein participants will be given learning kits containing pre-recorded lectures, study materials, presentations, etc. on a high-speed pen-drive. Towards achieving this end an MOU has been signed between your Exchange and CMS Ltd. Immediately after the launch of the Programme, however, CMS terminated the Agreement in April, 2011 effective from June 30, 2011. The Exchange signed a fresh MOU with M/s Absolute Solution Group (ASG) which will provide all the support to the programme as would have been provided by CMS.

37 staff members of ISE and ISS have undergone various training programmes as under:

No. of staff	Trading Programme attended
9	Compliance Requirement for brokers and Sub-brokers
3	Equity Research & Valuation
3	Capital Market
7	Anti-money Laundering
14	Advanced MS Excel Programme
1	Strategic Stock Market Trading.

Your exchange has conducted 17 in-house programmes with different organisations in the year 2011-12.

The Training department is aggressively marketing to conduct programmes in the future with special emphasis on In-house Programmes in Colleges, Management Institutes and Financial Institutions.

#### (v) Research Centre

Your Exchange's Research Cell was established in November 2005 with the objective of carrying out quality research on various facets of the Indian financial system in general and capital market in particular. The Research Cell has gone through many changes to provide prudent and systematic information on vibrant activities of the share market. Your Exchange's Research Cell publishes 'V Share' a financial magazine which was structured and designed keeping in view the current updates of the market. The significant part of the magazine is an analytical review on sector and company. Cover story is a unique part of 'V Share' and it has received appreciation and encouragement from its readers. Apart from sector and company analysis, other important areas are IPO, mutual funds and global market overview.

The Research Cell has also introduced a separate section titled 'Value bites' in its 'V Share' magazine. This section undertakes Value Investing of the selected stocks that helps in identifying undervalued or overvalued stocks. Apart from this, the Cell has also started providing research tools like 'Techni trade Equities'. The Cell is having tie up with Capital Market etc. for providing data and other related



material for equity research. The Research Cell plans to expand its activities by publishing a host of value based research publications, covering a number of areas as equities, derivatives and commodities.

**(vi) Settlement Guarantee Fund (SGF) & Investors' Services Fund (ISF)**

Your Exchange maintains a Settlement Guarantee Fund (SGF) as per the norms stipulated by SEBI. The corpus of the SGF has grown from ₹1,865.61 lakh as at March 31, 2011 to ₹1,912.82 lakh as at March 31, 2012.

The status of SGF and ISF are given in Table No. 6 (i) and 6 (ii) respectively:

(₹ In lakh)

<b>Table No. 6 (i): Status of Settlement Guarantee Fund (SGF)</b>			
<b>Sr. No.</b>	<b>Item</b>	<b>31.3.2012</b>	<b>31.3.2011</b>
1	Cash contribution from promoter Exchanges	130.00	130.00
2	Settlement Guarantee Fund (including accretions from levy on transactions)	68.81	91.53
3	Contribution towards Base Minimum Capital (Cash component) from Registered Trading Members	716.47	761.50
4	Interest accrued on the cash component of SGF	997.54	873.58
	<b>Total corpus</b>	<b>1,912.82</b>	<b>1,856.61</b>

(Amount in ₹)

<b>Table No. 6 (ii): Status of Investors' Services Fund (ISF)</b>		
<b>Particulars</b>	<b>31.03.2012</b>	<b>31.03.2011</b>
Opening balance	20,93,585	20,24,771
Add: Interest received on Fixed Deposit	131,435	83,415
Add: Accretion by way of appropriation from the listing fee income during the period	25,000	18,000
Add: Sale of Securities	-	14,067
Less: Expenses incurred for Investor Programmes conducted	49,244	28,744
Less: Newspaper and Periodicals Expenses	58,918	-
Less: Amount transferred to Investor Protection Fund	-	17,924
<b>Closing balance as on March 31</b>	<b>21,41,857</b>	<b>20,93,585</b>

The Exchange has maintained Settlement Guarantee Fund and Investor Services Fund separately as Earmarked Funds in accordance with the directives issued by Securities and Exchange Board of India (SEBI) from time to time.

**(vii) Status of Inter-connected Stock Exchange Investors' Protection Fund (ISE-IPF) Trust**

Status of ISE-IPF Trust is given in the Table below:

(Amount in ₹)

<b>Table No. 7: Status of ISE-IPF Trust</b>		
<b>Particulars</b>	<b>2011-12</b>	<b>2010-11</b>
Opening balance	88,659*	91,101
Add: Accretion by way of appropriation from the listing fee income during the period	1,250	900
Add: Interest received on Fixed Deposit	2,559	-
Add: Amount transferred from Investors' Services Fund	34,453	17,924
Less: Bank Charges	110	-
Less: Expenses incurred for Investor Awareness & Education	-	21,266
<b>Closing balance as on March 31</b>	<b>1,26,811</b>	<b>88,659</b>

\*The balance standing to the credit of Investor Protection Fund (IPF), has been transfer to ISE-IPF Trust in FY2011-12



### (viii) Investors' Grievance Cell

The Investors' Grievance Cell has been set up to redress complaints lodged by the investors against Trading Members, as well as against listed companies. Complaints are followed up promptly by your Exchange with the concerned respondent, and conciliation meetings are arranged between the parties, if required, to resolve the matter. Where such conciliation efforts do not lead to an amicable settlement, the parties are advised to refer the matter to arbitration.

The Investors' Services Committee of your Exchange monitors the status of investor grievances and takes appropriate decisions for ensuring expeditious resolution of the cases, whenever there is such a need. The details of Investors' Grievance Cells set up at various locations are given below:

<p><b>Shri Dnyanoba V. Narhare</b> <b>Inter-connected Stock Exchange of India Ltd.</b> International Infotech Park, Tower No 7, 5th Floor, Sector 30-A, Vashi, Navi Mumbai - 400703 Tel : (022) 67941100 (Board line) Extn : 120 (022) 67941120 (Direct) Fax : (022) 2781 2061 E-mail to: <a href="mailto:dnyanoban@iseindia.co.in">dnyanoban@iseindia.co.in</a>, <a href="mailto:invgrievise@iseindia.co.in">invgrievise@iseindia.co.in</a></p>	<p><b>Shri Ashish Kapoor</b> <b>Inter-connected Stock Exchange of India Ltd.</b> 16/11, 3rd Floor, R.D. Chamber, Arya Samaj Road, Karol Bagh, New Delhi - 110005. Tel: 09311410777 Tel. Fax: 011- 45064732 E-mail: <a href="mailto:invgrievise@iseindia.co.in">invgrievise@iseindia.co.in</a>, <a href="mailto:ashishk@iseindia.co.in">ashishk@iseindia.co.in</a></p>
<p><b>Shri Santosh Gupta</b> <b>Inter-connected Stock Exchange of India Ltd.</b> Mukti Chambers - 403, 4, Clive Road, Kolkata: 700001. Tel : 03364596348, 033-22313393 E-mail to: <a href="mailto:invgrievise@iseindia.co.in">invgrievise@iseindia.co.in</a>, <a href="mailto:santoshg@iseindia.com">santoshg@iseindia.com</a></p>	<p><b>Shri T.Umashankar</b> <b>Inter-connected Stock Exchange of India Ltd.</b> 684 - Stock exchange building, Trichy road, Coimbatore - 641005, Tel: (0422) 3207078; 4395938; 4395663 Fax: (0422) 4395664; Cell: 09994444472 E-mail: <a href="mailto:invgrievise@iseindia.com">invgrievise@iseindia.com</a>, <a href="mailto:isecbt@iseindia.com">isecbt@iseindia.com</a></p>

### (ix) Pending Legal Cases

The status of legal cases filed by the Trading Members or erstwhile Trading Members against your Exchange, along with the comparative position for the previous year, is given in Table No. 8.

Table No. 8: Details of Legal Cases				
Period	Pending at the beginning of the year	Fresh cases filed during the year	Resolved during the year	Pending at the end of the year
2010-11	3	1	1	3
2011-12	3	2	1	4

Regarding the three cases pending against your Exchange at the beginning of the year 2011-12, adequate legal measures are being taken to defend your Exchange. There is no arbitration case pending against your Exchange.

### FUTURE PROSPECTS AND RECENT DEVELOPMENTS

The Board likes to draw your attention on the directives issued by SEBI w.r.t. Exit policy for De-recognized/ Non-operational Stock Exchanges (circular no. CIR/MRD/DSA/14/2012 dated May 30, 2012) & the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012 to regulate recognition, ownership and governance in Stock Exchanges and Clearing Corporations and matters connected therewith or incidental thereto. A few major points are as under:

- Stock Exchanges where the annual trading turnover on its own platform is less than Rs.1000 crore can apply to SEBI for voluntary surrender of recognition and exit, at any time before the expiry of two years from the date of issuance of SEBI's Circular dated May 30, 2012.
- If the Stock Exchange is not able to achieve the prescribed turnover of Rs. 1000 crore on a continuous basis or does not apply for voluntary surrender of recognition and exit before the expiry of two years from the date of this Circular, SEBI shall proceed with compulsory de-recognition and exit of such Stock Exchanges, in terms of the conditions as may be specified by SEBI.
- In case of de-recognition of a Stock Exchange, the Exchange may provide trading opportunity to their Trading Members to trade on



Stock Exchanges having nationwide terminals through their subsidiary company, which will function as normal broking entity in terms of SEBI circular dated December 29, 2008. In case of de-recognition, subsidiary company shall continue to function as a broking entity in compliance of, inter alia, the provisions of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992.

- In case of de-recognition, the MoU mechanism, if any, between a Stock Exchange not having nationwide trading terminal and a Stock Exchange having nationwide trading terminal, shall be discontinued and in such cases the Trading Members of erstwhile Stock Exchanges will gain access to Exchanges having nationwide terminals through membership of the existing subsidiary company.
- Sale/distribution/transfer of assets/winding up of the Stock Exchanges shall be subject to all the applicable laws.
- As per Regulation issued by SEBI dated 20.06.2012 the Exchanges should have to maintain a networth of Rs. 100 crore at all times. In case a Stock Exchange has a lesser networth, it shall have to achieve a minimum networth of Rs. 100 crore within 3 years or else it shall compulsorily get de-recognized. Stock Exchange shall not distribute profits in any manner to its shareholders until the minimum networth is achieved.

#### **Current status of ISE's Trading Platform**

- ISE has tied-up with Tata Consultancy Services (TCS) for providing the end-to-end solution for Stock Exchange Trading and Clearing Systems
- Primary Data Center has been set-up at its Head Office located at Vashi
- DR site has been set-up at Bengaluru hosted by SIFY
- Hardware and Software are procured and being tested.
- Network architecture derived by CISCO, HCL and ISE
- The entire infrastructure is going to be managed by Tata Consultancy Services
- The infrastructure of ISE's Trading Platform was inspected by SEBI and SEBI's decision on approval of the platform is awaited. After the receipt of approval from SEBI, the entire expenditure related to Trading Platform which is currently treated as CAP WIP, would be capitalised.

#### **OFFICE INFRASTRUCTURE**

The head office of your Exchange is located at Vashi, Navi Mumbai. Apart from the head office, there are eight branch offices at Ahmedabad, Coimbatore, Delhi, Guwahati, Hyderabad, Kolkata, Nagpur and Patna which are staffed by personnel of your Exchange. These branch offices offer DP services to clients & brokers and also provide administrative & technical support to Trading Members located in their regions.

#### **INSURANCE**

All assets and properties of your Exchange at the head office, branch offices and the investor points are adequately covered by insurance.

#### **PARTICULARS OF THE SUBSIDIARY COMPANY**

As required under Section 212 of the Companies Act, 1956, annexed hereto are copies of the Audited Statement of Accounts for the year ended March 31, 2012, Report of the Board of Directors and the Report of the Auditors for the year ended March 31, 2012 of ISE Securities & Services Ltd., the wholly-owned subsidiary of your Exchange. The statement of the holding company's interest in the subsidiary company as specified under sub-section (3) of Section 212 of the Companies Act, 1956 also forms part of this Annual Report.

ISE Securities & Services Ltd. has registered a total income of ₹1027.05 lakh for the year 2011-12, which is 0.41 per cent lower than the figure of ₹1031.31 lakh achieved in 2010-11. While the income decreased by 0.41 per cent, expenditure increased from ₹ 704.69 lakh to ₹787.05 lakh by 11.69 per cent, thereby resulting in decrease in profit. The finance cost was less by ₹0.33 lakh as compared to that of previous year thereby providing relief to that extent to the company. Since the percentage of increase in expenditure is much higher than the percentage of decrease in income, the profit decreased to ₹161.08 lakh from ₹ 215.30 lakh last year.

The investment of your Exchange in the subsidiary has not changed during the year. The entire shareholding of ₹ 5.5 crore is with your Exchange.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of the annual accounts for the financial year ended March 31, 2012:

- a. the applicable accounting standards have been followed and no material departures have been made from the same;
- b. appropriate accounting policies have been formulated and applied consistently and have made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of your Exchange as at March 31, 2012 and Profit & Loss Account for the year ended March 31, 2012;
- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Exchange and for preventing and detecting frauds and other irregularities, and;
- d. the annual accounts have been prepared on a going-concern basis.

## BOARD OF DIRECTORS

After the 13th Annual General Meeting held on September 29, 2011, seven meetings of the Board of Directors were held, as detailed in Table No. 9.

Meeting No.	Date	Venue
112th	October 14, 2011	At the Registered Office of the Exchange, Vashi
113th	December 19, 2011	At the Registered Office of the Exchange, Vashi
114th	January 17, 2012	At Hotel Atithi, Vile Parle (E), Mumbai - 99
115th	February 03, 2012	At Hotel Atithi, Vile Parle (E), Mumbai - 99
116th	March 24, 2012	At Hotel Atithi, Vile Parle (E), Mumbai - 99
117th	June 26, 2012	At Hotel Atithi, Vile Parle (E), Mumbai - 99
118th	July 30, 2012	At Hotel Atithi, Vile Parle (E), Mumbai - 99

The changes which have taken place in the Board of Directors from September 29, 2011 till date are presented in Table No. 10:

Sr. No.	Name of Director	Particulars	Date of Appointment / re-appointment / cessation / resignation
1.	Shri K. V. Thomas	Re-appointed as a Shareholder Director	September 29, 2011
2.	Shri D. B. Mehta	Re-appointed as a Shareholder Director	September 29, 2011
3.	Shri Rajeeb Ranjan Kumar	Re-appointed as a Trading Member Director	September 29, 2011
4.	Shri K. V. Thomas	Resigned as Shareholder Director	July 30, 2012

The Securities and Exchange Board of India (the SEBI) made the **Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (the said Regulations) which were promulgated by SEBI vide notification dated June 20, 2012.** These are applicable to Stock Exchanges and Clearing Corporations.

Regulation 23(1) of the said regulations has laid down the composition of the Governing Board of every recognized Stock Exchange as under:

“The Governing Board of every recognised Stock Exchange and recognised Clearing Corporation shall include:

- (a) Shareholder Directors;
- (b) Public Interest Directors; and,
- (c) Managing Director”



Further, Regulation 23(7) states that “No Trading Member or Clearing Member, or their associates and agents, shall be on the Governing Board of any recognised Stock Exchange.”

ISE being a recognized Stock Exchange would have to ensure due compliance with the amended provisions of the said regulation within a period of three months from the date of commencement of these regulations as stipulated in the said Regulations.

An important change that has been effected by the said regulations is deleting the category of Trading Member Directors from the board of a recognised Stock Exchange. Consequently, in the case of ISE as well, henceforth, there cannot be any Trading Member Director.

Consequently, as per the said regulations, the effective composition of the Board of Directors of ISE, will be as under:

1. Public Interest Directors - 5 Nos.
2. Shareholder Directors - 5 Nos.
3. Managing Director - 1 No.

In the circumstances, when Mr. Surendra Holani, a Trading Member Director, retires by rotation at the ensuing Annual General Meeting of ISE, in view of the changes effected by the said regulations, neither he nor any other person will be eligible for appointment to fill the said vacancy as henceforth no Trading Member Director can be appointed to the Board of ISE.

### CONSTITUTION OF THE STATUTORY AND OPERATIONAL COMMITTEES

Your Exchange has constituted the various Statutory and Operational Committees, as required by SEBI. Details of the composition of these Committees for the year 2011-12, as well as the details of meetings attended by its members, are given in Table No. 11.

**Table 11: Details of Committees**

#### Central Arbitration Panel

Name of the Committee Members	Category	Number of Meetings during the year 2011-12	
		Held	Attended
Shri K. Rajendran Nair	Public Interest Director	-	-
Shri A. K. Mago	Public Interest Director	-	-
Shri H. C. Parekh	Public Interest Director	-	-
Shri Santosh Muchhal	Shareholder Director	-	-
Shri Manubhai Parekh	Public Representative	-	-
Shri V. R. Agnihotri	Public Representative	-	-
Dr. Jinesh Panchali	Public Representative	-	-
Shri S. N. Bhandari	Public Representative	-	-
Shri Surendra Holani ( <i>ceased w.e.f. 18.04.2012</i> )	Trading Member Director	-	-
Shri Rajeeb Ranjan Kumar ( <i>ceased w.e.f. 18.04.2012</i> )	Trading Member Director	-	-
Shri Naresh Bhavanji Shah ( <i>appointed w.e.f 19.04.2012</i> )	Public Representative	-	-
Shri Paresh Manilal Joshi ( <i>appointed w.e.f 19.04.2012</i> )	Public Representative	-	-
Shri P. J. Mathew	Managing Director	-	-

#### Defaults Committee (*Committee Managing SGF*)

Name of the Committee Members	Category	Number of Meetings during the year 2011-12	
		Held	Attended
Shri H. C. Parekh (Chairman)	Public Interest Director	2	2
Shri A. K. Mago	Public Interest Director	2	2
Shri Debaraj Biswal	Shareholder Director	2	2
Shri Bharat Meisheri	Shareholder Director	2	2
Shri Jay Mahendra Shah	Trading Member Representative	2	2
Shri P. J. Mathew	Managing Director	2	2



### Disciplinary Action Committee

Name of the Committee Members	Category	Number of Meetings during the year 2011-12	
		Held	Attended
Shri A. K. Mago (Chairman)	Public Interest Director	4	4
Shri H. C. Parekh	Public Interest Director	4	4
Shri Debaraj Biswal ( <i>ceased w.e.f. 14.10.2011</i> )	Shareholder Director	2	2
Shri Cyriac Thomas ( <i>ceased w.e.f. 14.10.2011</i> )	Public Representative	2	0
Shri Ashvin Jain	Trading Member Representative	4	4
Shri Manubhai Parekh ( <i>appointed w.e.f. 14.10.2011</i> )	Public Representative	2	2
Shri Jinesh Panchali ( <i>appointed w.e.f. 14.10.2011</i> )	Public Representative	2	2
Shri P. J. Mathew	Managing Director	4	4

### Investors' Services Committee

Name of the Committee Members	Category	Number of Meetings during the year 2011-12	
		Held	Attended
Shri K. Rajendran Nair (Chairman)	Public Interest Director	3	3
Shri A.K.Mago	Public Interest Director	3	3
Shri D.B. Mehta ( <i>ceased w.e.f. 14.10.2011</i> )	Shareholder Director	2	1
Shri Bharat Meisheri ( <i>appointed w.e.f. 14.10.2011</i> )	Shareholder Director	1	1
Shri A.P.Bakliwal	Public Representative	3	3
Shri Surendra Holani ( <i>ceased w.e.f. 14.10.2011</i> )	Trading Member Director	2	2
Shri Jayant Vidwans ( <i>appointed w.e.f. 14.10.2011</i> )	Trading Member Director	1	1
Shri P.J. Mathew	Managing Director	3	3

### SEBI Inspection Compliance Committee

Name of the Committee Members	Category	Number of Meetings during the year 2011-12	
		Held	Attended
Shri K. Rajendran Nair (Chairman)	Public Interest Director	8	8
Shri A. K. Mago	Public Interest Director	8	8
Shri H. C. Parekh	Public Interest Director	8	8
Shri Rajeeb Ranjan Kumar	Trading Member Director	8	8
Shri P. J. Mathew	Managing Director	8	8

### Ethics Committee

Name of the Committee Members	Category	Number of Meetings during the year 2011-12	
		Held	Attended
Shri K. Rajendran Nair (Chairman)	Public Interest Director	2	2
Shri A. K. Mago	Public Interest Director	2	2
Shri Surendra Holani	Trading Member Director	2	2
Shri P. J. Mathew	Managing Director	2	2



**Screening (i.e. Membership Selection) Committee**

Name of the Committee Members	Category	Number of Meetings during the year 2011-12	
		Held	Attended
Dr. M.Y. Khan (Chairman)	Public Representative	3	3
Shri T.N.T Nayar (ceased w.e.f. 14.10.2011)	Public Representative	1	0
Shri. K. D. Gupta	Public Representative	3	3
Shri. Cyriac Thomas (ceased w.e.f. 14.10.2011)	Public Representative	1	1
Shri. K Rajendran Nair	Public Representative	3	3
Shri. Bharat Meisheri (appointed w.e.f. 14.10.2011)	Public Representative	2	2
Shri P. J. Mathew	Managing Director	3	3

**Listing / De-listing Committee**

Name of the Committee Members	Category	Number of Meetings during the year 2011-12	
		Held	Attended
Shri H. C. Parekh (Chairman)	Public Interest Director	1	1
Shri P. Sivakumar	Shareholder Director	1	1
Shri A. P. Bakliwal	Representative of Investors	1	1
Shri Henry Richards	Former Registrar of Companies, Mumbai	1	0
Shri P. J. Mathew	Managing Director	1	1

**Business Development Committee (Committee Managing Business Rules)**

Name of the Committee Members	Category	Number of Meetings during the year 2011-12	
		Held	Attended
Shri K. V. Thomas (Chairman)	Shareholder Director	7	3 + 4*
Shri H. C. Parekh	Public Interest Director	7	3 + 4*
Shri Bharat Meisheri	Shareholder Director	7	3 + 4*
Shri Cyriac Thomas	Shareholder Director	7	3 + 3*
Shri Ashok Koyani (ceased w.e.f. 14.10.2011)	Representative of Saurashtra-Kutch Stock Exchange	4	3 + 1*
Shri P. J. Mathew	Managing Director	7	3 + 4*

\*Meeting attended through tele-conferencing.

**Fund Raising Committee**

Name of the Committee Members	Category	Number of Meetings during the year 2011-12	
		Held	Attended
Shri K. Rajendran Nair (Chairman)	Public Interest Director	5	4
Shri A.K Mago	Public Interest Director	5	4 + 1*
Shri P. Sivakumar	Shareholder Director	5	4 + 1*
Shri K.V Thomas	Shareholder Director	5	4 + 1*
Shri D.B Mehta	Shareholder Director	5	4 + 1*
Shri P.J Mathew	Managing Director	5	4 + 1*

\*Meeting attended through tele-conferencing.

### **Risk Management Committee**

In accordance with the Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2012 dated 20.06.2012 issued by SEBI, the Exchange would be constituting the Risk Management Committee, which will formulate a detailed risk management policy with the approval by the Governing Board.

### **Oversight Committees**

In accordance with the Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2012 dated 20.06.2012 issued by SEBI, the Exchange would be constituting independent Oversight Committees, each chaired by a Public Interest Director, in order to address the conflicts of interest in respect of

a) member regulation, (b) listing functions & (c) trading and surveillance function

### **Compensation Committee**

In accordance with the Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2012 dated 20.06.2012 issued by SEBI, the Exchange would be constituting a Compensation Committee which will frame the Compensation Policy in accordance with the norms specified by SEBI. The Compensation of the Key Management Personnel would also be disclosed in the Annual Report of the Exchange effective from financial year 2012-13.

### **Advisory Committee:**

In accordance with the Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2012 dated 20.06.2012 issued by SEBI, the Exchange would be constituting an Advisory Committee. The Advisory Committee will advise the Governing Board on non-regulatory and operational matters including product design, technology, charges and levies.

### **AUDITORS**

M/s. Contractor, Nayak & Kishnadwala, Chartered Accountants, were appointed by the Members of the Exchange in the 13th Annual General Meeting as statutory auditors to hold office till the conclusion of the 14th Annual General Meeting.

The Auditors' Report relating to the accounts for the year ended March 31, 2012 does not contain any qualification.

### **PARTICULARS OF EMPLOYEES**

Your Exchange had a total staff strength of 78 on its rolls as on March 31, 2012. In addition, 14 contractual/consultant/temporary staff members were working for your Exchange. None of the employees, however, was in receipt of remuneration in excess of the limits specified in Section 217(2A) of the Companies Act, 1956, and as such no disclosure is required to be made in the Directors' Report.

### **STATUTORY DISCLOSURE OF PARTICULARS**

The disclosure required in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outflows, do not apply to your Exchange, and therefore, no details have been provided.

### **CORPORATE GOVERNANCE**

Your Exchange is committed to follow good corporate governance practices. The Governing Board, Chairman, Managing Director and the entire staff working for your Exchange have endeavoured to adhere to the highest levels of corporate governance. In accordance with the Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2012 dated 20.06.2012 issued by SEBI the disclosure requirements and corporate governance norms as specified for listed companies shall mutatis mutandis apply to your the Exchange. Accordingly a report on disclosure under Corporate Governance norms has been added to this Annual Report.



## **PUBLIC DEPOSIT**

Your Exchange has not accepted any deposit from its shareholders or the public.

## **ACKNOWLEDGEMENTS**

The Board of Directors of your Exchange wishes to place on record its deep sense of gratitude to SEBI for the support and encouragement extended to your Exchange. The Board of Directors also thanks all the promoter Exchanges and the Trading Members for their unstinted support and continued co-operation.

Your Exchange would like to take this opportunity to express its sincere thanks to all its valued customers for their continued patronage.

Thanks are also due to the officers and staff of your Exchange who have displayed dedication and commitment in implementing the decisions of the Governing Board and in carrying out the day-to-day operations in a sincere manner.

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

**Date:** July 30, 2012  
**Place:** Vashi, Navi Mumbai

sd/-  
**K. Rajendran Nair**  
Chairman



# CORPORATE GOVERNANCE REPORT FOR THE FY 2011-12

## I. Company's Philosophy on Corporate Governance

Corporate Governance helps to serve corporate purposes by providing a framework within which stakeholders can pursue the objectives of the organization most effectively. Corporate Governance signifies acceptance by management of the inalienable rights of shareholders as the true owners of the organization and of their own role as trustees on behalf of the shareholders.

By combining ethical values with business acumen, globalisation with national interests and core business with emerging business, the Company as an Exchange aims to be amongst the largest Stock Exchanges in India. The Company will continue to focus its resources, strengths and strategies to achieve its vision of becoming a truly national leader in the capital market, while upholding the core values of excellence, integrity, responsibility, unity and understanding, which are fundamental to the company.

The Company has a strong legacy of fair, transparent and ethical governance practices. The Company has adopted a Code of Conduct for its employees and the Governing Board.

The Exchange is in compliance with the requirements of the guidelines on Corporate Governance issued and amended by SEBI from time to time. With the introduction of Securities Contracts (Regulation) (Stock Exchanges And Clearing Corporations) Regulations, 2012 dated 20.06.2012 by SEBI, the Exchange has moved ahead in its pursuit of excellence in incorporating Corporate Governance Report in its Annual Report.

## II. Board of Directors

- (i) As on March 31, 2012, the Company had twelve Directors with a Non-Executive Chairman. Of the twelve Directors, Three are Public Interest Directors, Six are Shareholder Directors, Two are Trading Member Directors and One Managing Director. The composition of the Governing Board is in conformity with SEBI Regulations.
- (ii) The names and categories of the Directors on the Governing Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships/Memberships held by them in other companies are given below, Other directorships do not include alternate directorships, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanships/Memberships of Board Committees include only Audit and Shareholders/Investors Grievance Committees:-

Name of the Director	Category	Number of Board Meetings during the year 2011-12		Whether attended last AGM held on September 29, 2011	Number of Directorships in other Public Companies		Number of Committee positions held in other Public Companies	
		Held	Attended	Yes/No	Chairman	Member	Chairman	Member
Mr. K. Rajendran. Nair (Chairman & Public Interest Director)	Non-Executive	8	8	Yes	-	1	1	1
Mr. A. K. Mago (Public Interest Director)	Non-Executive	8	8	No	-	2	1	5
Mr. H. C. Parekh (Public Interest Director)	Non- Executive	8	8	Yes	-	0	-	-
Mr. P J Mathew (Managing Director)	Executive	8	8	Yes	-	1	-	2
Mr. K. V. Thomas (Shareholder Director)	Non-Executive	8	8	Yes	-	-	-	-
Mr. Debraj Biswal (Shareholder Director)	Non-Executive	8	8	Yes	-	4	1	13
Mr. D B Mehta (Shareholder Director)	Non-Executive	8	8	Yes	-	1	-	-

Name of the Director	Category	Number of Board Meetings during the year 2011-12		Whether attended last AGM held on September 29, 2011	Number of Directorships in other Public Companies		Number of Committee positions held in other Public Companies	
		Held	Attended	Yes/No	Chairman	Member	Chairman	Member
Mr. Santosh Muchhal (Shareholder Director)	Non-Executive	8	8	No	-	4	1	12
Mr. Bharat Meisheri (Shareholder Director)	Non- Executive	8	8	Yes	-	-	-	-
Mr. P. Sivakumar (Shareholder Director)	Non- Executive	8	2*	Yes	-	-	-	-
Mr. Rajeev Ranjan Kumar (Trading Member Director)	Non-Executive	8	6	Yes	-	-	-	-
Mr. Surendra Holani (Trading Member Director)	Non-Executive	8	8	No	-	-	-	2

\* In addition to attending two meetings, he participated in two meetings over teleconference

- (i) Eight Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the said Meetings were held are as follows:

April 06, 2011; July 4, 2011; August 19, 2011; October 14, 2011; December 19, 2011; January 17, 2012, February 3, 2012 and March 24, 2012.

The necessary quorum was present for all the meetings.

- (ii) None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company.

### III. Audit Committee

- (i) The Audit Committee of the Company is constituted in line with the provisions of Corporate Governance norms prescribed by SEBI.

- (ii) The terms of reference of the Audit Committee are broadly as under:

- Overview of the company financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of Statutory auditors, fixation of audit fees and also approval for payment for any other services.
- Discussion with the statutory Auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report including the quarterly half yearly financial information.
- Reviewing with the management the annual financial statements before submission to the Governing Board focusing primarily on:
  - ▶ any changes in accounting policies and practices;
  - ▶ major accounting entries based on exercise of judgment by management;
  - ▶ qualifications in draft audit report;
  - ▶ significant adjustments arising out of audit;
  - ▶ the going concern assumption;
  - ▶ compliance with accounting standards;
  - ▶ any related party transactions as per Accounting Standard 18.

- Reviewing the company's financial and management policies.
  - Disclosure of contingent liabilities.
  - Reviewing with the management and the internal auditors, the adequacy of internal control systems.
  - Reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
  - Discussion with internal auditors of any significant findings and follow-up thereon.
  - Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Governing Board.
  - Looking into the reasons for substantial defaults in payments to the depositors debentureholders, shareholders (in case of non-payment of declared dividends) and creditors, if any.
  - Reviewing compliances as regards the company's Whistle Blower Policy.
- (iii) The Audit Committee invites such of the executives, as it considers appropriate (particularly the head of the finance function), representatives of the Statutory Auditors and representatives of the Internal Auditors to be present at its meetings.
- (iv) The previous Annual General Meeting of the Company was held on September 29, 2011 and was attended by Mr. P Sivakumar, Chairman of the Audit Committee and Non-Executive Director of the Governing Board.
- (v) The composition of the Audit Committee and the details of meetings attended by its members are given below:

Name of the Committee Members	Category	Number of Meetings during the year 2011-12	
		Held	Attended
Shri P. Sivakumar (Chairman)	Shareholder Director	3	2+1*
Shri Santosh Muchhal	Shareholder Director	3	2+1*
Shri D. B. Mehta	Shareholder Director	3	2+1*

\* Meeting attended through teleconferencing.

- (vi) Three Audit Committee Meetings were held during the year. The dates on which the said meetings were held are as follows:  
July 28, 2011, December 05, 2011 and March 13, 2012.

The necessary quorum was present for all the meetings.

#### IV. HR & Remuneration Committee

- (i) The Company has a HR & Remuneration Committee of Directors.
- (ii) The broad terms of reference of the HR & Remuneration Committee are as under:
- To approve the annual remuneration plan of the company;
  - To consider and recommend the Profit Linked Bonus (PLB) payable to the Managing Director and employees for each financial year;
  - Such other matter as the Governing Board may from time to time request the HR & Remuneration Committee to examine and recommend/approve.
- (iii) The composition of the HR & Remuneration Committee and the details of meetings attended by its members are given below:



Name of the Committee Members	Category	Number of Meetings during the year 2011-12	
		Held	Attended
Shri K. Rajendran Nair (Chairman)	Public Interest Director	3	3
Shri K. V. Thomas	Shareholder Director	3	3
Shri Debaraj Biswal	Shareholder Director	3	3
Shri Bharat Meisheri	Shareholder Director	3	3
Shri P. J. Mathew	Managing Director	3	3

- (iv) Three Meetings of the HR & Remuneration Committee were held during the year. The dates on which the said meetings were held are as follows:

April 6, 2011, August 4, 2011 and September 28, 2011.

The necessary quorum was present for all the meetings.

- (v) The Company does not have any Employee Stock Option Scheme.

(vi) **HR Policy:**

The Company's remuneration policy is driven by the success and performance of the individual employee and the Company. Through its compensation programme, the Company endeavors to attract, retain, develop and motivate a high performance workforce. Individual performance pay is determined by business performance and the performance of the individuals measured through the half yearly & annual appraisal process.

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and PLB to its Managing Director. Annual increments are based on the salary scale approved by the Governing Board and are w.e.f. April 1, each year. The HR & Remuneration Committee decides on the PLB payable to the Managing Director for the financial year based on the performance of the Company and of the Managing Director.

During the year 2011-12, the Company paid sitting fees of Rupees Ten Thousand per meeting to its Non-Executive Directors for attending meetings of the Governing Board and Rupees Five Thousand per meeting to members of the Committees. The Company also reimburses the out-of-pocket expenses incurred by the Directors and Committee members for attending the meetings.

- (vii) Details of the Remuneration for the year ended March 31, 2012:

(a) Non-Executive Directors

Name	Sitting Fees (₹ '000)
Shri K. Rajendran Nair	190
Shri A. K. Mago	195
Shri H. C. Parekh	215
Shri P. Sivakumar	90
Shri K. V. Thomas	165
Shri Debaraj Biswal	120
Shri Dharmendra B. Mehta	135
Shri Santosh Muchhal	95
Shri Bharat Meisheri	170
Shri Rajeeb Ranjan Kumar	100
Shri Surendra Holani	100



(b) Executive Director (Managing Director)

Name of Director and period of appointment	Salary (₹ in Amt)	Benefits Perquisites and Allowances (₹ in Amt)	PLB (₹ in Amt)
<b>Mr. P. J. Mathew</b> <b>Managing Director</b> (w.e.f. August 3, 2010 for a period of 3 years)	2,198,594 (Basic Salary)	1,208,109 (Allowances & contribution to PFs and other funds)	6,87,975

The above figures do not include provisions for encashable leave, gratuity and premium paid for Group Health Insurance as separate actuarial valuation/premium paid are not available for the Managing Director.

Services of the Managing Director may be terminated by three months' notice by the Managing Director. There is no provision for payment of severance fees.

(viii) Details of shares of the Company held by the Directors as on March 31, 2012 are given below:

None of the Directors hold shares of the company in their individual capacity.

## V. Shareholders / Investors Grievance Committee

- The Governing Board of the Company has to constitute Shareholders / Investors Grievance Committee to look into the redressal of complaints of investors such as transfer or credit of shares, non-receipt of declared dividend, non-receipt of Notices & Annual Reports, etc.
- The Company has always valued its customer relationships. This philosophy has been extended to investor relationship and an Investor Grievance Cell (IGC) / Investor Redressal Point (IRP). The IGC / IRP focuses on servicing the needs of investors, analysts, brokers and the general public.
- Name, designation and address of Compliance Officer:

**Mr. Milind Nigam**

Company Secretary  
Inter-connected Stock Exchange of India Limited  
International Infotech Park, Tower-7,  
5th Floor, Sector 30A, Vashi,  
Navi Mumbai 400703.

(iv) Details of investor complaints received and redressed during the year 2011-12 are as follows:

Opening Balance	Received during the year	Resolved during the year	Closing Balance
Nil	Nil	Nil	Nil

## VI. General Body Meetings

### (i) General Meeting

(a) Annual General Meeting:

Details	Date	Time	Venue
2008-09	September 29, 2009	11.30 am	Chandragupt Hall, 2nd Floor, Hotel Abbott, Sector 2, Near Meghraj Cinema Hall, Vashi, Navi Mumbai 400 703.
2009-10	September 29, 2010	12.30 pm	
2010-11	September 29, 2011	11.30 am	

(b) Extraordinary General Meeting held in the F.Y. 2011-12:

Details	Date	Time	Venue
Extra-ordinary General Meeting	January 17, 2012	10.30 am	Hotel Atithi, Near Mumbai Domestic Airport, Vile Parle (East), Mumbai 99.



## (ii) Postal Ballot

No Postal Ballot was conducted during the year 2011-12, since the same is applicable to listed companies as per the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011.

## (iii) Special Resolutions

At the Annual General Meeting of the Company held on September 29, 2009, a Special Resolution was passed for amending the Articles of Association of the Company.

At the Annual General Meeting of the Company held on September 29, 2010, no Special Resolution was passed.

At the Annual General Meeting of the Company held on September 29, 2011, no Special Resolution was passed.

## VII. Disclosures

- (i) There are no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large.
- (ii) Details of non-compliance by the Company, penalties, structures imposed on the Company by the SEBI or any statutory authority, on any matter related to capital markets, during the last three years 2009-10, 2010-11 and 2011-12, respectively: NIL
- (iii) The Company has fulfilled the following non-mandatory requirements as prescribed in Annexure I D to the Clause 49 of the Listing Agreements with the Stock Exchanges:
  - (a) The Company has set up a HR & Remuneration Committee, details of which have been given earlier in this Report.
  - (b) The Company has adopted a Whistle Blower Policy and has established the necessary mechanism for employees to report concerns about unethical behaviour.

## VIII. Subsidiary Company

The Governing Board of the Exchange reviews the Annual Financial Statements of its wholly owned subsidiary company. The minutes of the Board Meetings along with a report on significant developments of the subsidiary company are periodically placed before the Governing Board of the Exchange. The Company also conducts a half yearly inspection of its wholly owned subsidiary, in accordance with the circulars issued by SEBI, through an external agency.

## IX. Means of Communication

The annual results of the Company are sent to the members of the company alongwith the notice and annual report. The results are also displayed on the Company's website "www.iseindia.com".

## X. General Shareholder Information

### (i) Annual General Meeting:

<b>Date</b>	:	September 14, 2012
<b>Time</b>	:	11.30 am
<b>Venue</b>	:	Chandragupt Hall, 2nd Floor, Hotel Abbott, Sector 2, Near Meghraj Cinema Hall, Vashi, Navi Mumbai 400 703

As required under the Companies Act, particulars of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (AGM) are given in the Annexure to the Notice of the AGM to be held on September 14, 2012.

### (ii) Financial Calendar:

<b>Year ending</b>	:	March 31
<b>AGM in</b>	:	September
<b>Dividend Payment</b>	:	No dividend to be declared in the current financial year

- (iii) **Date of Book Closure/Record Date** : As mentioned in the Notice of the AGM to be held on September 14,2012
- (iv) **Listing on Stock Exchanges** : N/A
- (v) **Stock Codes/Symbol** : N/A
- (vi) **Corporate Identification Number (CIN) of the Company** : U67120MH2005PLC157556

(vii) **Dividend Policy:**

Dividends, other than interim dividend(s), are to be declared at the Annual General Meetings of shareholders based on the recommendation of the Board of Directors. Generally, the factors that may be considered by the Board of Directors before making any recommendations for dividend include, without limitation, the Company's future expansion plans and capital requirements, profits earned during the fiscal year, cost of raising funds from alternate sources, liquidity position, applicable taxes including tax on dividend, as well as exemptions under tax laws available to various categories of investors from time to time and general market conditions.

(viii) **Declaration of Dividend:**

The Exchange has shared a significant part of its profits during the past years within 30 days from the date of declaration of dividend in its respective AGM's. The following table gives information relating to dividend declared by the Exchange during the past three financial years:

Financial Year	Date of Declaration	Rate of Dividend
2008-09	September 29, 2009	200%
2009-10	September 29, 2010	300%
2010-11	September 29, 2011	100%

(ix) **Registrar and Transfer Agent (RTA):**

- Name and Address** : Bigshare Services Pvt. Ltd., E- 2 & 3,  
Ansa Industrial Estate, Saki-Vihar Road, Sakinaka,  
Andheri (E), Mumbai - 400 072
- Telephone** : 91-22-40430200
- Fax** : 91-22-2847 5207
- E-mail** : rajshree@bigshareonline.com
- Website** : www.bigshareonline.com

(x) **Share Transfer System:**

87.86% of the equity shares of the Company are in electronic form. Transfer of these shares is done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form the transfer documents can be lodged with RTA at the above mentioned address.

Transfer of shares in physical form is normally processed from the date of receipt, if the documents are complete in all respects. The Share Transfer Committee / Officer / RTA is severally empowered to approve transfer of shares.

(xi) **Shareholding as on March 31, 2012:**

(a) Distribution of Equity Shareholding as on March 31, 2012:

Reholding of Nominal	Number of Shareholders	Percentage of Total (Shareholders)	Share Amount	Percentage of Total (Amount)
20001 - 30000	2	5.00	56000	0.20
100001 - 9999999999	38	95.00	27944000	99.80
<b>GRAND TOTAL</b>	<b>40</b>	<b>100.00</b>	<b>28000000</b>	<b>100.00</b>



(b) Categories of Equity Shareholders as on March 31, 2012

Category	Total Shareholders	Percentage of Shareholders	Total Shares	Percentage of paid-up capital
Corporate Bodies	26	65.0000	23700340	84.6441
Non Resident Indians	1	2.5000	279400	0.9979
Public	13	32.5000	4020260	14.3581
<b>Total</b>	<b>40</b>		<b>28000000</b>	<b>100.0000</b>

(c) Top Ten Equity Shareholders of the Company as on March 31, 2012:

Sr. No.	Name of the Shareholder	Number of shares held	Percentage of holding
1	Bhubaneswar Stock Exchange Limited	1400000	5.0000
2	Cochin Stock Exchange Limited	1400000	5.0000
3	Coimbatore Stock Exchange Limited	1400000	5.0000
4	Gauhati Stock Exchange Limited	1400000	5.0000
5	Madhya-Pradesh Stock Exchange	1400000	5.0000
6	Magadh Stock Exchange Limited	1400000	5.0000
7	Saurashtra-Kutch Stock Exchange Limited	1400000	5.0000
8	Bennett Coleman & Co. Ltd	1248260	4.4581
9	Darashaw and Company Pvt Ltd	1248260	4.4581
10	Panoramic Universal Limited	1248260	4.4581

(xii) **Dematerialisation of shares and liquidity:**

The Company's shares are compulsorily traded in dematerialised form on Central Depository Services (India) Limited (CDSL). Equity shares of the Company representing 87.86% of the Company's equity share capital are dematerialised and remaining 12.14% are in physical form, as on March 31, 2012.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is **INE171I01014**.

(xiii) **Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity:**

As on March 31, 2012, the Company did not have any outstanding GDRs/ADRs/Warrants or any convertible instruments.

(xiv) **Converting of shares held in physical form to dematerialized form:**

During the year 2011-12, the Company had taken steps i.e. by issuing letters to the Shareholders, for encouraging them for dematerialising the shares held by them in physical form.

(xv) **Address for correspondence:**

**Inter-connected Stock Exchange of India Limited**

International Infotech Park, Tower-7,

5th Floor, Sector 30A, Vashi,

Navi Mumbai 400703

Telephone: 91 22 67941100

Fax: 91 22 27812105

Designated e-mail address for Investor Services: [ingrievise@iseindia.co.in](mailto:ingrievise@iseindia.co.in)

Website: [www.iseindia.com](http://www.iseindia.com)

## DECLARATION REGARDING COMPLIANCE BY GOVERNING BOARD MEMBERS AND KEY MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for all its Governing Board Members and Key Management Personnel. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors. Both these Codes are available on the Company's website.

I confirm that the Company has in respect of the financial year ended March 31, 2012, received from the Key Management Personnel of the Company and the Members of the Governing Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Key Management Personnel means a person serving as head of any department or in such senior executive position that stands higher in hierarchy to the head(s) of department(s) in the exchange or in any other position as declared so by the exchange as on March 31, 2012.

**Date:** July 30, 2012  
**Place:** Vashi, Navi Mumbai

sd/-  
**P. J. Mathew**  
**Managing Director**

## COMPLIANCE CERTIFICATE

### TO THE MEMBERS OF INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED

We have examined the compliance of conditions of corporate governance by INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED ("the Exchange"), for the year ended March 31, 2012, as specified by SEBI for listed companies which shall *mutatis mutandis* apply to the Exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Exchange for ensuring the compliance of the conditions of Corporate Governance to the extent it is applicable to the Exchange. It is neither an audit nor an expression of opinion on the financial statements of the Exchange.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Exchange has complied with the conditions of Corporate Governance to the extent it is applicable to the Exchange.

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

**For Neelesh Gupta & Co.,**  
**Company Secretaries**

sd/-  
**CS. Neelesh Gupta**  
**Proprietor**  
**C. P. No. 6846**  
**FCS 6381**

**Date:** Indore  
**Place:** July 30, 2012





Date: \_\_\_\_\_

CIN: U671020MH2005PLC157556

**Nominal Capital: 10 Crore**

**COMPLIANCE CERTIFICATE**  
(Rule 3 of Companies (Compliance Certificate) Rules, 2001)

To,  
The Members,  
Inter-connected Stock Exchange of India Ltd.,  
Infotech Park, Tower No. 7, 5th Floor,  
Above Vashi Railway Station  
Vashi, Navi Mumbai

We have examined the registers, records, books and papers of Inter-connected Stock Exchange of India, Limited as required to be maintained under the Companies Act, 1956 (the Act) and the Rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2012. In our opinion and to the best of our information and according to the examinations carried out by us and explanations, information and certifications furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexe 'A' to this Certificate, as per the provisions of the Act and the Rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexe 'B' to this Certificate with the Registrar of Companies, Mumbai, within the time prescribed under the Act and the Rules made there under.
3. The Company being Public Limited Company, the provision of this clause is not applicable.
4. The Board of directors met Eight (8) times during the financial year on 6th April 2011, 4th July 2011, 19th August 2011, 14th October 2011, 19th December 2011, 17th January 2011, 3rd February 2012 and 24th March 2012 respectively in respect of meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has closed its register of members twice from 13th September 2011 to 29th September 2011 (both Days Inclusive) and on 02nd February 2012 during the financial year.
6. The Annual General Meeting for the Financial Year ended on 31st March 2011 was held on 29th September, 2011 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. One Extra-ordinary General Meeting was held during the financial year i.e. 17th January 2012.
8. The Company has not advanced loans to its Directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into contracts falling within the purview of section 297 of the Act.
10. According to the Information given to us by the Management of the Company, transactions that needed to be entered have been so entered in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, Members or Central Government, as the case may be.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company

- i) has delivered share certificates after allotment and transfer of shares further there was no transmission of securities during the financial year.
  - ii) has paid the dividend by issuing demand drafts in the name of concerned shareholder after declaration of dividend during the financial year.
  - iii) has delivered demand drafts to members of the Company within 30 days from the date of declaration of dividend.
  - iv) as informed by the management, company was not required to transfer any amounts in Unpaid dividend account, application money due for the refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of 7 years to Investor Education and Protection Fund.
  - v) has duly complied with the requirement of Section 217 of the Act.
14. The Board of Directors of the company is duly constituted. The appointment/re-appointment, cessation and resignation of the directors were duly made during the financial year.
  15. The Company has not appointed any Managing Director, Whole time Director or Manager during the financial year.
  16. The company has not appointed any sole selling agents during the financial year.
  17. The Company was not required to obtain any approvals of Company Law Board, Registrar of Companies, Central Government and Regional Director and /or such other authorities as may be prescribed under any of the provisions of the Act.
  18. The Directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
  19. The Company has allotted 26,600,000 Bonus Shares in the Board meeting held on 3rd February 2012 during the financial year.
  20. The Company has not bought back any shares during the financial year.
  21. There was no redemption of preference shares/debentures during the financial year. The Company has not issued any preference shares.
  22. There were no transactions necessitating the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
  23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
  24. The Company has not made borrowings during the year under Section 293(1)(d) of the Act.
  25. The Company has not made loans and investments, or given guarantees or provided securities to other bodies corporate.
  26. The Company has not altered the provisions of the Memorandum with respect to the situation of the Company's Registered Office from one state to another during the year under scrutiny.
  27. The Company has not altered the provisions of the Memorandum with respect to the Objects of the Company during the year under scrutiny.
  28. The Company has not altered the provisions of the Memorandum with respect to the Name of the Company during the year under scrutiny.
  29. The Company has altered the provisions of the Memorandum with respect to the Share Capital of the Company by way of Increase in Authorized capital from Rs. 5 Crore to 10 Crore in the Extra Ordinary General Meeting held on 17th January 2012.
  30. The Company has not altered its Articles of Association during the financial year.
  31. There was no prosecution initiated against or show cause notices received by the Company during the financial year for offences under the Act.
  32. The Company has not received any money as security from its employees during the financial year.
  33. The Company has deposited the contributions towards Provident Fund during the financial year.

**For Neelesh Gupta & Co.,  
Company Secretaries**

sd/-

**CS. Neelesh Gupta  
Proprietor  
C. P. No. 6846  
FCS 6381**

**Place:** Indore  
**Date:** 06.08.2012



## ANNEXE - A

### Registers as maintained by the Company:

1. Register of Members.
2. Minute's books of the meeting of the Board and Shareholders.
3. Register of Contracts, companies and firms in which directors of the companies are interested u/s 301 of the Act.
4. Register of Directors, Managing Director, Manager and Secretary u/s 303(1) of the Act.
5. Register of Directors' shareholding u/s 307 (1) of the Act.
6. Register of Directors' attendance at the meetings of the Board (Regulation 71 of Table A).
7. Register of Shareholders' attendance at their meeting.

## ANNEXE - B

Forms and returns as filed by the company with the Registrar of Companies, during the financial year ended 31st March 2012.

Sr. No.	Name of the document	Companies Act, 1956	For	Filing Date [Receipt No.]
1.	Form 66	Section 383A	31.03.2011	11.10.2011 (P72200470)
2.	Form 23	Section 192	29.09.2011	12.10.2011 (B22613756)
3.	Form 23AC and Form 23ACA	Section 220	31.03.2011	19.10.2011 (P3708042)
4.	Form 20B	Section 159	29.09.2011	21.10.2011 (P74333436)
5.	Form 23	Section 192	17.01.2012	24.01.2012 (B30318067)
6.	Form 5	Section 94	17.01.2012	30.01.2012 (B30295364)
7.	Stamp duty	Section 94	17.01.2012	30.01.2012 (D03340437)
8.	Form 2	Section 75	03.02.2012	15.02.2012 (S07923212)
9.	Form DIN 4	Director Identification Number Rules, 2006	NA	18.02.2012 (B32328635)
10.	Form DIN 4	Director Identification Number Rules, 2006	NA	18.02.2012 (B32329112)
11.	Form DIN 4	Director Identification Number Rules, 2006	NA	21.02.2012 (B32476665)

**END OF COMPLIANCE CERTIFICATE**



# AUDITORS' REPORT

The Members,  
**Inter Connected Stock Exchange Of India Limited**

1. We have audited the attached Balance Sheet of **Inter-connected Stock Exchange of India Limited** as at 31st March, 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended 31st March, 2012. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with standards of auditing generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 5 and 6 of the said Order.
4. Further we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - iii. The Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable to the company;
  - v. On the basis of written representations received from the directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and the Notes forming parts of accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a. In the case of Balance Sheet of the state of affairs of company as at 31st March, 2012.
    - b. In the case of Statement of Profit and Loss of the profit for the year ended on that date; and
    - c. In the case of Cash Flow Statement, of the Cash flows for the year ended on that date.

**For Contrator, Nayak & Kishnadwala**  
**Chartered Accountants**  
**Firm Registration No. 101961W**

sd/-  
**(Hiren Shah)**  
Partner  
Membership No 100052

**Place:** Mumbai  
**Date:** July 30, 2012



## Annexure to the Auditor's Report

With reference to the Annexure referred to in paragraph 3 of the report of the Auditors' to the Members of **Inter-connected Stock Exchange of India Limited** on the accounts for the period ended 31st March, 2012, we report that:

- i. The nature of the Company's business/activities during the period have been such that clauses (ii), (viii), (xiii) and (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- ii.
  - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
  - (b) All the fixed assets have been physically verified by the management and discrepancies observed are adjusted during the year.
  - (c) The company has not disposed off substantial part of fixed assets during the year.
- iii.
  - (a) According to the information and explanation given to us, the Company has not granted any loans to the companies, firms and other parties covered in the register maintained under section 301 of the Companies Act, 1956 and accordingly the sub-clauses (b), (c) and (d) of clause (iii) are not applicable to the company.
  - (e) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly the sub-clauses (f) and (g) of clause (iii) are not applicable to the company.
- iv. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of fixed assets and for the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v. In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956:
  - (a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered in the register have been so entered.
  - (b) According to the information and explanations given to us, these contracts or arrangements with ISE Securities & Services Ltd. are management services, rent and others mainly in the nature of reimbursement of cost incurred by ISE Ltd. for ISE Securities and Services Ltd. and hence the prices for which, are reasonable.
- vi. According to the information and explanations given to us, the Company has not accepted any deposit during the year from public within the meaning of the provisions of Section 58A and Section 58AA of the Companies Act, 1956 and the rules framed there under. Hence, clause 4(vi) of the Order is not applicable.
- vii. In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- viii.
  - (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has generally been regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Custom Duty, Excise Duty, Cess.
  - (b) According to the information and explanation given to us, there are no dues of sales tax/ income tax/ customs duty/ wealth tax/service tax/ excise duty and Cess, which have not been deposited on account of disputes.
- ix. The company does not have any accumulated losses. The company has not incurred any cash losses during the year, under audit.
- x. In our opinion and according to the information and explanation given to us, during the year the Company has not defaulted in repayment of dues to banks.

- xi. According to the information and explanation given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xii. According to the information and explanation given to us, the company has not given any guarantees for loans taken by others from banks and financial institutions.
- xiii. According to the information and explanation given to us, there are no term loans obtained by the Company.
- xiv. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, no funds have been raised during the year for short/long-term investment.
- xv. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xvi. The Company has not issued any debentures during the year.
- xvii. The Company has not raised any money by public issues during the year.
- xviii. According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

**For Contrator, Nayak & Kishnadwala**  
**Chartered Accountants**  
**Firm Registration No. 101961W**

sd/-  
**(Hiren Shah)**  
Partner  
Membership No 100052

**Place:** Mumbai  
**Date:** July 30, 2012



# Inter-connected Stock Exchange of India Ltd.

## Balance Sheet as at March 31, 2012

Particulars	Schedule	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>SHAREHOLDERS' FUND</b>			
Share Capital	2.1	28,000,000	1,400,000
Reserves and Surplus	2.2	435,876,294	448,994,949
<b>NON CURRENT LIABILITIES</b>			
Deferred Tax Liability (Net)	2.3	2,308,711	1,879,536
Long term provisions	2.4	2,292,262	2,124,752
<b>CURRENT LIABILITIES</b>			
Trade Payables	2.5	200,120	230,760
Other current liabilities	2.6	96,907,480	101,668,298
Short term provisions	2.7	6,183,691	6,571,188
<b>Total</b>		<b>571,768,558</b>	<b>562,869,483</b>
<b><u>ASSETS</u></b>			
<b>NON CURRENT ASSESTS</b>			
Fixed assets	2.8		
(i) Tangible Assets		35,599,618	36,589,412
(ii) Intangible Assets		779,411	438,814
(iii) Capital work-in-progress		140,632,975	99,418,747
		177,012,004	136,446,973
Non current Investments	2.9	55,000,000	55,000,000
Long Term Loans & Advances	2.10	9,876,414	7,207,194
Other Non Current Assets	2.11	10,609	14,145
<b>CURRENT ASSESTS</b>			
Trade Receivables	2.12	12,870,469	10,532,770
Cash & Bank Balances	2.13	307,199,440	342,216,088
Short Term Loans & Advances	2.14	7,437,765	5,104,686
Other Current Assets	2.15	2,361,857	6,347,627
<b>Total</b>		<b>571,768,558</b>	<b>562,869,483</b>
<b>Significant Accounting Policies and Notes forming part of the Accounts</b>	<b>1 &amp; 2 (2.1 to 2.31)</b>		

As per our attached Report of even date  
**For Contractor, Nayak and Kishnadwala**  
**Chartered Accountants**  
**Firm Registration No.: 101961W**

sd/-  
**(Hiren Shah)**  
 Partner  
 Membership No 100052

**Place:** Navi Mumbai  
**Date:** July 30, 2012

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

sd/-  
**K. Rajendran Nair**  
 Chairman

**Place:** Navi Mumbai  
**Date:** July 30, 2012

sd/-  
**P. J. Mathew**  
 Managing Director

sd/-  
**Milind Nigam**  
 Company Secretary



## Inter-connected Stock Exchange of India Ltd.

### Profit and Loss Account for the period April 01, 2011 to March 31, 2012

Particulars	Note	Year ended March 31, 2012 (₹)	Year ended March 31, 2011 (₹)
Revenue from Operations	2.16	29,011,773	31,432,051
Other Income	2.17	38,211,863	28,756,344
<b>Total</b>		<b>67,223,636</b>	<b>60,188,395</b>
<b>Expenditure</b>			
Employee Benefit Expenses	2.18	29,843,966	23,958,502
Finance Cost		-	-
Depreciation/Amortisation		3,213,910	2,879,332
Less : Adjusted against Capital Reserve (Refer Note 2.2 A)		8,533	42,500
		3,205,377	2,836,832
Other expenses	2.19	29,429,295	29,872,240
<b>Total Expenses</b>		<b>62,478,638</b>	<b>56,667,574</b>
<b>Profit before Exceptional, Extraordinary items &amp; Tax</b>		4,744,999	3,520,821
<b>Exceptional items</b>		-	-
<b>Profit before Extraordinary items &amp; Tax</b>		4,744,999	3,520,821
<b>Extraordinary Items</b>		-	-
<b>Profit before Tax</b>		4,744,999	3,520,821
<b>Tax Expenses</b>			
- Current tax (after adjusting taxation provision on interest credited to earmarked fund account of Rs. 5,602,176/- (previous year: Rs. 4,154,946/-))		(910,000)	(3,000,000)
- Deferred Tax [Saving/ (Expenses)]	2.3	(429,175)	597,197
- Excess Provision of Income Tax of earlier year written back		-	3,272,218
<b>Profit/(Loss) for the period from continuing Operations</b>		3,405,824	4,390,236
<b>Profit/(loss) for the period</b>		3,405,824	4,390,236
<b>Earnings per share (for face value of Rs.1 /-each) (Basic &amp; Diluted)</b>	2.28	<b>0.12</b>	<b>3.14</b>
<b>Adjusted Earnings Per share (for face value of Rs.1/-each) for the year ended 31.03.2011 after issue of bonus share.</b>			<b>0.16</b>
<b>Significant Accounting Policies and Notes forming part of the Accounts</b>	<b>1 &amp; 2 (2.1 to 2.31)</b>		

As per our attached Report of even date  
**For Contractor, Nayak and Kishnadwala**  
**Chartered Accountants**  
 Firm Registration No.: 101961W

sd/-  
**(Hiren Shah)**  
 Partner  
 Membership No 100052

**Place:** Navi Mumbai  
**Date:** July 30, 2012

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

sd/-  
**K. Rajendran Nair**  
 Chairman

**Place:** Navi Mumbai  
**Date:** July 30, 2012

sd/-  
**P. J. Mathew**  
 Managing Director

sd/-  
**Milind Nigam**  
 Company Secretary



## 1. **Significant Accounting Policies:**

### 1.1 **Basis of preparation of Financial Statements**

The accompanying financial statements have been prepared using the historical cost convention in accordance with generally accepted accounting principles and the provisions of the Companies Act, 1956. Accounting policies are 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.

Even though the Company is a Small and Medium Sized Company (SMC) as defined in the General Instructions in respect of Accounting Standards notified under the Companies Act, 1956, the Company has complied with the all Accounting Standards ("AS") as applicable except AS 17- Segment Reporting.

### 1.2 **Use of Estimates**

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. The differences between actual results and estimates are recognised in the year in which the results are known / materialised.

### 1.3 **Revenue Recognition**

Admission fees and annual fees will be treated as income once admission of Trading Member has been approved by Screening committee and Board.

Income from Depository Activities: Maintenance charges are recognized on pro-rata basis from the date of charging till the year end. Transaction charges are recognized on the execution of the instruction slips.

The Dividend Income, if any, is accounted when the right to receive payment is established.

Management service fees, Reimbursement of Expenses and Rent are charged on accrual basis as per the terms of contract with the customer i.e. ISE Securities & Services Ltd., a wholly owned subsidiary of the company.

Contributions towards the Settlement Guarantee Fund received from trading members are accounted on the basis of the date of grant of registration certificate by SEBI, as it signifies the conclusive point of entry of trading members into the Company.

In appropriate circumstances, revenue is recognised when no significant uncertainty as to determination and realisation exists.

The revenue in respect of a settlement is accounted on the funds pay-in date of the settlement.

The interest income on investments of the Earmarked Funds, being accretions to the said funds, is credited to the funds, in accordance with the Rules, Bye-laws and Regulations of the Company.

### 1.4 **Fixed Assets**

Fixed Assets are valued at cost. They are stated at historical cost including incidental expenses and Developmental Expenses. Developmental expenditure are directly attributable to Tangible and Intangible Assets as the Company intends to complete the asset and use it. The improvements to leased premises have been capitalised along with leasehold premises.

### 1.5 **Depreciation and Amortisation**

- i. Depreciation is provided on straight-line basis at the rates prescribed in Schedule XIV to the Companies Act, 1956 except in case of Computers Equipments and Computer Software which would be depreciated over 5 years and 3 years respectively.
- ii. Depreciation on assets acquired/purchased during the year is provided on pro-rata basis.
- iii. Leasehold Land and Premises, including improvements, are amortised over the year of the lease.
- iv. Depreciation on networking equipment is charged to the Networking Equipment Contribution in the proportion of the total capital cost incurred and the amounts recovered from trading members.

### 1.6 **Borrowing Costs**

Borrowing costs attributable to the acquisition of a fixed asset upto the date it is ready for use are capitalised as part of the cost

of the fixed asset. Other borrowing costs are recognized as expenses in the year in which they are incurred.

## 1.7 Investments

Investment in the subsidiary company being of long-term nature is stated at cost and no loss is recognised in the fall of its net worth unless it is a permanent fall. Current investments are valued at lower of the cost or Net realisable value of such investments.

## 1.8 Employees Benefits :

### (a) Provident Fund:

The company's contributions paid and payable during the year towards Provident Fund are made to Regional Provident Fund Commissioner & are charged in Profit & Loss Account every year.

### (b) Gratuity:

The company's contributions paid and payable during the year towards Gratuity are made to Gratuity Fund managed by Life Insurance Corporation of India (LIC). The net present value of company's obligation towards gratuity to employees is actuarially determined based on the projected unit credit method. Actuarial gains and losses are immediately recognised in the Profit & Loss Account.

### (c) Compensated Absences:

The employees of the company are entitled to compensated absences. The employee can carry forward unutilised accrued compensated absence and utilise it in future years or receive cash compensation at retirement or resignation for the unutilised accrued compensated absences. Such compensated absences are treated as Long term benefit to employees. The net present value of company's obligation towards such Long term compensated absences to employees is actuarially determined based on the projected unit credit method. Actuarial gains and losses are immediately recognised in the Profit & Loss Account.

### (d) Other Employee Benefits:

Liability on account of other benefits are determined on an undiscounted basis and recognized over the year of service, which entitles the employees to such benefits.

## 1.9 Settlement Transactions

The transactions pertaining to settlement, which are conducted in a fiduciary capacity, do not form part of the Accounts of the Company.

## 1.10 Networking Equipment Contributions

The recoveries made by the Company from trading members towards the networking equipment cost represent one-time charges collected towards the capital cost of the networking equipments installed to connect the trading members with the central computer of the Company and are considered as Capital Reserves.

## 1.11 Taxation

Provision for current Income Tax is computed on the taxable income after considering allowances; deductions and exemptions determined in accordance with the prevailing tax laws.

Deferred tax assets and liabilities are recognised for the timing differences between profit as per financial statements and the taxable profits based on the tax rates that have been enacted or substantially enacted at the Balance Sheet date. Deferred tax assets are recognised only if there is reasonable certainty that sufficient future taxable income will be available against which tax assets can be realised.

## 1.12 Accounting for Provisions, Contingent Liabilities and Contingent Assets

As per AS 29, norms for Provisions, Contingent Liabilities and Contingent Assets, the Company recognises provisions only when it has a present obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and when a reliable estimate of the amount of the obligation can be made. No provision is recognised for any possible obligation that arises from past events and the existence of which will be confirmed only by that occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

### 1.13 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 impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

## 2 NOTES ON ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2012

### 2.1 SHARE CAPITAL

A) Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>Authorised Capital</b> (10,00,00,000 Equity shares of Re 1/- each)	100,000,000	50,000,000
<b>Issued, Subscribed And Paid Up</b> (2,80,00,000 Equity shares of Re 1/- each fully paid up)	28,000,000	1,400,000
<b>Total</b>	<b>28,000,000</b>	<b>1,400,000</b>

- B)** The company has only one class of shares referred to as equity shares having a par value of Rs. 1 /-. Each holder of equity shares is entitled to one vote per equity shares.
- C)** In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.
- D)** Shareholders of Company in its Extra-ordinary General Meeting held on January 17, 2012 approved the issue of Bonus Shares in the ratio of 19:1. Board in its meeting held on February 3, 2012 approved the allotment of 2,66,00,000 Equity Shares of Re. 1/- each in the ratio of 19 Equity Shares for every 1 Equity Share held on Record date (02.02.2012) in the aforesaid ratio of nineteen (19) Equity Share for every 1 Equity Share as bonus shares by capitalizing Share Premium account.
- E)** None of the Shareholders of the Company are holding more than 5% equity shares of the paid-up capital of the company directly or indirectly as on March 31, 2012.
- F) Reconciliation of number of shares outstanding**

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
Number of Shares at the beginning	1,400,000	1,400,000
Number of Shares issued (Bonus Shares)	26,600,000	-
Number of Shares bought back	-	-
Other Adjustments	-	-
Number of Shares at the end	28,000,000	1,400,000



## 2.2 RESERVES & SURPLUS

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b><u>PART A : RESERVES &amp; SURPLUS (before November 24, 2005) *</u></b>		
<b><u>Free Reserves</u></b>		
Surplus in P&L as per last Balance Sheet	11,888,319	11,888,319
<b><u>General Reserves:</u></b>		
Opening Balance	-	-
Add: Transferred from Networking Equipment Contribution	1,253,176	
Closing Balance **	1,253,176	-
<b>Total Free Reserves</b>	<b>13,141,495</b>	<b>11,888,319</b>
<b><u>Capital Reserves</u></b>		
<b><u>Infrastructure Development Contribution:</u></b>		
As per last Balance Sheet	91,900,000	91,900,000
	91,900,000	91,900,000
<b><u>Networking Equipment Contribution:</u></b>		
As per last Balance Sheet (Balance transferred from erstwhile Company, Inter-connected Stock Exchange of India Ltd., limited by guarantee)	1,261,710	1,304,210
Less : Adjustment towards Depreciation ***	8,533	42,500
	1,253,176	1,261,710
Less: Transferred to Pre-demutualization General Reserves **	1,253,176	-
	-	1,261,710
*** During the year, an amount of Rs. 8,533/-, being the proportionate amount of depreciation for the central networking equipments, has been withdrawn from the Networking Equipment Contribution.		
<b><u>Dealer Admission Fees :</u></b>		
As per last Balance Sheet	38,328,857	38,328,857
	38,328,857	38,328,857
<b>Total Capital Reserves</b>	<b>130,228,857</b>	<b>131,490,566</b>
<b>Total of PART A : RESERVES &amp; SURPLUS</b>	<b>143,370,352</b>	<b>143,378,885</b>

Note:

\* Pursuant clause 11 of the ISE (Corporatisation & Demutualisation) Scheme, 2005, Assets and Reserves as on November 23, 2005 are not available for the distribution to the Members of the Company and accordingly the same have been segregated from the re-registered Company's Reserves and Surplus.

\*\* Since Networking Equipment is pre-demutualisation reserves, after completion of formalities transferred to pre-demutualization General Reserves.



Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b><u>PART B : RESERVES &amp; SURPLUS (after November 24, 2005)</u></b>		
<b>Share Premium Account:</b>		
Opening Balance	138,038,315	138,038,315
Less: Capitalization of Share Premium towards Bonus shares	26,600,000	-
Closing Balance	111,438,315	138,038,315
<b>General Reserves:</b>		
Opening Balance	6,839,725	6,399,725
Add: Transfer from surplus	-	440,000
Closing Balance	6,839,725	6,839,725
<b>Surplus:</b>		
Opening balance	49,045,282	46,495,046
Add: Net profit after tax transferred from statement of profit and loss	3,405,824	4,390,236
Profit available for Appropriation	52,451,106	50,885,282
Less: Proposed Dividend	-	1,400,000
Less: Tax on Proposed Dividend (net of Rs. Nil (previous year Rs.Nil) credit available on tax on dividend declared by the subsidiary company)	-	-
Less: Transfer to General Reserve	-	440,000
Closing Balance	52,451,106	49,045,282
<b>Total of PART B : RESERVES &amp; SURPLUS</b>	<b>170,729,146</b>	<b>193,923,322</b>

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b><u>PART C : EARMARKED Fund *</u></b>		
<b>Settlement Guarantee Fund:</b>		
Opening Balance	109,510,499	99,449,526
Add: Interest received on SGF/ BMC (net of tax Rs. 5,543,401/- (previous year: Rs. 4,113,451/-))	12,396,408	8,269,003
Add: Contributions from the Trading Members	50,000	60,000
Add: Transfer of credit balance of Defaulter Trading Members	-	1,731,970
Less: Excess BMC of the Defaulting Trading Members **	2,321,968	-
Closing Balance	119,634,939	109,510,499
** During the year the credit balance in Defaulting Trading Members comprising of excess BMC has been classified under Current Liabilities, vide Circular No. CIR/MRD/DP/06/2011 dated June 16, 2011 as issued by SEBI, hitherto the same was being transferred to Settlement Guarantee Fund.		
<b>Investor Protection Fund:</b>		
Opening Balance	88,659	91,101
Add: Accretion by way of appropriation from the listing fee income during the period	-	900
Add: Amount transferred from Investor Service Fund	-	17,924
Less: Expenses incurred for Investor Awareness, education	-	21,266
Less: Amount transferred to Investor Protection Fund Trust	88,659	-
Closing Balance	-	88,659

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>Investor Services Fund:</b>		
Opening Balance	2,093,585	2,024,771
Add: Interest received on Fixed Deposit (net of tax Rs. 58,755/- (previous year: Rs. 41,495/-))	131,435	83,415
Add: Accretion by way of appropriation from the listing fee income during the period	25,000	18,000
Add: Sale of securities	-	14,067
Less: Expenses incurred for Investor Programmes conducted	49,244	28,744
Less: Newspaper and Periodicals Expenses	58,918	-
Less: Amount transferred from Investor Protection Fund	-	17,924
Closing Balance	2,141,857	2,093,585
<b>Total of PART C : Earmarked Reserves</b>	<b>121,776,796</b>	<b>111,692,743</b>
<b>Reserves and Surplus (TOTAL OF PART A+B+C)</b>	<b>435,876,294</b>	<b>448,994,949</b>

\* The Company has maintained Settlement Guarantee Fund and Investor Services Fund separately as Earmarked Fund in accordance with the directives issued by Securities and Exchange Board of India (SEBI) from time to time.

D) The Base Minimum Capital is being maintained in the form of cash, bank fixed deposit receipts, approved securities and/or undertakings from the Promoter Exchanges, as permitted by SEBI.

### 2.3 DEFERRED TAX LIABILITY

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>DEFERRED TAX LIABILITIES</b>		
Fixed Assets	3,673,017	3,254,638
<b>LESS: - DEFERRED TAX ASSETS</b>		
Provisions for Doubtful debts	571,608	354,449
Provision for employees benefit	792,698	754,009
Provisions for Contingency	-	266,644
<b>Total</b>	<b>2,308,711</b>	<b>1,879,536</b>

Pursuant to Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has recorded a net deferred tax adjustment of Rs. 429,175/- (Previous Year Rs. 597,197/-) adjusted from the profits and loss account.

### 2.4 LONG TERM PROVISIONS

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
Gratuity	547,060	658,579
Employees' Leave Encashment	1,745,202	1,466,173
<b>Total</b>	<b>2,292,262</b>	<b>2,124,752</b>

## 2.5 TRADE PAYABLES:

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>A) Due to Micro Small &amp; Medium Enterprises *</b>	-	-
<b>(B) Others</b>		
Depository Services	200,120	230,760
<b>Total</b>	<b>200,120</b>	<b>230,760</b>

## 2.6 OTHER CURRENT LIABILITIES

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>(A) Income received in advance</b>	3,893,524	4,983,131
<b>(B) Advance received from members</b>	5,435,000	5,997,500
<b>(C) Refundable Deposits</b>		
- Base Minimum Capital of Trading Members	71,647,404	76,150,405
- Trading Member Security Deposit	6,600,000	4,500,000
<b>(D) Other payables</b>		
Dues to Micro Small & Medium Enterprises *	-	-
Statutory Liabilities	138,335	1,089,293
Creditors for Capital Items	1,122,879	2,787,760
Defaulter Account Credit Balances	2,133,802	187,750
Others	3,436,536	3,472,459
Rent Deposit from Subsidiary Company	2,500,000	2,500,000
<b>Total</b>	<b>96,907,480</b>	<b>101,668,298</b>

Note:

- \* The company has compiled the details of vendors' status under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The Company contends that no overdue amounts alongwith interest have been payable to enterprise covered under MSMED Act and generally payments are made to vendors within the stipulated time/agreed credit terms.

## 2.7 SHORT TERM PROVISIONS

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
Employees' Leave Encashment	273,105	315,406
Performance Linked Bonus	5,910,586	3,992,857
Contingencies	-	862,925
Proposed Dividend	-	1,400,000
<b>Total</b>	<b>6,183,691</b>	<b>6,571,188</b>

## 2.8 FIXED ASSETS

A)

(Amount in ₹)

PARTICULARS	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
	As at 01-04-2011	Additions	Deductions	As at 31-03-2012	As at 01-04-2011	For the period	Deductions / Adjustments	As at 31-03-2012	As at 31-03-2012	As at 01-04-2011
<b>Tangible Assets</b>										
Leasehold Land	870,626	-	-	870,626	175,739	14,230	-	189,969	680,657	694,887
Leasehold Premises	32,585,962	-	-	32,585,962	7,122,298	532,606	-	7,654,904	24,931,058	25,463,664
Plant and Electrical Equipments	4,548,714	97,043	-	4,645,757	1,408,419	239,030	-	1,647,449	2,998,308	3,140,295
Furniture and Fixtures	8,395,933	2,11,802	-	8,607,735	4,159,060	951,209	-	5,110,270	3,497,465	4,236,873
Vehicles	725,000	-	-	725,000	399,664	69,064	-	468,728	256,272	325,336
Office Equipments	1,852,706	213,025	-	2,065,731	771,520	120,350	-	891,870	1,173,861	1,081,186
Computer Equipments including networking equipments	7,973,534	1,117,973	-	9,091,507	6,326,362	703,148	-	7,029,510	2,061,997	1,647,172
<b>Total Tangible Assets</b>	<b>56,952,475</b>	<b>1,639,843</b>	<b>-</b>	<b>58,592,317</b>	<b>20,363,063</b>	<b>2,629,637</b>	<b>-</b>	<b>22,992,700</b>	<b>35,599,618</b>	<b>36,589,412</b>
<b>Intangible Assets</b>										
Computer Software	5,291,443	924,871	-	6,216,314	4,852,629	584,273	-	5,436,902	779,411	438,814
<b>Total Intangible Assets</b>	<b>5,291,443</b>	<b>924,871</b>	<b>-</b>	<b>6,216,314</b>	<b>4,852,629</b>	<b>584,273</b>	<b>-</b>	<b>5,436,902</b>	<b>779,411</b>	<b>438,814</b>
<b>Total</b>	<b>62,243,918</b>	<b>2,564,714</b>	<b>-</b>	<b>64,808,631</b>	<b>25,215,692</b>	<b>3,213,910</b>	<b>-</b>	<b>28,429,602</b>	<b>36,379,029</b>	<b>37,028,226</b>
<b>Capital Work in Progress: Tangible Assets</b>										
Trading Platform and Related Equipments									108,302,289	83,668,747
<b>Capital Work in Progress: Intangible Assets</b>										
Trading Application Software									32,330,686	15,750,000
<b>Total</b>								<b>Grand Total</b>	<b>140,632,975</b>	<b>99,418,747</b>
									<b>177,012,004</b>	<b>136,446,973</b>

B) Leasehold Premises represent cost of office premises, including improvements to premises, taken from CIDCO under lease for a period of 60 years, in respect of which a Lease Deed has been executed.

C) Amount of Rs 87,67,302/- (Previous Year: Rs. 57,54,508/-) transferred from Salary and Allowances to Cap WIP - Expenses towards Trading Platform and Related Equipments.



## 2.9 NON CURRENT INVESTMENTS

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>Non Current Investments (Trade, unquoted &amp; at cost):</b>		
In the Equity shares of the wholly-owned subsidiary company, ISE Securities & Services Limited (5,500,000 equity shares of Rs. 10/- each, fully paid up)	55,000,000	55,000,000
<b>Total</b>	<b>55,000,000</b>	<b>55,000,000</b>

## 2.10 LONG TERM LOANS & ADVANCES

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>Considered Good:</b>		
Security Deposits	3,529,718	3,919,181
Advance Tax/ Income Tax refund receivable (Net of Provision)	6,346,696	3,288,013
<b>Total</b>	<b>9,876,414</b>	<b>7,207,194</b>

## 2.11 OTHER NON CURRENT ASSETS

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
Prepaid Expenses	10,609	14,145
<b>Total</b>	<b>10,609</b>	<b>14,145</b>

## 2.12 TRADE RECEIVABLES

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>More than six months from the date they were due for payment:</b>		
- Secured, considered Good	9,315,599	7,772,622
- Unsecured, considered Good	2,738,663	2,333,162
- Unsecured, considered Doubtful	1,849,863	1,147,085
Less : Provision for Doubtful Debts	1,849,863	1,147,085
	12,054,262	10,105,784
<b>Others:</b>		
- Secured, considered Good	50,000	-
- Unsecured, considered Good	766,207	426,986
- Unsecured, considered Doubtful	-	-
Less : Provision for Doubtful Debts	-	-
	816,207	426,986
<b>Total</b>	<b>12,870,469</b>	<b>10,532,770</b>

Note:

- (A) Trade Receivables includes Trading members, listed companies and other Trader receivables from whom an amount of Rs. 14,720,332/- is outstanding on account of various charges including DP charges recoverable. Out of this, an amount of Rs. 702,778/- (Previous year Rs. 870,116/-) has been provided as doubtful debts during the year ended March 31, 2012. The remaining debts are considered good for recovery by the Management in view of the various amounts deposited and collaterals given by the trading members with the Company, which are available for adjustment against the dues, as per the applicable Rules, Bye-laws and Regulations. Collaterals also includes undertakings given by Recognised Regional Stock Exchanges (RSEs) for which confirmations are called for and only few are awaited. DP Income receivable for more than three years have been fully provided for in the accounts.
- (B) Trade Receivables are subject to confirmation. In opinion of the management, effect if any on confirmation will not be material in nature.

## 2.13 CASH & BANK BALANCES:

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>(A) Cash &amp; Cash Equivalents</b>		
<b>(i) Balances with bank</b>		
In Current Accounts	1,089,149	1,765,813
In Deposit Accounts with maturity less than 3 months	11,500,000	-
<b>(ii) Cash on hand</b>	-	-
<b>(B) Other Bank Balances</b>		
Short Term bank deposits	98,055,790	153,549,560
In Deposit Accounts with maturity more than 12 months	49,000	-
<b>Earmarked Fund balances with banks *</b>		
In Current Accounts	20,405	138,509
In Deposit Accounts		
- less than 3 months	-	-
- more than 3 months but less than 12 months	194,335,095	184,494,445
- more than 12 months	2,150,000	2,267,761
	196,485,095	186,762,206
<b>Total</b>	<b>307,199,440</b>	<b>342,216,088</b>

Note:

\* Earmarked Fund balances with banks comprising of Settlement Guarantee Fund and Investor Services Fund. (Ref Note B of 2.20 & 2.22)

## 2.14 SHORT TERM LOANS & ADVANCES

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>(A) Loans and advance to Subsidiary</b>	-	-
<b>(B) Others:</b>		
Unsecured Considered Good, unless otherwise stated		
(i) Prepaid Expenses	654,953	603,767
(ii) Advances recoverable in cash or kind or for value to be received	6,611,323	4,416,628
(iii) Staff Advances	171,489	84,291
<b>Total</b>	<b>7,437,765</b>	<b>5,104,686</b>

## 2.15 OTHER CURRENT ASSETS:

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
Expenses recoverable from subsidiary	1,213,984	2,771,798
Interest Accrued (Bank Deposits & Earmarked Deposits)	1,147,873	3,575,829
<b>Total</b>	<b>2,361,857</b>	<b>6,347,627</b>



## 2.16 REVENUE FROM OPERATIONS

Particulars	For the year ended March 31, 2012 (₹)	For the year ended March 31, 2011 (₹)
Depository Participant (DP) Operations	13,809,636	17,313,322
Training Programmes	851,047	916,477
Subscription for Research Publications	72,840	23,277
Annual Subscription from Trading Members	7,632,000	9,446,875
Admission Fees	550,000	670,000
Listing Fees	96,250	62,100
Management Services Fee	6,000,000	3,000,000
<b>Total</b>	<b>29,011,773</b>	<b>31,432,051</b>

## 2.17 OTHER INCOME

Particulars	For the year ended March 31, 2012 (₹)	For the year ended March 31, 2011 (₹)
<b>Interest Income</b>		
- Fixed Deposits		
Gross Interest on Bank Deposits	28,588,689	24,161,191
Less : Interest earned on Earmarked Fund (net of Income Tax Rs. 5,602,176 /-, previous year: Rs. 4,154,946/-)	12,527,842	8,352,417
Net Interest from Fixed Deposits	16,060,847	15,808,774
- Other Interest Income	339,157	780,607
Dividend from Subsidiary Company	13,200,000	3,850,000
Rent Income from Subsidiary Company	2,040,000	1,800,000
Reimbursement of Expenses from Subsidiary Company	6,151,882	3,080,356
Other non operating Income	419,977	3,436,607
<b>Total</b>	<b>38,211,863</b>	<b>28,756,344</b>

## 2.18 EMPLOYEES BENEFIT EXPENSES

Particulars	For the year ended March 31, 2012 (₹)	For the year ended March 31, 2011 (₹)
Salaries and allowances (Net of recovery: Rs. 3,090,754/-, previous year: Rs. 2,421,838/-) Less : Transfer to Cap WIP - Expenses towards Trading Platform and Related Equipments.	34,520,920	25,608,204
	8,767,302	5,754,508
	25,753,618	19,853,696
Contribution to Provident and other Fund	1,634,362	1,348,751
Leave Encashment (Compensated Absences)	868,821	989,162
Gratuity	567,326	632,821
Staff Welfare	1,019,839	1,134,073
<b>Total</b>	<b>29,843,966</b>	<b>23,958,502</b>



## 2.19 OTHER EXPENSES

Particulars	For the year ended March 31, 2012 (₹)	For the year ended March 31, 2011 (₹)
DP Operations	2,665,347	3,772,031
Training Expenses	297,625	247,379
Telephone and Fax	1,686,869	1,048,735
Printing and Stationery	1,573,634	1,699,417
Remuneration to Auditors (Refer Note 2.29)	512,439	468,318
Legal and Professional Charges	2,810,080	2,890,291
Power, Fuel & Water Charges	5,431,496	4,211,251
Board / Committee Meeting	1,735,000	1,195,000
Rent, Rates and Taxes	2,864,888	2,665,503
Repairs and Maintenance - Leasehold Premises	361,418	358,859
Repairs and Maintenance - Others	1,621,158	1,637,548
Travelling and Conveyance	2,383,607	2,889,095
Postage and Courier	1,568,039	1,739,272
Security	932,290	810,749
Insurance	242,355	132,879
Advertisement and Publicity	746,158	399,430
Books, Newspapers and Periodicals	31,394	24,282
Vehicle Maintenance	187,828	177,916
Bank Charges	-	4,754
Miscellaneous Expenses	301,213	26,580
Lodging & Boarding Exp	597,308	748,496
Provision for Doubtful Debts	702,778	673,550
Tax paid	-	1,420,427
Loss on Sale of Fixed Assets	-	43,525
Sebi Fees	101,200	206,200
Bad Debts	62,000	110,967
Interest Paid	4,772	98,018
Write off	8,400	171,769
<b>Total</b>	<b>29,429,295</b>	<b>29,872,240</b>

## 2.20 Details of Settlement Guarantee Fund (Registered Trading Members):

A) Settlement Guarantee Fund	As at March 31, 2012	As at March 31, 2011
Settlement Guarantee Fund (including accretions from levy on transactions)	6,880,819	9,152,787
Settlement Stabilisation Fund	13,000,000	13,000,000
Contribution towards Base Minimum Capital (Cash component) from Registered Trading Members	71,647,404	76,150,405
Interest accrued on above	99,754,120	87,357,712
<b>Total</b>	<b>191,282,343</b>	<b>185,660,904</b>



- B) The balances as on March 31, 2012 in the Settlement Guarantee Fund are earmarked in accordance with the Rules and Bye-laws of the Company as under:

Particulars	As at March 31, 2012	As at March 31, 2011
With Bank in Fixed Deposits	191,271,938	185,650,499
With Bank in Current Account	10,405	10,405
<b>Total of Deposits and Bank Balance</b>	<b>191,282,343</b>	<b>185,660,904</b>
<b>Amount outstanding as on March 31, 2012</b>	<b>Nil</b>	<b>Nil</b>
<b>To be transferred to Normal Fund</b>	<b>3,828,305</b>	<b>961,273</b>

- C) Settlement Guarantee Fund (pending registration under current liabilities):

Settlement Guarantee Fund	As at March 31, 2012	As at March 31, 2011
Contribution towards SGF/ BMC from Trading Members pending registration	4,952,500	5,077,500
<b>Total</b>	<b>4,952,500</b>	<b>5,077,500</b>

- D) Details of Non-Cash Base Minimum Capital(BMC)

The balance on account of the non-cash components (not accounted in the Books, refer Note F of 2.20) of the Settlement Guarantee Fund are as under (certified by the management and relied upon by the auditor):

Non-cash component	As at March 31, 2012	As at March 31, 2011
<b>Bank Guarantees from trading members</b>		
- Registered	Nil	Nil
- Unregistered	Nil	Nil
<b>Fixed Deposits under lien</b>		
- Registered	6,259,363	6,012,112
- Unregistered	305,139	305,139
<b>Securities pledged, (at market value)</b>		
- Registered	7,663,721	15,681,758
- Unregistered	Nil	Nil
<b>Undertakings given by the regional stock exchanges on behalf their trading members</b>		
- Registered	22,700,000	23,300,000
- Unregistered	4,800,000	4,800,000
<b>Total Non-Cash Component</b>		
- Registered	<b>36,623,084</b>	<b>44,993,870</b>
- Unregistered	<b>5,105,139</b>	<b>5,105,139</b>

- E) The market value of the securities deposited by the trading members towards their Base Minimum and Additional Capital, which form part of the Settlement Guarantee Fund, has been computed after applying the appropriate margin on the stock prices prevailing at NSE on the last day of the financial year.
- F) Shares, fixed deposits and bank guarantees received from trading members in compliance with the Base Minimum Capital requirements (viz. capital adequacy norms), as prescribed in the Rules, Bye-laws and Regulations, have been held as collateral securities, and accordingly, have not been accounted in the books of the Company.

- G) "SEBI, vide its Circular No. SEBI/SMD/SE/Cir-24/2003/18/06 dated June 18, 2003, has permitted the Company to refund Base Minimum Capital in excess of Rs.100,000/- to its trading members after complying with the procedures prescribed there under, including obtaining No Objection Certificates (NOCs) from SEBI. Accordingly, in response to applications made by certain trading members, the Company after receiving necessary approvals from SEBI, has during the year refunded an aggregate amount of Rs. Nil in cash, excluding bank guarantees / fixed deposit receipts / securities to such trading members.

## 2.21 Details of Investor Protection Fund:

A)	Particulars	As at March 31, 2012	As at March 31, 2011
	Balance amounting of Rs. 88,659/- transferred to ISE Investor Protection Fund Trust.	-	88,659

- B) The balances as on March 31, 2012 in the Investor Protection Fund are earmarked in accordance with the Rules, Bye-laws and Regulations of the Company as under:

Particulars	As at March 31, 2012	As at March 31, 2011
With Bank in Fixed Deposits	-	-
With Bank in Current Account	-	88,659
<b>Total of Deposits and Bank Balance</b>	<b>-</b>	<b>88,659</b>
<b>Amount outstanding as on March 31, 2012</b>	<b>-</b>	<b>Nil</b>
<b>To be transferred to Normal Fund</b>	<b>-</b>	<b>24,445</b>

- C) The balance standing to the credit of Investor Protection Fund (IPF), has been transferred to ISE IPF Trust Bank Account which has been created vide Board Resolution dated October 14, 2011.

## 2.22 Details of Investor Services Fund:

A)	Particulars	As at March 31, 2012	As at March 31, 2011
	Including Rs. 25,000/- (previous year: Rs. 18,000/-) appropriation from listing fee income during the year, Rs. 131,435/- (previous year: Rs. 83,414/-) accretions by the way of interest on fixed deposit, Rs. Nil (previous year: Rs. 14,067/-) towards sale of securities, Less: Rs. Nil (previous year: Rs. 17,924/-) transferred to Investor Protection Fund, Rs. 49,244/- (previous year: Rs. 28,744/-) towards expenses incurred for conducting Investor programmes and Rs. 58,918/- towards expenses incurred towards Newspaper & Periodicals at Investor Points (previous year: Nil)	2,141,857	2,093,585

- B) The balances as on March 31, 2012 in the Investor Services Fund are earmarked in accordance with the Rules and Bye-laws of the Company as under:

Particulars	As at March 31, 2012	As at March 31, 2011
With Bank in Fixed Deposits	2,131,857	2,078,585
With Bank in Current Account	10,000	15,000
<b>Total of Deposits and Bank Balance</b>	<b>2,141,857</b>	<b>2,093,585</b>
<b>Amount outstanding as on March 31, 2012</b>	<b>Nil</b>	<b>Nil</b>
<b>To be transferred to Normal Fund</b>	<b>24,500</b>	<b>205,323</b>

## 2.23 Capital commitment and Contingent Liabilities not provided for:

A) Claims against company not acknowledged as debts of Rs. 2,348,842/- (Previous Year Rs. 1,598,842/-)

B)

Particulars	April 1, 2011 to March 31, 2012 (₹)	April 1, 2010 to March 31, 2011 (₹)
Estimated amount of contract remaining unexecuted on capital account and not provided for.	3,300,000	18,750,000

## 2.24 Disclosure under Accounting Standard 29:

### Provisions, Contingent Liabilities and contingent Assets:

(A) Company has estimated the provision for contingencies against the various claims against the company, for which details are given as under:

(Amount in ₹)

Particulars	Opening Balance	Provision made during the year	Adjustment made during the year	Closing Balance
Provision for contingencies*	862,925	Nil	862,925	Nil

\* The contingency has already been met in the current period by adjusting the deposit of Rs. 431,463/- and balance of Rs. 431,463/- being paid.

(B) Company has received notice pertaining to Navi Mumbai Municipal Corporation (NMMC) Cess Tax for Rs. 37,18,468/-. In the opinion of the management this demand is not tenable and accordingly no provision has been made.

2.25 In the opinion of the Management, the current assets, loans and advances have a value on realization in the ordinary course of business of at least equal amounts at which they are stated in the Balance Sheet.

## 2.26 Disclosures under AS 15 Employee Benefits:

i) The following table sets out the status of the defined benefit Gratuity Plan as required under AS 15:

(Amount in ₹)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Present Value of Funded Obligations	2,373,382	1,704,219
Fair Value of Plan Assets	(1,826,322)	(1,045,640)
Present Value of Unfunded Obligations	0	0
Unrecognised Past Service Cost	0	0
Amount not Recognised as an Asset (limit in Para 59(b))	0	0
<b>Net Liability</b>	<b>547,060</b>	<b>658,579</b>
Amount in Balance Sheet		
Liability	547,060	658,579
Assets	0	0
<b>Net Liability</b>	<b>547,060</b>	<b>658,579</b>

(Amount in ₹)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Current Service Cost	546,089	249,435
Interest on Defined Benefit Obligation	184,497	107,415
Expected Return on Plan Assets	(95,114)	(77,308)
Net Actuarial Losses / (Gains) Recognised in Year	(114,108)	130,732
Past Service Cost	0	200,006
Losses / (Gains) on " Curtailments & Settlements"	0	0
Losses / (Gains) on " Acquisition / Divestiture"	0	0
Effect of the limit in Para 59(b)	0	0
Total, Included in "Employee Benefit Expense"	521,364	610,280
Actual Return on Plan Assets	147,799	88,630

(Amount in ₹)

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
<b>Change in Defined Benefit Obligation</b>		
<b>Opening Defined Benefit Obligation</b>	<b>1,704,219</b>	<b>1,060,838</b>
Current Service Cost	546,089	249,435
Interest Cost	184,497	107,415
Actuarial Losses / (Gain)	(61,423)	142,054
Past Service Cost	0	200,006
Actuarial Losses/ (Gain) due to Curtailment	0	0
Liabilities Extinguished on Settlements	0	0
Liabilities Assumed on Acquisition/ (Settled on Divestiture)	0	0
Exchange Difference on Foreign Plans	0	0
Benefits Paid	0	(55,529)
<b>Closing Defined Benefit Obligation</b>	<b>2,373,382</b>	<b>1,704,219</b>
<b>Change in Fair Value of Assets</b>		
<b>Opening Fair Value of Plan Assets</b>	<b>1,045,640</b>	<b>796,886</b>
Expected Return on Plan Assets	95,114	77,308
Actuarial Gain/ (Losses)	52,685	11,322
Assets Distributed on Settlements	0	0
Contribution by Employer	632,883	215,653
Assets Acquired on Acquisition / (Distributed on Divestiture)	0	0
Exchange Difference on Foreign Plans	0	0
Benefits Paid	0	(55,529)
<b>Closing Fair Value of Plan Assets</b>	<b>1,826,322</b>	<b>1,045,640</b>
Expected Employer's Contribution Next Year	1,000,000	500,000



Category of Assets (% Allocation)	(Amount in ₹)	(%)	(%)
	Year ended March 31, 2012	Year ended March 31, 2012	Year ended March 31, 2011
Government of India Securities	0	0%	0%
Corporate Bonds	0	0%	0%
Special Deposit Scheme	0	0%	0%
Equity Shares of Listed Companies	0	0%	0%
Property	0	0%	0%
Insurer Managed Funds	1,826,322	100%	100%
Others	0	0%	0%
<b>Grand Total</b>	<b>1,826,322</b>	<b>100%</b>	<b>100%</b>

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Discount Rate (p.a.)	8.65%	8.30%
Expected Rate of Return on Assets (p.a.)	7.50%	7.50%
Salary Escalation Rate (p.a.)	7.00%	7.00%

(ii) Other Long term Employee Benefits:

Amount of Rs. 868,821/- (previous year: Rs. 989,162/-) is recognised as an expense towards Other Long term Employee Benefits-Compensated Absences (Leave Encashment) included under the Schedule-14: 'Employee Cost' in profit and loss account.

**2.27 Related party transactions:**

Disclosures as required by the Accounting Standard 18 (AS-18) "Related Party Disclosures" are given below:

**A) The Company has entered into transactions with the following related parties**

Sr. No	Name of the Related Parties	Relationship	Country
1	ISE Securities & Services Ltd.	Subsidiary	India
2	Mr. P. J. Mathew, Managing Director	Key Managerial Personnel	India
3	Inter-connected Stock Exchange of India Ltd. Investor Protection Fund Trust (ISE-IPF Trust)	Entity over which Company has significant influence	India

**B) Transactions with related parties during the year:**

(Amount in ₹)

Sr. No	Nature of Transactions	Subsidiary/ Entity over which Company has significant influence	Key Management Personnel	Total as on March 31, 2012	Total as on March 31, 2011
1	Rendering of Services (net of Service Tax)	6,000,000	-	6,000,000	3,000,000
2	Finance (Including loans and equity contributions in cash or in kind)				
	- Loans (incl. interest)	Nil	-	Nil	Nil
	- Investment in Equity	Nil	-	Nil	Nil
	- Provision for diminution in value of Investment	Nil	-	Nil	Nil
3	Interest Income	Nil	-	Nil	Nil
4	Remuneration paid to Managing Director	-	4,094,678	4,094,678	3,725,743

Sr. No	Nature of Transactions	Subsidiary/ Entity over which Company has significant influence	Key Management Personnel	Total as on March 31, 2012	Total as on March 31, 2011
5	Contribution to ISE IPF Trust	1,250	-	1,250	Nil
6	Reimbursement of Expenses: Includes: (a) Rs. 30,90,754/- (previous year: Rs. 2,421,838/-) is net of recovery from salary (b) Rs. 1,30,452/- (Previous year: Rs. 1,37,904/-) is net of recovery from Professional fees – others.	9,373,088	-	9,373,088	5,640,098
7	DP Charges	3,370,917	-	3,370,917	5,158,696
8	Rent	2,040,000	-	2,040,000	1,800,000
9	Dividend Received	13,200,000	-	13,200,000	38,50,000
10	Amt Outstanding as at March 31, 2012	-	-	-	-
	Loans (incl. interest)	Nil	-	Nil	Nil
	(Maximum outstanding during the year)	Nil	-	Nil	Nil
	Investment in Equity	55,000,000	-	55,000,000	55,000,000
	Managerial Remuneration	-	Nil	Nil	Nil
	Recovery of expenditure	1,213,984	-	1,213,984	2,771,798
	Deposit from subsidiary	2,500,000	-	2,500,000	2,500,000

## 2.28 Earnings Per Share:

(Amount in ₹)

Sr. No	Particulars	As on March 31, 2012	As on March 31, 2011
1.	Profit After Tax (Rs.)	3,405,824	4,390,236
2.	Number of shares beginning of the year	1,400,000	1,400,000
3.	Bonus Shares issued on February 2, 2012	26,600,000	-
4.	Number of shares close of the year	28,000,000	1,400,000
5.	Basic and Diluted Earnings Per Share for face value of Rs.1/- each	0.12	3.14
6.	Adjusted Earnings Per share for the year ended March 31, 2011 after issue of bonus share in the financial year 2011-12.	-	0.16

## 2.29 Remuneration to Auditors:

Particulars	April 1, 2011 to March 31, 2012 (₹)	April 1, 2010 to March 31, 2011 (₹)
Audit Fees	380,000	337,508
Tax Audit Fees	70,000	77,210
Certification & Other Expenses	45,000	13,236
Out of Pocket Expenses	5,130	1,812
Taxation related services	12,309	38,552
<b>Total (Net of Service Tax)</b>	<b>512,439</b>	<b>468,318</b>



### 2.30 Impairment of Assets:

In the opinion of the management there is no impairment of the assets and hence no provision is made for the same.

### 2.31 Schedule VI (Revised):

By virtue of the revision to the Schedule VI of the Companies Act, 1956, the accompanying financial statements have been prepared as per the new requirements as prescribed in the revision to the Schedule VI and the previous year figures have been regrouped/ reclassified wherever necessary.

Signatures to Notes 1 to 2.31

As per our attached Report of even date  
**For Contractor, Nayak and Kishnadwala**  
**Chartered Accountants**  
**Firm Registration No.: 101961W**

sd/-  
**(Hiren Shah)**  
Partner  
Membership No 100052

**Place:** Navi Mumbai  
**Date:** July 30, 2012

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

sd/-  
**K. Rajendran Nair**  
Chairman

sd/-  
**P. J. Mathew**  
Managing Director

sd/-  
**Milind Nigam**  
Company Secretary

**Place:** Navi Mumbai  
**Date:** July 30, 2012



## Inter-connected Stock Exchange of India Ltd.

### Cash Flow Statement for the year ended March 31, 2012

	Year ended March 31, 2012		Year ended March 31, 2011	
	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
<b>A. Cash Flow from Operating activities</b>				
<b>Net Profit before tax as per statement of profit and loss</b>		<b>4,744,999</b>		<b>3,520,821</b>
Adjustment for :				
Interest on Bank Fixed Deposits	(16,060,847)		(15,808,774)	
Dividend received from Subsidiary	(13,200,000)		(3,850,000)	
Interest on Income Tax refund	-		(408,400)	
Liability no longer required written back	-		(1,875,852)	
Provision for Doubtful Debts	702,778		673,550	
Loss on sale of Fixed Assets	-		43,525	
Depreciation	3,205,377		2,836,832	
		<b>(25,352,692)</b>		<b>(18,389,120)</b>
<b>Operating Profits before working capital changes:</b>		<b>(20,607,693)</b>		<b>(14,868,299)</b>
Adjustments for:				
(Increase)/Decrease in Trade and other Receivable	(994,787)		(1,105,108)	
Increase/(Decrease) in Trade and other Payables, liabilities and provisions	(3,611,445)		4,536,055	
		<b>(4,606,232)</b>		<b>3,430,948</b>
<b>Cash generated from operation</b>		<b>(25,213,925)</b>		<b>(11,437,351)</b>
Direct taxes paid (net of income tax refund)	(3,968,683)		(206,062)	
Total taxes paid		<b>(3,968,683)</b>		<b>(206,062)</b>
<b>Net Cash inflow/(outflow) from Operating Activities (A)</b>		<b>(29,182,608)</b>		<b>(11,643,413)</b>
<b>B. Cash Flow From investing Activities</b>				
Fixed Deposits Interest earned	16,060,847		15,808,774	
Dividend from Subsidiary Company	13,200,000		3,850,000	
Purchase of Fixed Assets including Capital work in Process	(43,778,941)		(79,039,507)	
Sale of Fixed Assets	-		179,269	
<b>Net Cash inflow/(outflow) from Investing Activities (B)</b>		<b>(14,518,094)</b>		<b>(59,201,464)</b>
<b>C. Cash Flow from financing activities</b>				
Dividend of 2010-2011 paid	(1,400,000)		(4,200,000)	
Tax on Dividend of 2010-2011 paid	-		(59,483)	
Amount received in Settlement Guarantee Fund and interest earned thereon	10,124,440		8,329,003	
Amount received in Investor Protection Fund (Transferred/Paid)	(88,659)		(2,442)	
Amount received in Investor Service Fund and interest earned thereon	48,273		68,813	
<b>Net Cash inflow/(outflow) from financial activities (C)</b>		<b>8,684,054</b>		<b>4,135,891</b>



	Year ended March 31, 2012		Year ended March 31, 2011	
	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
<i>Continued Cash Flow Statement</i>				
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>		<b>(35,016,648)</b>		<b>(66,708,986)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>342,216,088</b>		<b>408,925,074</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>307,199,440</b>		<b>342,216,088</b>
<b><u>Cash and cash equivalents at the end of the period comprises of:</u></b>				
<b>Cash in hand</b>		-		-
<b>Balances in bank current accounts</b>		1,089,149		1,765,813
<b>Balances in bank deposits</b>		109,604,790		153,549,560
<b>Balances in bank deposits and current accounts for earmarked funds</b>		196,505,500		186,900,715
<b>Total</b>		<b>307,199,440</b>		<b>342,216,088</b>

- Notes :
1. Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS)-3 issued by the Institute of Chartered Accounting of India.
  2. Previous years' comparatives have been reclassified by virtue of revised schedule VI to conform within current year's presentation as applicable in respect of interest accrued.

As per our attached Report of even date  
**For Contractor, Nayak and Kishnadwala**  
**Chartered Accountants**  
**Firm Registration No.: 101961W**

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

sd/-  
**(Hiren Shah)**  
 Partner  
 Membership No 100052

sd/-  
**K. Rajendran Nair**  
 Chairman

sd/-  
**P. J. Mathew**  
 Managing Director

sd/-  
**Milind Nigam**  
 Company Secretary

**Place:** Navi Mumbai  
**Date:** July 30, 2012

**Place:** Navi Mumbai  
**Date:** July 30, 2012

# INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD. INVESTOR PROTECTION FUND (ISE-IPF)

Report of an auditor relating to accounts audited under sub-section (2) of section 33 & 34 and rule 19 of the Bombay Public Trusts Act.

Registration No. E-6489

Name of the Public Trust: Inter-connected Stock Exchange of India Ltd. – Investor Protection Fund Trust

For the year ending: 31st March 2012

a) Whether accounts are maintained regularly and in accordance with the provisions of the Act and the rules;	YES
b) Whether receipts and disbursements are properly and correctly shown in the accounts;	YES
c) Whether the cash balance and vouchers in the custody of the manager or trustee on the date of audit were in agreement with the accounts;	YES
d) Whether all books, deeds, accounts vouchers or other documents or records required by the auditor were produced before him;	YES
e) Whether a register of movable and immovable properties is properly maintained, the changes therein are communicated from time to time to the regional office, and the defects and inaccuracies mentioned in the previous audit report have been duly complied with;	Not Applicable; since the trust has no movable and immovable property kept in its name.
f) Whether the manager or trustee or any other person required by the auditor to appear before him did so and furnished the necessary information required by him;	YES
g) Whether any property or funds of the Trust were applied for any object or purpose other than the object or purpose of the Trust;	NO
h) The amounts of outstanding for more than one year and the amounts written off, if any;	NIL
i) Whether tenders were invited for repairs or construction involving expenditure exceeding Rs.5,000/-;	NIL
j) Whether any money of the public trust has been invested contrary to the provisions of Section 35;	NO
k) Alienations, if any, of the immovable property contrary to the provisions of Section 36 which have come to the notice of the auditor;	Not Applicable Refer (e) above
l) All cases of irregular, illegal or improper expenditure, or failure or omission to recover monies or other property belonging to the public trust or of loss or waste of money or other property thereof, and whether such expenditure, failure, omission, loss or waste was caused in consequence of breach of trust or misapplication or any other misconduct on the part of the trustees or any other person while in the management of the trust;	NONE

# INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD. INVESTOR PROTECTION FUND (ISE-IPF)

Report of an auditor relating to accounts audited under sub-section (2) of section 33 & 34 and rule 19 of the Bombay Public Trusts Act.

m) Whether the budget has been filed in the form provided by rule 16A;	NO
n) Whether the maximum and minimum number of the trustees is maintained;	YES
o) Whether the meetings are held regularly as provided in such instrument;	YES
p) Whether the minute books of the proceedings of the meeting is maintained;	YES
q) Whether any of the trustees has any interest in the investment of the trust;	NO
r) Whether any of the trustees is a debtor or creditor of the trust;	NO
s) Whether the irregularities pointed out by the auditors in the accounts of the previous year have been duly complied with by the trustees during the period of audit;	This is the first year of audit of the Trust.
t) Any special matter which the auditor may think fit or necessary to bring to the notice of the Deputy or Assistant Charity Commissioner.	NONE

**For Contractor, Nayak and Kishnadwala  
Chartered Accountants  
Firm Registration No. 101961W**

**PLACE:** Navi Mumbai  
**DATE:** July 18, 2012

sd/-  
**HIREN SHAH**  
(PARTNER)  
MEMBERSHIP NO. 100052



# INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD. INVESTOR PROTECTION FUND (ISE-IPF)

**SCHEDULE VIII**  
[vide rule 17(1)]  
Registration No. E-6489

The Bombay Public Trusts Act, 1950

## BALANCE SHEET AS AT MARCH 31, 2012

FUNDS & LIABILITIES		₹	PROPERTIES & ASSETS		₹
<b>ISE IPF Corpus:</b>			<b>Cash and Bank Balance:</b>		
Opening Balance as on 01.04.2011	-		<b>(A) with HDFC Bank Ltd.:</b>		
<b>Add:</b> Earmarked Fund transferred from Inter-connected Stock Exchange of India Ltd.	123,112		Balance in Current Account		14,252
Closing Balance as on 31.03.2012		123,112	<b>(B) in Fixed Deposit:</b>		
			Bank Fixed Deposits - Corporation Bank		110,000
<b>Add:</b> Surplus being excess of Income over Expenditure for the year as per Annexed Income & Expenditure account		3,699	<b>Other assets</b>		
			Interest Accrued on Bank Fixed Deposits		2,559
<b>TOTAL</b>		<b>126,811</b>	<b>TOTAL</b>		<b>126,811</b>

Significant Accounting Policies and Notes forming part of the Accounts

As per our attached report of even date

**For Contractor Nayak and Kishnadwala & Co.**  
**Chartered Accountants**  
**Firm Registration No.: 101961W**

sd/-  
**(Hiren Shah)**  
Partner  
Membership No 100052

**For and on behalf of the Trustees**

sd/-  
**P. J. Mathew**  
Trustee

sd/-  
**Manubhai Kalidas Parekh**  
Trustee

sd/-  
**Ashokkumar Bakliwal**  
Trustee

**Place:** Vashi, Navi Mumbai  
**Date:** July 18, 2012

**Place:** Vashi, Navi Mumbai  
**Date:** July 18, 2012



# INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD. INVESTOR PROTECTION FUND (ISE-IPF)

SCHEDULE - IX  
[vide rule 17(1)]

Registration No. E-6489

The Bombay Public Trusts Act, 1950

## INCOME AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2012

EXPENDITURE	₹	INCOME	₹
<b>To Establishment expenses:</b>		By Contribution received from ISE againts Listing fees	1,250
To Bank Charges	110	By Interest on Bank Fixed Deposits	2,559
To Audit Fees	-		
To Balance, being excess of Income over Expenditure, carried to Balance Sheet	3,699		
<b>TOTAL</b>	<b>3,809</b>	<b>TOTAL</b>	<b>3,809</b>

Significant Accounting Policies and Notes forming part of the Accounts

As per our attached report of even date

**For Contractor Nayak and Kishnadwala & Co.**  
**Chartered Accountants**  
**Firm Registration No.: 101961W**

**For and on behalf of the Trustees**

sd/-  
**(Hiren Shah)**  
Partner  
Membership No 100052

sd/-  
**P. J. Mathew**  
Trustee

sd/-  
**Manubhai Kalidas Parekh**  
Trustee

sd/-  
**Ashokkumar Bakliwal**  
Trustee

**Place:** Vashi, Navi Mumbai  
**Date:** July 18, 2012

**Place:** Vashi, Navi Mumbai  
**Date:** July 18, 2012



# INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD. INVESTOR PROTECTION FUND TRUST

## NOTES TO THE FINANCIAL STATEMENTS

### A. Introduction:

Inter-connected Stock Exchange of India Ltd. Investor Protection Fund (ISE-IPF) Trust was formed on June 29, 2009. The main object of the trust is to pay/ compensate the investing public the amount payable to them from the Investor Protection Fund of the Exchange in the event of any Member of the Exchange becoming defaulter.

The ISE IPF Trust was formed as per the SEBI circular no. MRD/Dop/SE/Cir-38/2004 dated October 28, 2004.

The Accounts were drawn out separately and all the balances were transferred in the books of ISEIPF Trust during the Financial Year 2011-12. Earlier, it was maintained as Earmarked Fund in the books of Inter-connected Stock Exchange of India Ltd.

The Trust has filed application with Central Board of Direct Taxes, New Delhi for notifying Inter-connected Stock Exchange of India Ltd. Investor Protection Fund (IPIPF) Trust under Section 10(23EA) of the Income Tax Act, 1961.

### B. Significant Accounting Policies:

#### 1. Basis of preparation of Financial Statements:

The Financial Statements are prepared on the basis of historical cost convention, on accrual method of accounting and as a going concern.

#### 2. Revenue Recognition:

The Trust derives its revenue from contribution from Inter-connected Stock Exchange of India Ltd., (ISE) in the form of:

- (a) 1% of listing fees received
- (b) 100% of the interest earned on the 1% security deposit kept by the issuer companies at the time of the offering of securities for subscription to the public, immediately on refund of the deposit.
- (c) The difference of the amount of auctions/ close-out price.
- (d) The amount received from the proceeds of the sale of securities written off.
- (e) The contribution based on the transaction charges collected from the members.
- (f) Interest on amount invested in Fixed Deposit.

#### 3. Expenditure:

Expenses are accounted on accrual basis. Claims from the investors will be settled through the fund and the same is treated as a reduction from the corpus, upon approval of claims by the trustees.

As per our attached report of even date

**For Contractor Nayak and Kishnadwala & Co.**  
**Chartered Accountants**  
**Firm Registration No.: 101961W**

sd/-  
**(Hiren Shah)**  
Partner  
Membership No 100052

**For and on behalf of the Trustees**

sd/-  
**P. J. Mathew**  
Trustee

sd/-  
**Manubhai Kalidas Parekh**  
Trustee

sd/-  
**Ashokkumar Bakliwal**  
Trustee

**Place:** Vashi, Navi Mumbai  
**Date:** July 18, 2012

**Place:** Vashi, Navi Mumbai  
**Date:** July 18, 2012



**Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Company's Interest in Subsidiary Companies for the financial year 2011-12**

	Name of the Subsidiary Company	ISE Securities & Services Ltd
1.	The Financial year of the Subsidiary Companies ended on	March 31, 2012
2.	Date from which they became Subsidiary Companies	January 18, 2000
3.	a) Number of shares held by Inter-connected Stock Exchange Ltd. with its nominee in the subsidiaries at the end of the financial year of the Subsidiary Companies	55,00,000 equity shares of Rs.10/- each fully paid up
	b) Extent of Interest of Holding Company at the end of the financial year of the Subsidiary Companies	99.99% (0.01% of the shares are held by the nominees of the holding company)
4.	The net aggregate amount of the Subsidiary Companies Profit/(Loss) so far it is concerns the members of the Holding Company	
	a) Not dealt with in the Holding Company's accounts :	
	i) For the financial year ended 31st March, 2012	₹ 1,61,07,946
	ii) For the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries.	₹ 2,15,30,413
	b) Dealt with in the Holding Company's accounts:	
	i) For the financial year ended 31st March, 2012	Not Applicable
	ii) For the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	Not Applicable
<p>NOTE: The audited financials of ISE Securities &amp; Services Ltd (Subsidiary Company) have been received for the year ended 31st March, 2012. Further the transaction is not material for the Group as a whole, and hence the accounts have not been consolidated.</p>		

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

sd/-  
**K. Rajendran Nair**  
Chairman

sd/-  
**P. J. Mathew**  
Managing Director

sd/-  
**Milind Nigam**  
Company Secretary

**Place:** Navi Mumbai  
**Date:** July 30, 2012





---

**INTENTIONALLY BLANK**

---



*13<sup>TH</sup>*  
*ANNUAL REPORT*  
*2011-*  
*2012*



**ISE Securities & Services Limited**  
(Wholly-owned subsidiary of ISE)

Particulars	Page No.
<b>Corporate Information</b>	<b>67</b>
<b>Performance at a Glance</b>	<b>68</b>
<b>Directors' Report</b>	<b>69</b>
<b>Auditors' Report</b> (for the period April 1, 2011 to March 31, 2012)	<b>77</b>
<b>Balance Sheet</b> (as at March 31, 2012)	<b>80</b>
<b>Profit &amp; Loss Account</b> (for the period April 1, 2011 to March 31, 2012)	<b>81</b>
<b>Schedule forming part of the Accounts</b> (for the period April 1, 2011 to March 31, 2012)	<b>83</b>
<b>Abstract</b>	<b>98</b>

# CONTENT



## PUBLIC REPRESENTATIVE DIRECTORS



**Shri Manubhai K. Parekh**

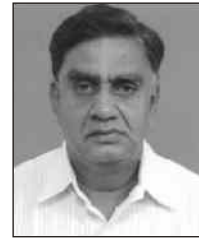


**Shri George Joseph**

## SHAREHOLDER REPRESENTATIVE DIRECTORS



**Shri Cyriac Thomas**



**Shri C. A. Venkatesan**

## NOMINEE DIRECTOR OF ISE



**Shri P. J. Mathew**

## CEO & WHOLE TIME DIRECTOR



**Shri Sivaraman K. M.**

## AUDIT COMMITTEE

**Shri Manubhai K. Parekh**  
Public Representative Director,  
Chairman of the committee

**Shri C. A. Venkatesan,**  
Shareholder Representative Director

**Shri P. J. Mathew,**  
Director  
(Nominee of Inter-connected Stock  
Exchange of India Limited)

## SECRETARIAL AND LEGAL

**Shri Mayank Mehta**  
Company Secretary & Compliance Officer

## STATUTORY AUDITORS

M/s. Contractor, Nayak &  
Kishnadwala, Chartered Accountants

## INTERNAL AUDITORS

M/s. Haribhakti & Co.,  
Chartered Accountants

## BANKERS

HDFC Bank Limited  
ICICI Bank Limited  
Axis Bank Limited  
IDBI Bank Limited  
State Bank of India

Corporation Bank  
Bank of Baroda  
Vijaya Bank  
Citibank  
South Indian Bank Limited

## REGISTERED OFFICE

International Infotech Park  
Tower No. 7, 5<sup>th</sup> Floor  
Sector - 30, Vashi  
Navi Mumbai - 400703.

## CORPORATE & CORRESPONDENCE OFFICE

6<sup>th</sup> Floor, 601, "Dakshna"  
Next to Raigad Bhavan  
Sector 11, CBD Belapur  
Navi Mumbai - 400614

# PERFORMANCE AT A GLANCE

(all figures in ₹ lakh)

Particulars	Financial Performance				
	11-12	10-11	09-10	08-09	07-08
<b>Income</b>					
Net Operational Income	358.60	351.51	368.98	294.41	462.25
Interest	517.10	492.92	496.95	431.41	309.96
Networking Recoveries	68.40	83.65	86.15	91.2	91.48
Annual Fees	20.85	21.85	24.45	22.4	24.9
Other Income	62.10	80.39	83.11	79.8	74.01
<b>Total Income</b>	<b>1027.05</b>	<b>1030.31</b>	<b>1059.66</b>	<b>919.22</b>	<b>962.6</b>
<b>Expenditure</b>					
Others Expenses	472.57	396.27	463.56	523.74	494.11
Employee Cost	266.13	212.34	162.12	155.04	176.55
Finance Cost	0.27	0.60	3.54	11.18	15.26
Depreciation / Amortisation	48.08	95.48	152.25	62.91	80.63
Preliminary Expenses written-off	-	-	-	-	-
Expenses on Proposed Projects	-	-	-	-	-
Contingency Expenses	-	-	-	-	-
<b>Total Expenditure</b>	<b>787.05</b>	<b>704.69</b>	<b>781.49</b>	<b>752.88</b>	<b>766.55</b>
<b>Profit / (Loss) before Taxation</b>	<b>240.00</b>	<b>325.62</b>	<b>278.16</b>	<b>166.34</b>	<b>196.04</b>
Provision for : Current Tax	(90.00)	(133.00)	(130.00)	(87.00)	(101.06)
: Deferred Tax Expenses)/Savings	11.08	22.68	33.12	22.32	30.43
<b>Net Profit / (Loss) after Taxation</b>	<b>161.08</b>	<b>215.30</b>	<b>181.29</b>	<b>101.66</b>	<b>125.42</b>
<b>Capital Structure</b>					
Share Capital	550.00	550.00	550.00	550.00	550.00
Reserves & Surplus	708.87	701.40	486.09	349.84	280.34
Net Fixed Assets	76.95	110.44	148.77	251.81	297.93
Investments	67.10	67.10	67.10	67.10	67.10
Net Current Assets	1069.62	1039.74	808.79	602.62	643.97
<b>Net worth</b>	<b>1258.87</b>	<b>1251.40</b>	<b>1036.09</b>	<b>921.53</b>	<b>830.34</b>
<b>Earning per share (₹)</b>	<b>2.93</b>	<b>3.91</b>	<b>3.30</b>	<b>1.85</b>	<b>2.25</b>

**Note**

By virtue of revision to the Schedule VI of the Companies Act 1956, the accompanying financial statements have been prepared as per new requirement as prescribed in the revision to Schedule VI. Previous year amount have been re-grouped/re-classified and recast wherever necessary to confirm to current year's classifications.



## Directors' Report 2011-12

The Board of Directors of ISE Securities & Services Limited (ISS) are pleased to present the Thirteenth Annual Report for the year ended March 31, 2012, together with the Auditors' Report and Audited Accounts for the Financial Year 2011-2012.

### FINANCIAL PERFORMANCE

In the Financial year 2011-2012 the Company has posted net profit of ₹161.08 lacs as compared to ₹ 215.30 lacs during the previous year 2010-2011. During the financial year, the market scenario remained range bound. The company earned a total income of ₹1027.05 lacs during the year 2011-2012 as compared to ₹1030.31 lacs during the previous year 2010-2011. Expenditure before depreciation, interest and tax during the year 2011-2012 under review stood at ₹ 738.70 lacs, compared to ₹ 608.61 lacs during the previous year 2010-2011. The operational income earned during the year 2011-2012 is ₹ 358.60 lacs as compared to ₹ 351.51 lacs during the previous year 2010-2011. The other non-operational income earned during the year 2011-2012 is ₹ 668.45 lacs, compared to ₹ 678.81 lacs for the previous year 2010-2011. After considering interest, finance charges and depreciation, the increase of income over expenditure (Profit before tax) for the year 2011-2012 is ₹ 240.00 lacs as compared to ₹ 325.62 lacs for the previous year.

The comparative picture of the financials of the Company for the last five years is presented in the table below:

Comparative Financial Performance						(₹ in lakh)
Particulars	2011-12	2010-11	2009-10	2008-09	2007-08	
Brokerage	358.60	351.51	368.98	294.41	462.25	
Other Income	668.45	678.81	690.67	624.81	500.35	
Expenditure before Depreciation, Interest and Tax	738.70	608.61	625.69	678.78	670.66	
<b>Profit before Depreciation, Interest and Tax</b>	<b>288.35</b>	<b>421.70</b>	<b>433.96</b>	<b>240.43</b>	<b>291.94</b>	
Interest and Finance Charges	0.27	0.60	3.54	11.18	15.26	
Depreciation	48.08	95.48	152.25	62.91	80.63	
<b>Profit/(Loss) before Tax</b>	<b>240.00</b>	<b>325.62</b>	<b>278.16</b>	<b>166.34</b>	<b>196.05</b>	
Provision for Tax	(90.00)	(133.00)	(130.00)	(87.00)	(101.06)	
: Deferred Tax Expenses)/Savings	11.08	22.68	33.12	22.32	30.43	
<b>Profit/(Loss) after Tax</b>	<b>161.08</b>	<b>215.30</b>	<b>181.29</b>	<b>101.66</b>	<b>125.42</b>	
Interim Dividend	82.50	-	-	22.00	-	
Proposed Dividend	-	-	38.5	5.5	33	

While income decreased from ₹1030.31 lacs during the previous year 2010-2011 to ₹ 1027.06 lacs during the current year 2011-2012, the expenditure before Depreciation, Interest and Tax, increased substantially from ₹ 608.61 lacs during the previous year 2010-2011 to ₹738.70 lacs during the current year 2011-2012. The profit before tax decreased from ₹ 325.62 lacs during the previous year 2010-2011 to ₹ 240.00 lacs during the current year 2011-2012.

## DIVIDEND

The Board of Directors at their meeting held on March 27, 2012 approved the payment of interim dividend, for the year ended March 31, 2012, at 15% on 55,00,000 equity shares of ₹10/- each. In view of this, no final dividend has been recommended by the Board.

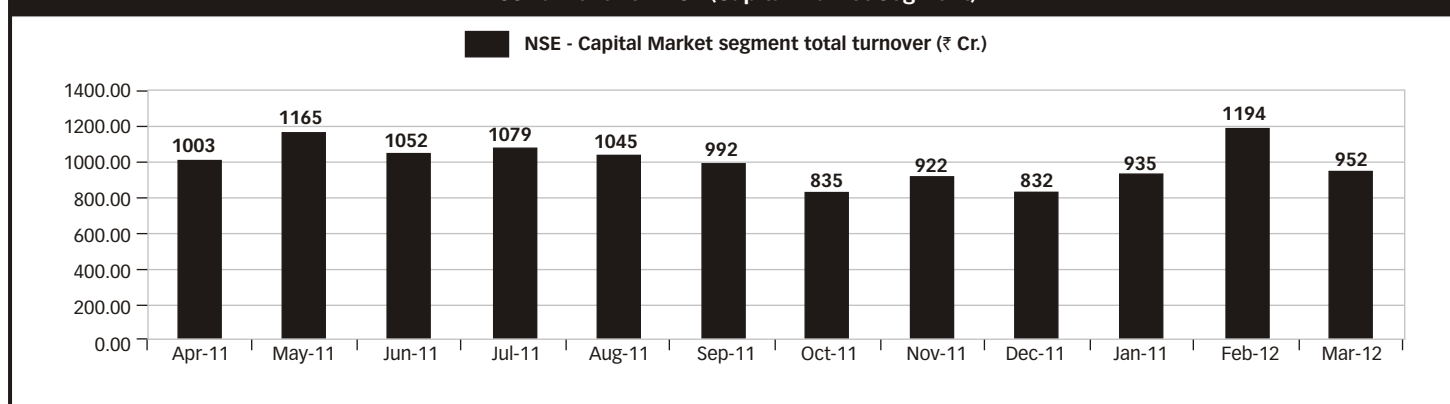
## OPERATIONAL HIGHLIGHTS

During the year 2011-2012, the Company recorded a turnover of ₹ 12,006 crores in the NSE capital market (CM) segment and ₹16,811 crores in the NSE futures & options (F&O) segment, aggregating to ₹28,817 crores. The corresponding figures for the previous year 2010-2011 were ₹16,642 crores in the CM segment and ₹11,433 crores in the F&O segment, i.e. a total of ₹28,075 crores. During the year 2011-2012, turnover of ₹3121 crores was recorded in BSE Equities segment. The corresponding figure for the previous year 2010-2011 was ₹6,834 crores. The turnover of NSE CM segment, NSE F&O segment and BSE Equities segment taken together was recorded at ₹31,938 crores during the year 2011-2012. The corresponding figure for the previous year 2010-2011 was ₹34,909 crores.

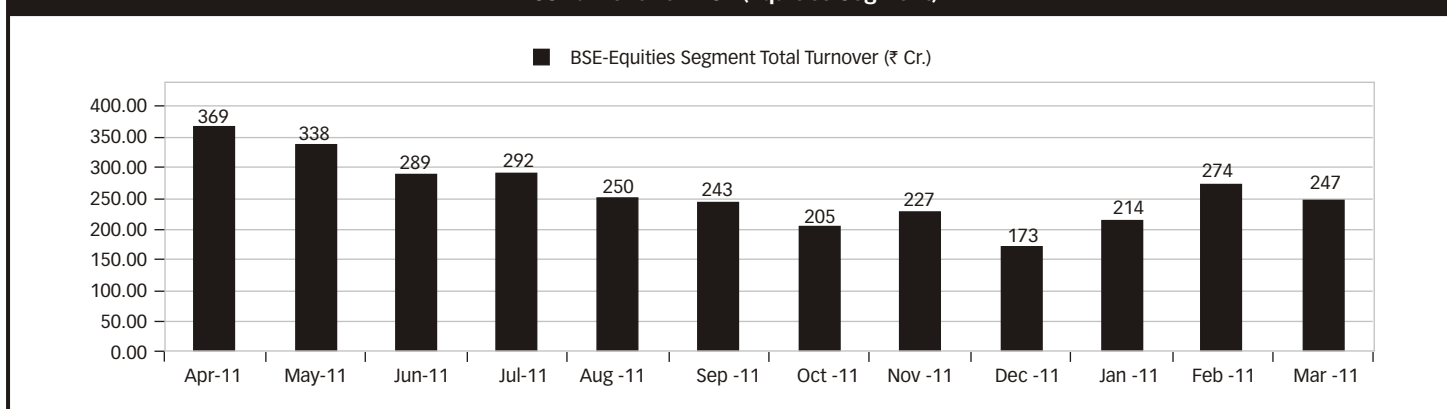
The month-wise turnover of the Company for the financial year in the Capital Market & Futures & Options segments of NSE & Equities Segment of BSE is given below and the same are also represented below diagrammatically:

Month	NSE Capital Market, Futures & Options segments and BSE Equities Segment						
	Total Turnover (₹ Cr.)				Active Intermediaries		
	NSE Capital Market	BSE Equities	Total (NSE Capital Market + BSE Equities)	NSE Futures & Options	NSE Capital Market	BSE Equities	NSE Futures & Options
April-2011	1003	369	1372	1989	204	172	99
May	1165	338	1503	2085	209	170	101
June	1052	289	1341	1076	205	170	101
July	1079	292	1371	1013	205	164	98
August	1045	250	1295	1327	203	162	99
September	992	243	1235	2526	202	163	93
October	835	205	1040	1441	199	156	94
November	922	227	1149	1119	200	159	98
December	832	173	1005	960	198	152	96
January-2012	935	214	1149	1533	193	157	97
February	1194	274	1468	1239	192	159	98
March	952	247	1199	503	191	159	93
<b>Total 2011-12</b>	<b>12006</b>	<b>3121</b>	<b>15127</b>	<b>16811</b>			
Total 2010-11	16642	6834	23476	11433			
Total 2009-10	17771	7711	25481	18565			

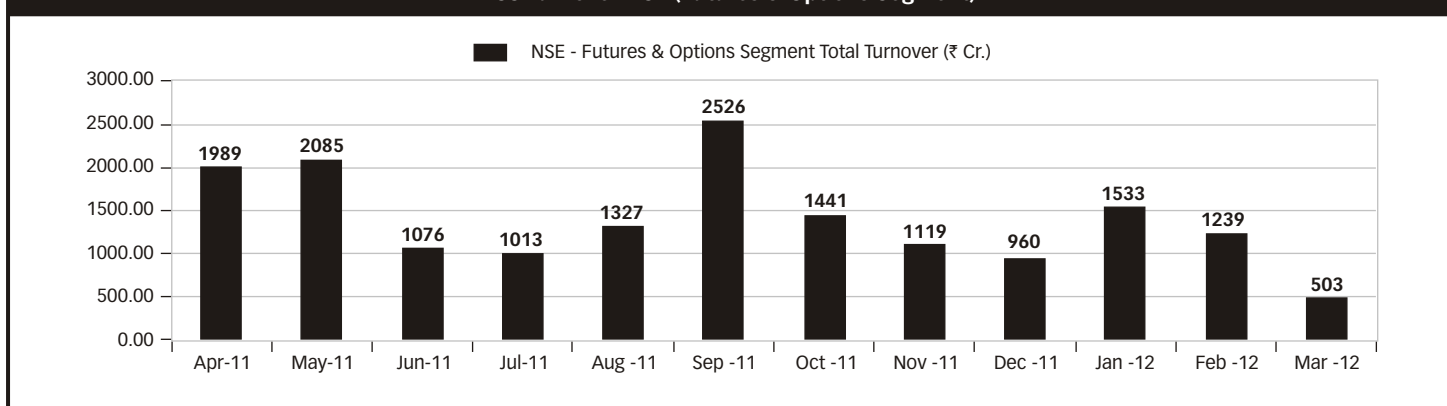
### ISS Turnover on NSE (Capital Market Segment)



### ISS Turnover on BSE (Equities Segment)



### ISS Turnover NSE (Futures & Options Segment)



## TECHNOLOGY AND SYSTEMS

The Company has integrated back-office software for carrying out the share accounting, securities handling and funds handling functions. The company has purchased new back-office software named as SPARC, developed by Geojit Technologies Pvt. Ltd., which will provide better speed, strong internal controls, and integrated risk management across segments.

The Company has introduced **Internet based trading facility (IBT)** i.e EXE, Browser and Mobile trading for both clients as well as sub-brokers using the softwares provided by Geojit called "FLIP", which provides online trading solution with built-in multi-level security risk management and real-time streaming market data. All segments are available in this software like NSE, BSE, MCX-SX, NSE CD, NSE CM and additional IBT facility like "NOW", only for the NSE users.

The Company uses cutting edge networking technologies, which have helped us to **improve the efficiency of the network and are cost effective than the earlier technologies**. The Company has the latest technologies in network security using the **Fort iGATE firewall**. All web-based servers as well as our entire networks are secure from external attacks because of this firewall. We had already upgraded all our trading servers for better performance and smooth functioning of the Trading platform. As well as we had implemented **SSL VPN for the trading**, this is very cost effective. This would be an attractive feature for clients. We had implemented **Fast broadcast in NSE and BSE trading platform**. We had created **ISS website ([www.isesec.com](http://www.isesec.com))** and implemented **web based mailing solution**.

In order to provide reliable and speedy connectivity to intermediaries, the Company has decided to decentralize its trading activities and accordingly the trading activities at Coimbatore and Kolkata center have been decentralized.

The Company endeavors to constantly upgrade the software, in order to provide better services to the clients. We are identifying the best practice in the industry and benchmarking them and Planning and implementation of additions, deletions & major modifications to the supporting infrastructure.

## NEW LAUNCHES IN 2011-2012

The Company has registered itself in Currency Derivatives segment of NSE and MCX-SX and operations in NSE have commenced since April 11, 2011. The operations under Currency Derivatives segment of MCX-SX will commence very soon. Company has also registered



with AMFI (Association of Mutual Funds in India) as Mutual Fund Advisor and very soon will undertake the activity of distributing mutual fund schemes through Stock Exchange trading platform of BSE and NSE. Documentation for obtaining trading membership of Currency Derivatives segment of United Stock Exchange of India Ltd. (USE) has been completed and registration number is awaited.

## OPERATIONS OF THE COMPANY

The status of registration of sub-brokers & authorised persons on the Company is as given in the following table.

PARTICULARS	NSE	BSE	Equity Derivatives	Currency Derivatives
No. of sub-brokers registered in ISS as on 31.03.2011. (includes Resignations of previous year)	462	282	188	01
Fresh Registrations 01.04.2011 to 31.03.2012	03	06	09	05
Resignations 01.04.2011 to 31.03.2012	09	08	04	00
Position as on 31.03.2012	<b>456</b>	<b>280</b>	<b>193</b>	<b>06</b>
Change (+/-)	<b>(06)</b>	<b>(02)</b>	<b>05</b>	<b>06</b>

The status of applications pending for registration as sub-brokers and authorized persons at various stages is given below for all the segments.

### Pending application status for sub-brokers and authorised persons registration as on May 31, 2012

Sr. No.	Particulars	NSE (Capital Market Segment)	BSE (Equities Segment)	NSE (F & O Segment)	NSE (Currency Derivatives Segment)
1.	Documents pending from sub-broker applicants	NIL	NIL	NIL	NIL
2.	Applications under process by ISS (received recently)	NIL	NIL	NIL	NIL
3.	Applications pending at NSE	02	-	01	01
4.	Applications pending at BSE	-	01	-	-
5.	Applications pending at SEBI	NIL	NIL	NIL	NIL
	<b>Total</b>	<b>02</b>	<b>01</b>	<b>01</b>	<b>01</b>

The distribution of intermediaries across the different geographical regions of the country as on March 31, 2012 is as given below.

Sr. No.	Region	States	NSE	BSE	Authorised Persons (NSE F&O)	Authorised Persons (NSE CD)
1.	West	Goa, Gujarat, Maharashtra	185	110	90	05
2.	North	Haryana, Jammu & Kashmir, Delhi, Punjab, Rajasthan, Uttaranchal and Uttarpradesh	69	37	23	-
3.	East	Assam, Bihar, Jharkhand, Orissa and West Bengal	133	97	55	01
4.	South	Andhra Pradesh, Karnataka, Kerala and Tamilnadu	50	24	18	-
5.	Central	Chattisgarh and Madhya Pradesh	19	12	07	-
		<b>TOTAL</b>	<b>456</b>	<b>280</b>	<b>193</b>	<b>06</b>

## OUTLOOK FOR THE YEAR 2012-2013

The outlook for the future is promising. The company has successfully implemented new back-office software named as SPARC, developed by Geojit Technologies Pvt. Ltd., with effect from November 19, 2010, in order to provide better speed, strong internal controls, and integrated risk management across segments. The software is functioning very smoothly due to strong initiative and support of all the staff and Geojit Team Members. Moreover, old software named as CLASS has been kept ready at the back end in order to have easy switchover in the event of any emergency situation.

The Directors of the company have emphasized the need to provide better services to the clients and sub-brokers. They are, therefore, closely monitoring the process of redressing investor grievance in order to ensure that all complaints are resolved speedily and effectively. In addition to the existing activities of securities trading, clearing and settlement, the Company proposes to exploit

opportunities offered by the dynamic Indian Capital Market. The Company commenced operations in Currency Derivatives segment of NSE since April 11, 2011. The operations under Currency Derivatives segment of MCX-SX will commence very soon. Also it will be undertaking activity of Mutual Fund Distribution as a registered Mutual Fund Advisor through exchange platform provided by NSE & BSE. The Company has also applied to United Stock Exchange (USE) for Trading Membership in Currency Derivatives segment. Documentation has been completed and registration number is awaited.

## OFFICE INFRASTRUCTURE

Registered office of the company is located at International Infotech Park, Tower No. 7, 5th Floor, Sector 30, Vashi, Navi Mumbai 400 703. Till March 31, 2012, back office operations were carried from premises taken on rent, located at F-102, International Infotech Park, Tower No. 7, 1st Floor, Sector 30, Vashi Navi Mumbai 400 703.

Since the present premises were not adequate for the operational requirements, management finalized the proposal to relocate the entire operations to new office premises. Thereafter the Committee of Directors authorized for the said purpose, shortlisted and selected the premises situated at 6th Floor, 601, "Dakshna", Next to Raigad Bhavan, Sector 11, CBD Belapur, Navi Mumbai 400614 and the said premises have been designated as Corporate Office of the company. All the departments of the company except Technology & Surveillance departments started functioning from Corporate Office since April 02, 2012. After availability of necessary quantity of power and other infrastructure facilities, Technology & Surveillance departments have also been shifted to Corporate Office on May 05, 2012.

Regulatory authorities namely exchanges, SEBI, Ministry of Corporate Affairs, have been duly informed regarding Corporate Office of the company by sending letters and by way of filing of appropriate forms as the case may be. The sub-brokers of the company have been informed regarding Corporate Office by way of official circular.

Apart from the Registered office located at Vashi and Corporate Office at CBD Belapur, decentralized support is provided to the intermediaries through Correspondence Offices located at Delhi, Kolkata, Nagpur, Coimbatore, Hyderabad, Manglore, Gauhati and Patna.

## COMPLAINTS REDRESSAL, ARBITRATION AND LEGAL CASES

The client's / sub-broker's grievance handling mechanism has been streamlined and mitigated in a time bound manner so as to facilitate speedy resolution of complaints. Unresolved complaints are escalated to respective Heads of Department, CEO and if necessary to the MD of the Parent Exchange until the complaint is resolved. The Board of Directors of the company as well as the Parent Exchange review the unresolved complaints at every Board Meeting.

The complaints received are categorized and analyzed to identify and mitigate the cause of complaint. Wherever any policy change is required it is brought to the notice of the management for further directions.

## SHARE CAPITAL

The present Shareholding pattern of your company is as follows:

Sr. No.	Shareholder's Name	Number of shares held	Face value per share (₹)	Amt Paid up (₹)	% of total
1	M/s Inter- connected Stock Exchange of India Limited	54,99,990	10	5,49,99,900	99.999818
2	Shri Dhanendra Kumar Gupta (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
3	Shri Jayakrishna Padiyar (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
4	Shri Krishna Wagle (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
5	Ms. Sheenamol Varghese (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
6	Shri Milind Nigam (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
7	Shri P. J. Mathew (Nominee of Inter- connected Stock Exchange of India Limited)	3	10	30	0.000056
8	Shri Gopal Krishna Singh (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
9	Shri K. Rajendran Nair (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
	<b>TOTAL</b>	<b>55,00,000</b>	<b>10</b>	<b>5,50,00,000</b>	<b>100.000000</b>

## CHANGES IN THE BOARD OF DIRECTORS

The Board of Directors as on the date of this Report consist of:

Sr. No.	Name of the Director	Status	Date of Appointment / Re-appointment
1.	Shri Manubhai K. Parekh	Public Representative Director	October 21, 2008
2.	Shri George Joseph	Public Representative Director	October 21, 2008
3.	Shri C. A. Venkatesan	Shareholder Representative Director	September 04, 2009
4.	Shri Cyriac Thomas	Shareholder Representative Director	October 21, 2008
5.	Shri P. J. Mathew	Director [Nominee of Inter-connected Stock Exchange of India Limited (ISE)]	October 17, 2007
6.	Shri Sivaraman K. M.	Chief Executive Officer / Whole Time Director	January 22, 2010

This year the status of Directors liable to retire by rotation is as follows:

As per clause (g) of SEBI circular no. SMD/POLICY/CIR-4/2003 dated February 11, 2003 and clause 2.3.1 (a) (vii) of SEBI master circular no. CIR/MRD/DSA/10/2010 dated April 06, 2010, regarding non-trading member directors; there should be gap of at least one year after a consecutive period of three years of directorship before re-nomination. Shri C.A. Venkatesan, Shareholder Representative Director was appointed on the Board on September 04, 2009. Shri Cyriac Thomas, Shareholder Representative Director, though appointed as an additional director on October 21, 2008, was reappointed as regular director on September 04, 2009. Therefore, as per the provision of the aforesaid SEBI circular, both the directors have completed three consecutive terms and hence are liable to retire and cannot be reappointed. Therefore, two new directors will be nominated as Shareholder Representative Directors by ISE (sole shareholder) for these posts and they will be appointed in the thirteenth Annual General Meeting.

During the period April 01, 2011 to May 31, 2012, the following Board Meetings were held:

Board Meeting No.	Date
96	April 08, 2011
97	June 16, 2011
98	August 11, 2011
99	October 07, 2011
100	November 25, 2011
101	March 05, 2012
102	March 27, 2012

## DETAILS OF ATTENDANCE OF THE DIRECTORS IN THE BOARD MEETINGS

During the period April 01, 2011 to May 31, 2012, the Board of Directors met 7 times. The attendance record of the Directors at each Board Meeting and the last Annual General Meeting held on August 11, 2011 is given below:

Sr. No.	Name of Director and Status	No. of Board Meetings held during their tenure	No. of Board Meetings attended	Status at 12th AGM
1.	Shri Manubhai K. Parekh Public Representative Director	7	7	Present
2.	Shri George Joseph Public Representative Director	7	7	Present
3.	Shri C. A. Venkatesan Shareholder Representative Director	7	7	Present
4.	Shri Cyriac Thomas Shareholder Representative Director	7	7	Absent
5.	Shri P. J. Mathew Director	7	7	Present
6.	Sivaraman K. M., Chief Executive Officer / Whole Time Director	7	7	Present



## GENERAL BODY MEETINGS

### Location and dates of the last three Annual General Meetings (AGMs):

The last three Annual General Meetings i.e. 10th, 11th and 12th Meetings of the Company were held on the following dates

10th AGM: September 04, 2009 (at the Registered Office of the Company)

11th AGM: September 07, 2010 (at the Registered Office of the Company)

12th AGM: August 11, 2011 (at the Registered Office of the Company)

### EXTRA-ORDINARY GENERAL MEETINGS (EGMs):

There were no Extra-ordinary General Meetings held during the period under review.

## AUDIT COMMITTEE

The Audit Committee was first constituted in October 2002. The present members of the Committee are Shri Manubhai K. Parekh (Chairman of the Committee), Shri C. A. Venkatesan and Shri P. J. Mathew. The role, powers and functions of the Audit Committee are as stated below:

- Monitor the internal controls to ensure the integrity of the financial performance reported to the shareholders.
- Provide by way of regular meetings, a line of communication between the Board and the Statutory & Internal Auditors.
- Consider the appointment of the Statutory and Internal Auditors.
- Review the interim and full year financial statement before recommending them to the Board.
- Review reports of the Internal Auditors and management's responses thereto.
- Review the Company's financial control systems, in particular, the procedures for identifying business risks (including financial risks) and controlling their financial impact on the Company.
- Review the Company's policies for ensuring compliance with the relevant regulatory / legal requirements and the operational effectiveness of the policies and procedures.

During the period April 01, 2011 to May 31, 2012, the Audit Committee met 4 times i.e. on June 10, 2011, October 07, 2011, November 24, 2011, and March 05, 2012. The attendance record of the members of the Audit Committee is given below:

Sr. No.	Name of the Member	No. of Meetings of Audit Committee held during their tenure	No. of Meetings of Audit Committee attended
1.	Shri Manubhai K. Parekh	4	4
2.	Shri C. A. Venkatesan	4	4
3.	Shri P. J. Mathew	4	4

## Auditors

M/s. Contractor, Nayak & Kishnadwala, Chartered Accountants, were appointed by the Members in the Twelfth Annual General Meeting as Statutory Auditors to hold office from the conclusion of the Twelfth Annual General Meeting till the conclusion of the forthcoming (Thirteenth) Annual General Meeting.

M/s. Haribhakti & Co., Internal Auditors of the Company, have been submitting quarterly reports on the functioning of the Company, which are placed before the Audit Committee and the Board. Recommendations / suggestions made by the Internal Auditors to streamline the administrative processes are taken up for implementation.

## INTERNAL CONTROL SYSTEMS AND ADEQUACIES

Your company has set up internal control systems commensurate with the size and nature of business. These systems ensure optimum use of resources and compliance with multiple regulatory authorities. Your Company is also being guided by the internal auditors and the Audit Committee in constantly upgrading the control procedures and systems. The Audit Committee also reviews the adequacy of the internal control procedures.

## HUMAN RESOURCES AND PARTICULARS OF EMPLOYEES

There are in all 61 persons working for the Company, out of whom 48 are on rolls, 8 are working as consultants, 3 are working on contract and remaining 2 are on temporary basis. Further, the Company follows a policy of outsourcing certain labour-intensive activities to outside processing agencies. The particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not applicable to the Company.

## STATUTORY DISCLOSURE OF PARTICULARS

The disclosure requirement in terms of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 regarding Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outflows do not apply to the Company and therefore, no details are required to be given.

## CORPORATE GOVERNANCE

The Company is committed to follow good corporate governance practices. The Chairman, other Directors, and the staff working for the Company, are committed to serving the cause of the intermediaries, investors, and the public at large with the highest level of efficiency. All policies and strategic initiatives undertaken by ISS aptly reflect this commitment.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and no material departure have been made from the same;
2. Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true a fair view of the state of affairs of the Company as at March 31, 2012 and Profit & Loss Account for the year ended March 31, 2012;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The annual accounts have been prepared on a going concern basis.

## ACKNOWLEDGMENTS

Your Company has been able to operate efficiently because of the culture of professionalism and continuous improvement in all functions in order to ensure optimal utilization of resources.

Your Company sincerely acknowledges the support and co-operation extended by SEBI, which has played a pro-active role throughout. The Company also wishes to place on record its deep sense of gratitude to NSE and BSE for their unstinted support at all times.

The Directors gratefully acknowledge the continued support provided by the Parent Stock Exchange in conducting the affairs of the Company.

The Directors also wish to place on record their sincere appreciation of the significant contributions made by the esteemed intermediaries and the employees.

**By order of the Board of Directors**

**Date:** 16<sup>th</sup> July, 2012  
**Place:** CBD Belapur, Navi Mumbai

sd/-  
**P. J. Mathew**  
Director

sd/-  
**Sivaraman K. M**  
Whole Time Director  
& CEO



# AUDITORS' REPORT

## The Members,

### ISE Securities and Services Limited.

1. We have audited the attached Balance Sheet of **ISE Securities and Services Limited** as at 31<sup>st</sup> March 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, (here in after referred to as "the Order") issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. We draw attention to Note No. 28 of Significant Accounting Policies and Notes forming part of accounts with respect to Client Obligations, balance in the Dividend Client Account and Deposits which are subject to confirmation and reconciliation. In the opinion of the Management, impact of the same will not be material and the same has been relied upon by us.
5. Further to our comments in the annexure referred to above in paragraph 3, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - iii. The Balance Sheet and Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent applicable to the company;
  - v. On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes thereon, give the information required give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a. In the case of Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March 2012;
    - b. In the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
    - c. In the case of Cash Flow Statement, of the Cash flows for the period ended on that date.

**For Contractor Nayak & Kishnadwala,  
Chartered Accountants  
Firm Registration No.: 101961W**

**Date:** 16th July, 2012  
**Place:** Mumbai

Sd/-  
**Hiren Shah**  
(Partner)  
Membership No.100052



## Annexure to the Auditors' Report

**With reference to the Annexure referred to in paragraph 3 of the report of the Auditors' to the Members of ISE Securities & Services Ltd. on the accounts for the year ended 31st March 2012, we report that:**

- (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.
- (b) All the fixed assets have been physically verified by the management and discrepancies observed are adjusted during the year.
- (c) During the year, the Company has not disposed of a substantial part of its fixed assets.
- (ii) As per the information and explanations given to us, the Company does not have any item of inventory. Accordingly, clause (ii) of the order is not applicable.
- (iii) (a) As per the information furnished, the Company has not granted any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence reporting under clause iii (a) / (b) / (c) / (d) of the Order is not applicable to the Company.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly the sub-clauses (e), (f) and (g) of clause (iii) are not applicable to the company.
- (iv) According to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business with regard to purchase and sale of fixed assets and rendering of services. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal control system.
- (v) In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956:
  - (a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered in the register have been so entered.
  - (b) According to the information and explanations given to us, these contracts or arrangements with Interconnected Stock Exchange of India Ltd. (ISE) are management services, rent and others mainly in the nature of reimbursement of cost incurred by ISE Ltd. for ISE Securities and Services Ltd. and hence the prices for which, are reasonable.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit during the year from public within the meaning of the provisions of Section 58A, Section 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed there under. Hence, clause 4 (vi) of the Order is not applicable.
- (vii) In our opinion, the Company has an adequate internal audit system, which commensurate with the size of the company and nature of its business.
- (viii) According to the information and explanations given to us and on the basis of our audit procedures, the Company is not required to maintain cost records under section 209 (1) (d) of the Companies Act, 1956. Accordingly, clause 4 (viii) of the order is not applicable.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including, Income-tax (TDS), Service Tax, Stamp Duty, Annual SEBI Fees, Cess Tax and other statutory dues wherever applicable. Also, as at 31st March 2012, there were no undisputed dues payable for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, and the records of the company examined by us, there are no dues in respect of Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax and Cess that have not been deposited on account of any dispute except in respect of disputed Income Tax / Service Tax/ Cess Tax liabilities for which details is given as under:

Amount ( ₹ )	Forum against matter is disputed	Matter for which disputed by the Company	Year / Period for which Dispute pending
₹ 39.92 Lakhs	Income tax Appellate Tribunal (ITAT)	TDS Credit	Financial Year 2006-07 (Assessment Year 2007-08)
₹ 27.18 Lakhs	Commissioner of Income Tax (CIT)	TDS Credit	Financial Year 2007-08 (Assessment Year 2008-09)
₹ 31.80 Lakhs	Assistant Commissioner	Recognition of Income and Expenses	Financial Year 2008-09 (Assessment Year 2009-10)
₹ 15.36 Lakhs	Assessing Officer	TDS Credit	Financial Year 2009-10 (Assessment Year 2010-11)
₹ 195.04 Lakhs	Commissioner of Service Tax	Service Tax	October 2004 to September 2011



- (c) According to the information and explanation given to us, and the records of the company examined by us, company has received various notices for the financial years 2001-02 to 2009-10 from the NMMC (Navi Mumbai Municipal Corporation) department for submission of information. The assessment for the above mentioned period is in process and no fresh notice has been received from NMMC. In view of the management amount of demand is not ascertainable due to pending assessment & accordingly no provision has been made.
- (x) The company does not have accumulated losses as at 31st March 2012 and has not incurred cash loss in the financial year or in the financial year preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayments of the amounts due to banks during the year.
- (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a Chit Fund Company or Nidhi / Mutual Benefit Fund / Society. Accordingly, the provisions of clause 4 (xiii) of the Order are not applicable to the Company
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. In respect of securities devolved on the company, adequate records have been maintained on a timely basis by the company. The securities are held in the name of the company.
- (xv) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanation given to us and based on our audit procedures, the Company has not raised any term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- (xix) According to the information and explanations given to us and based on our audit procedures, the Company has not issued any debentures. Accordingly, clause 4 (xix) of the order is not applicable.
- (xx) According to the information and explanations given to us, the Company has not raised any money by public issues during the year.
- (xxi) To the best our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

**For Contractor Nayak & Kishnadwala,  
Chartered Accountants  
Firm Registration No.: 101961W**

**Date:** 16<sup>th</sup> July, 2012  
**Place:** Mumbai

Sd/-  
**Hiren Shah**  
(Partner)  
Membership No.100052



# ISE Securities & Services Limited

## BALANCE SHEET AS AT 31 ST MARCH, 2012

Particulars	Note No.	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>I EQUITY AND LIABILITIES</b>			
<b>A Shareholder's funds</b>			
(i) Shares Capital	3	55,000,000	55,000,000
(ii) Reserves & Surpluses	4	70,887,015	64,367,364
<b>B NON CURRENT LIABILITIES</b>			
(i) Long Term Borrowing		-	-
(ii) Deferred Tax Liability (Net)		-	-
(iii) Other long term liabilities		-	-
(iiii) Long term provisions	5	1,382,825	1,094,101
<b>C CURRENT LIABILITIES</b>			
(i) Trade Payble	6	463,012,419	978,073,010
(ii) Other current liabilities	7	18,623,427	15,731,772
(iii) Short term provisions	8	5,231,329	7,856,369
<b>Total</b>		<b>614,137,016</b>	<b>1,122,122,617</b>
<b>II ASSETS</b>			
<b>A NON - CURRENT ASSETS</b>			
(i) Fixed assets	9		
(a) Tangible Assets		6,240,234	8,221,708
(b) Intangible Assets		1,454,993	2,821,832
(ii) Non current Investments	10	6,710,005	6,710,005
(iii) Deferred tax assets (net)	11	4,520,209	3,411,744
(iv) Other non-current assets	12	60,663,224	54,521,686
<b>B CURRENT ASSESTS</b>			
(i) Current investments		-	-
(ii) Trade Receivables	13	102,578,166	93,223,859
(iii) Cash & Bank Balances	14	411,308,597	927,416,214
(iv) Short Term Loans & Advances	15	103,902	78,557
(v) Other current assets	16	20,557,686	25,717,011
<b>Total</b>		<b>614,137,016</b>	<b>1,122,122,617</b>
<b>Significant Accounting Policies and Notes forming part of the Accounts</b>	<b>1 to 33</b>		

As per our attached Report of even date

For and on behalf of the Board of Directors

For Contractor Nayak and Kishnadwala  
Chartered Accountants  
Firm Registration No.: 101961W

sd/-  
Sivaraman K M  
Whole Time Director  
& CEO

sd/-  
P J Mathew  
Director

sd/-  
(Hiren Shah)  
Partner  
Membership No. 100052

sd/-  
Mayank Mehta  
Company Secretary

Place: Mumbai  
Date: 16<sup>th</sup> July, 2012

Place: Mumbai  
Date: 16<sup>th</sup> July, 2012



# ISE Securities & Services Limited

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH, 2012

Particulars	Note No.	Year ended March 31, 2012 (₹)	Year ended March 31, 2011 (₹)
<b>I. Revenue from Operations</b>			
Brokerage Income		297,714,831	294,960,308
Less Commission paid/ payable		(261,855,219)	(259,809,694)
		35,859,612	35,150,614
Other operating revenues	17	14,154,405	17,375,221
<b>II. Other Income</b>	18	52,691,070	50,505,344
<b>III. Total Revenue</b>		<b>102,705,088</b>	<b>103,031,179</b>
<b>IV. Expenditure</b>			
Employee Benefit Expenses	19	26,612,863	21,576,311
Finance Costs	20	26,991	23,213
Depreciation/Amortisation	9	4,808,302	9,547,903
Other Expenses	21	47,257,451	39,321,651
<b>Total Expenses</b>		<b>78,705,607</b>	<b>70,469,078</b>
<b>V Profit before Tax</b>		<b>23,999,481</b>	<b>32,562,101</b>
<b>VI Tax Expenses</b>			
(i) Current Tax		(9,000,000)	(13,300,000)
(ii) Deferred Tax		1,108,465	2,268,312
<b>VII Profit/(loss) for the period</b>		<b>16,107,946</b>	<b>21,530,413</b>
<b>Earning Per Share (₹) (Basic)</b>	<b>27</b>	<b>2.93</b>	<b>3.91</b>
<b>Significant Accounting Policies and Notes forming part of the Accounts</b>	<b>1 to 33</b>		

As per our attached Report of even date

For and on behalf of the Board of Directors

**For Contractor Nayak and Kishnadwala**  
Chartered Accountants  
Firm Registration No.: 101961W

sd/-  
**Sivaraman K M**  
Whole Time Director  
& CEO

sd/-  
**P J Mathew**  
Director

sd/-  
**(Hiren Shah)**  
Partner  
Membership No. 100052

sd/-  
**Mayank Mehta**  
Company Secretary

**Place:** Mumbai  
**Date:** 16<sup>th</sup> July, 2012

**Place:** Mumbai  
**Date:** 16<sup>th</sup> July, 2012



# ISE Securities & Services Limited

## Cash Flow Statement for the year ended March 31, 2012

(Amount in ₹)

Particulars	As at 31.03.2012		As at 31.03.2011	
<b>I. Cash Flow from Operating Activities:</b>				
Net profit before tax & extra ordinary items		23,999,481		32,562,101
<b>Adjustments for:</b>				
Depreciation	4,808,302		9,547,903	
Reduction in the value of securities	-		-	
Interest paid	26,991		23,213	
Dividend received	(520,000)		(520,000)	
Excess provision written back	(199,222)		-	
Provision for Bad & Doubtful debts- Others	-		636,797	
Provision for Bad & Doubtful debts	-		1,487,734	
Loss on Fixed Assets Written Off	103,565		-	
		4,219,636		11,175,647
Operating profit before working capital changes		28,219,117		43,737,748
<b>Adjustments for:</b>				
(Increase) / Decrease in Trade & Other receivable	(5,636,611)		61,443,382	
(Increase) / Decrease in Loans & Advances	(25,345)		(1,678,349)	
(Increase) / Decrease in Securities in hand	-		859,400	
Increase / (Decrease) in Trade & Other Payable	(514,505,253)		232,323,872	
		(520,167,209)		292,948,305
Cash generated from operations before tax & extra ordinary items		(491,948,092)		336,686,053
Less: Direct Tax Paid (net of refunds)		(13,500,685)		(13,125,509)
		(505,448,778)		323,560,544
<b>Net Cash From Operating Activities (A)</b>		(505,448,778)		323,560,544
<b>II. Cash Flow From Investing Activities:</b>				
Purchase of Fixed Assets	(1,563,554)		(5,714,744)	
Sale of Fixed Assets	-		-	
Dividend Income	520,000		520,000	
		(1,043,554)		(5,194,744)
<b>Net Cash (Used in) / from investing activities (B)</b>		(1,043,554)		(5,194,744)
<b>III. Cash Flow From Financing Activities:</b>				
Dividend Distribution tax Paid	(1,338,295)		(654,308)	
Dividend Paid	(8,250,000)		(3,850,000)	
Interest Paid	(26,991)		(23,213)	
		(9,615,286)		(4,527,521)
<b>Net Cash (Used in) / from Financing activities (C)</b>		(9,615,286)		(4,527,521)
<b>Net Increase / decrease in cash &amp; cash equivalents (A+B+C)</b>		(516,107,617)		313,838,279
<b>Cash &amp; Cash equivalents at the beginning of the year</b>		927,416,214		613,577,935
<b>Cash &amp; Cash equivalents at the end of the year</b>		411,308,597		927,416,214
<b>Refer Note- 1 Significant Accounting Policies and Notes forming part of the Accounts</b>				

Notes:

- The cash flow statement has been prepared by using Indirect Method in accordance with the requirements of 'Accounting Standard -3 Cash Flow Statement' issued by the Institute of Chartered Accountants of India
- Cash & Cash equivalents includes cash and bank balance in current account, fixed deposit with bank (including lien deposits)
- Interest received is treated as income from operating activities for cash flow purpose.

As per our attached Report of even date

For and on behalf of the Board of Directors

**For Contractor Nayak and Kishnadwala  
Chartered Accountants  
Firm Registration No.: 101961W**

sd/-  
**(Hiren Shah)**  
Partner  
Membership No. 100052

Place: Mumbai  
Date: 16<sup>th</sup> July, 2012

sd/-  
**Sivaraman K M**  
Whole Time Director  
& CEO

sd/-  
**P J Mathew**  
Director

sd/-  
**Mayank Mehta**  
Company Secretary

Place: Mumbai  
Date: 16<sup>th</sup> July, 2012



# ISE Securities & Services Limited

NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012.

## Significant Accounting Policies and Notes forming part of the Accounts as at March 31, 2012

### **Background**

ISE Securities & Services Limited ("the Company") was incorporated under the Companies Act, 1956 on January 18, 2000. ISE Securities & Services Ltd. (ISS), a wholly - owned subsidiary of Inter-connected Stock Exchange Of India Limited (ISE) is a trading - cum -clearing Member of National Stock Exchange of India Ltd and Bombay Stock Exchange Ltd. ISS, by virtue of being a stock exchange subsidiary, cannot trade on its own account and can only allow trading to its sub-brokers and authorized persons, who are required to be stock brokers of the parent stock exchange (ISE). As at March 31, 2012, ISE and its nominees hold 100 percent of the equity share capital of the Company. The Company is an active member of the capital market and futures & options segments of NSE & an active member of the equities segment of BSE.

## **Significant Accounting Policies and Notes forming part of the Accounts**

### **1. Significant Accounting Policies.**

#### **a) Fundamental Accounting Assumptions**

The Company follows the fundamental accounting assumptions of a going concern, consistency and accrual.

#### **b) Method of Accounting**

The financial statements are prepared and presented according to the historical cost convention and on an accrual basis in accordance with the requirements of the Companies Act, 1956 and comply with the accounting standards as prescribed Company Accounting Standard Rules (2006) to the extent applicable.

#### **c) Use of Estimates**

The preparation of the financial statements are in conformity with the generally accepted accounting principles requiring management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Any revisions to accounting estimates are recognized prospectively when revised, in current and future periods.

#### **d) Revenue recognition**

- i) Brokerage income, fines and penalties are recognized for all settlements completed during the year, with respect to funds pay-in and pay-out. Brokerage income received from sub-brokers is net of service tax, stamp duty and transaction charges.
- ii) Interest, Networking Recoveries, Annual Fees and Other incomes are accounted for on an accrual basis based on certainty of recovery.

#### **e) Fixed/Intangible Assets and Depreciation/Amortization**

- i) Fixed assets are stated at cost, less accumulated depreciation. Cost includes all expenses related to acquisition of fixed assets.
- ii) Fixed assets, if any, retired from active use or held for disposal are stated at lower of costs (net of accumulated depreciation) or estimated net realizable value.
- iii) Depreciation is provided on straight-line basis at the rates specified in Schedule XIV of the Companies Act, 1956 except as stated at point (iv) and (v) below. Depreciation for an asset acquired / purchased during the period is provided on a pro-rata basis. Depreciation on additions to fixed assets, where actual cost does not exceed ` 5,000/-, has been provided at the rate of 100%, irrespective of the date of acquisition.
- iv) Fixed Assets such as Computer Equipments, Central Equipment and Mobile phones become obsolete within a span of one to three years, accordingly, the company has decided to amortize these equipments on a straight line basis over a period of three years, two years and one year respectively from the year of acquisition or installation.
- v) Intangible assets, comprising of computer software, are being amortized on a straight-line method over a period of three years from the year of acquisition or installation.

#### **f) Investments**

Long-term investments are stated at cost after deducting provision, if any, made for decline, other than temporary, in the values.



**g) Securities in Hand**

Securities in hand represent the securities transferred/acquired as a result of auctions, defaults, system errors, operational mistakes and similar transactions. Securities in hand are valued at acquisition cost or market value, whichever is lower.

**h) Taxes on Income**

Provision for current income tax is made on the tax liability payable on the taxable income after considering tax allowances, deductions and exemptions, determined in accordance with the prevailing tax laws.

Deferred tax assets and liabilities are recognized for timing difference between profit as per financial statements and the taxable profit that originate in one period and are capable of reversal in one or more subsequent periods, based on the tax rate that may have been enacted or substantively enacted at the Balance Sheet date. Deferred tax asset, subject to consideration of prudence and reasonable certainty, are recognized and carried forward only to the extent that the same can be realized.

**i) Accounting for Provisions, Contingent Liabilities and Contingent Assets.**

As per the Accounting Standard - 29, norms for provisions, contingent liabilities and contingent assets, issued by the Institute of Chartered Accountants of India, the Company recognizes provisions only when it has a present obligation as result of past event, only when it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made.

**j) Employees Benefits:**

- i) **Provident Fund:** The Company's contribution's paid and payable during the year towards Provident Fund are made to Regional Provident Fund Commissioner & are charged in Profit & Loss Account every year.
- ii) **Gratuity:** The Company's contributions paid and payable during the year towards Gratuity are made to Gratuity Fund managed by Life Insurance Corporation of India (LIC). The net present value of company's obligation towards gratuity to employees is actuarially determined based on the projected unit credit method. Actuarial gains and losses are immediately recognized in the Profit & Loss Account.
- iii) **Compensated Absences:** The employees of the company are entitled to compensate absences. The employee can carry forward unutilized accrued compensated absence and utilize it in future periods or receive cash compensation at the time of retirement or at the time of resignation or before retirement, if the unutilized leave exceeds 300 days (before 1st April 2011 it was 75 Days) for the unutilized accrued compensated absences. Such compensated absences are treated as Long term benefit to employees. The net present value of company's obligation towards such Long term compensated absences to employees is actuarially determined based on the projected unit credit method. Actuarial gains and losses are immediately recognized in the Profit & Loss Account.

**k) Cash Flow Statement:**

The cash flow statement has been prepared by using Indirect Method in accordance with the requirements of 'Accounting Standard -3 Cash Flow Statement " issued by the Institute of Chartered Accountants of India

All other accounting policies are followed as per the generally accepted accounting principles.

2 By virtue of revision to the Schedule VI of the Companies Act 1956, the accompanying financial statements have been prepared as per new requirement as prescribed in the revision to Schedule VI. Previous year amount have been re-grouped/re-classified and recast wherever necessary to confirm to current year's classifications.

**3 SHARE CAPITAL**

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>Authorised Capital</b> (6,000,000 Equity shares of ₹10/- each)	60,000,000	60,000,000
<b>Issued, Subscribed And Paid Up</b> (55,00,000 Equity shares of ₹10/- each fully paid up)	55,000,000	55,000,000
<b>Total</b>	<b>55,000,000</b>	<b>55,000,000</b>

3.1 The company has only one class of shares referred to as equity shares having a par value of ₹10/- each.

3.2 Details of shares held by Holding Company

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Equity Shares held by</b> Interconnected Stock Exchange of India Ltd , the holding company	5,500,000	5,500,000



# ISE Securities & Services Limited

## NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012.

### 3.3 Reconciliation of number of shares outstanding

Particulars	As at March 31, 2012	As at March 31, 2011
<b>55,00,000 Equity Shares of ₹10 Each</b>	55,00,000	55,00,000
Number of Shares at the beginning	5,50,000	5,50,000
Number of Shares issued	-	-
Number of Shares bought back	-	-
Other Adjustments	-	-
Number of Shares at the end	5,50,000	5,50,000

### 3.4 Details of shareholders holding more than 5% shares in the company

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Equity Shares held by</b> Interconnected Stock Exchange of India Ltd , the holding company		
No of Shares	5,50,000	5,50,000
% Holding	100	100

## 4 RESERVES & SURPLUS

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>RESERVES &amp; SURPLUS</b>		
General Reserves		
As per last Balance Sheet	26,50,000	26,50,000
Add: Transfer from Profit & loss A/c	810,000	-
<b>Closing Balance in Genral Reserves Account</b>	<b>27,310,000</b>	<b>26,500,000</b>
<b>Free Reserves</b>		
<b>Surplus in P&amp;L as per last Balance Sheet</b>		
Surplus - Opening balance	37,867,364	22,109,146
Add: Net profit after tax transferred from statement of profit and loss	16,107,946	21,530,413
<b>Profit available for Appropriation</b>	<b>53,975,310</b>	<b>43,639,559</b>
(+) Excess Dividend Tax paid	61	-
(-) Proposed Dividends	-	4,950,000
(-) Tax on Interim Dividend	(1,338,356)	822,195
(-) Interim Dividend @ Rs.1.5/- per share (Previous Year Nil)	(8,250,000)	-
(-) Transfer to General Reserves	(810,000)	-
<b>Closing Balance in Profit &amp; Loss Account</b>	<b>43,577,015</b>	<b>37,867,364</b>
<b>Total of : RESERVES &amp; SURPLUS</b>	<b>70,887,015</b>	<b>64,367,364</b>

## 5 LONG TERM PROVISIONS

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
Gratuity - Benefits (Refer Note 19.1)	368,883	371,075
Unavailed leave (Refer Note 1(J)(iii) & 19.2)	1,013,942	723,026
<b>Total</b>	<b>1,382,825</b>	<b>1,094,101</b>

# ISE Securities & Services Limited

NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012.

## 6 Trade Payables

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
Exchange Liability	1,388,447	1,872,712
Settlement Obligations to Sub-Brokers/Clients/Authorised person	321,586,353	786,223,691
Sub Broker Margin-BSE	51,064,821	71,327,539
Sub Broker Margin-NSE	88,972,798	118,649,068
Outstanding dues of Micro and Small Enterprises (Refer Note 31)	NIL	NIL
<b>Total</b>	<b>463,012,419</b>	<b>978,073,010</b>

## 7 OTHER CURRENT LIABILITIES

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
Dividend Payable - Clients (Refer Note 28)	2,183,460	1,875,664
Statutory Liability (Refer Note 7.1)	6,529,024	3,885,334
Other Liability	5,902,995	4,724,578
Expenses Payable (other than Micro and Small Enterprises)	4,007,947	5,246,196
Outstanding dues of Micro and Small Enterprises ( Refer Note 31)	NIL	NIL
<b>Total</b>	<b>18,623,427</b>	<b>15,731,772</b>

### 7.1 Statutory Liability towards

Particulars	March 31, 2012 (₹)	March 31, 2011 (₹)
Provident Fund - under PF	207,498	188,551
TDS under Income Tax	6,290,611	3,636,036
NMMC - Cess Tax (Local Taxes)	21,015	51,047
Profession Tax Payable	9,900	9,700
	<b>6,529,024</b>	<b>3,885,334</b>

## 8 SHORT TERM PROVISIONS

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>Provision for employee benefits</b>		
Unavailed leave	119,973	84,174
Employee's Leave Travel Allowance	273,000	-
<b>Provision for</b>		
Proposed Dividend	-	4,950,000
Tax On Dividend	1,338,356	822,195
Performance Linked Bonus	3,500,000	2,000,000
<b>Total</b>	<b>5,231,329</b>	<b>7,856,369</b>



# ISE Securities & Services Limited

## NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012.

### Note no 9 Fixed Assets as on March, 2012 (Refer note 1(e))

Particulars	Gross Block (At Cost)			Depreciation/Amortisation			Net Block		
	As at 01-04-2011	Additions	Deductions	As at 31-03-2012	Upto 31-3-2011	For the Apr - 11 to Mar 12	Deductions	As at 31-03-2012	As at 31-03-2011
<b>Tangible Assets :</b>									
Plant & Machinery	1,218,811	-	-	1,218,811	225,258	57,894	-	283,152	935,659
Furniture & Fixtures	543,453	789,250	124,263	1,208,440	85,505	36,353	20,698	1,107,280	457,948
Office Equipment	2,704,439	349,250	-	3,053,689	577,489	135,214	-	712,703	2,340,986
Computers Equipment	21,210,739	11,750	-	21,222,489	18,858,372	1,439,900	-	20,298,272	2,352,367
Networking Equipment	12,244,780	-	-	12,244,780	10,704,925	1,310,393	-	12,015,318	1,539,855
Power Equipment	1,019,053	-	-	1,019,053	268,018	48,405	-	316,423	751,035
Mobile phones	216,717	22,050	-	238,767	216,717	22,050	-	238,767	-
Central Equipment	9,521,408	-	-	9,521,408	9,521,408	-	-	9,521,408	-
<b>Total - A</b>	<b>48,679,400</b>	<b>1,172,300</b>	<b>124,263</b>	<b>49,727,437</b>	<b>40,457,692</b>	<b>3,050,209</b>	<b>20,698</b>	<b>43,487,203</b>	<b>8,221,708</b>
<b>Intangible Assets</b>									
Computer Software	25,342,386	391,254	-	25,733,640	22,520,554	1,758,093	-	24,278,647	2,821,832
<b>Total - B</b>	<b>25,342,386</b>	<b>391,254</b>	<b>-</b>	<b>25,733,640</b>	<b>22,520,554</b>	<b>1,758,093</b>	<b>-</b>	<b>24,278,647</b>	<b>2,821,832</b>
<b>Total - A+B</b>	<b>74,021,786</b>	<b>1,563,554</b>	<b>124,263</b>	<b>75,461,077</b>	<b>62,978,246</b>	<b>4,808,302</b>	<b>20,698</b>	<b>67,765,850</b>	<b>11,043,540</b>
Previous Year Figures	67,004,444	7,038,343	-	74,042,787	53,451,344	9,547,903	-	62,999,247	14,876,699

9.1 During the Month of March 2012 Company has shifted to new rented premises at Belapur from Old office Vashi. Company has written off furniture & fixture to the extend of ₹1,24,263.25/- Which can not be dismantled from old office.



# ISE Securities & Services Limited

## NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012.

### 10 NON CURRENT INVESTMENTS

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
Non Current Investments (Trade, unquoted & at cost): 130,000 Equity shares of Face value. ₹1/- Fully paid of Bombay Stock Exchange Ltd - BSE(previous year 1,30,000 equity shares). Out of this 10,000 shares are received as bonus shares during the year 2008-09.	6,710,005	6,710,005
<b>Total</b>	<b>6,710,005</b>	<b>6,710,005</b>

- 10.1 During the financial year 2004-05, the Company had acquired the corporate membership of Bombay Stock Exchange Ltd. at a cost of ₹. 67,10,005/-. As per its entitlement the Company had subscribed to and was allotted 1,20,000 shares of face value ₹ 1/- each under the Corporatization and Demutualization of BSE. During the year 2008-09 the company has been allotted 10,000 bonus shares in the ratio 1:12. As these shares are unlisted the value of this investment is shown in the Accounts at cost. Management is of the opinion that the Company will realize at least the stated cost in full and no provision for diminution is required.

### 11 DEFERRED TAX ASSETS

The significant component and classification of deferred tax assets and liabilities on account of timing differences are:

(Amount in ₹)

Deferred Tax Assets	As at 31/3/2011	Adjustment during period	As at 31/3/2012
<b>Deferred Tax Assets</b>			
Provision for doubtful debts	2,887,706	(49,064)	2,838,642
Provision for doubtful debts - Other Advances	206,609	170,103	376,712
Provision for compensated absences, gratuity and other employee benefits	1,031,191	591,967	1,623,158
<b>Total</b>	<b>4,125,506</b>	<b>713,006</b>	<b>4,838,512</b>
<b>Deferred Tax Liabilities</b>			
On difference between book balance and tax balance of fixed assets	(713,762)	395,459	(318,303)
<b>Total</b>	<b>(713,762)</b>	<b>395,459</b>	<b>(318,303)</b>
<b>Net Deferred Tax (Liability) /Asset</b>	<b>3,411,744</b>	<b>1,108,465</b>	<b>4,520,209</b>

- 11.1 Pursuant to Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has recorded a net deferred tax adjustment of ₹11,08,465/- (Previous Year ₹. 2,268,312 /-) adjusted from the profits and loss account.

### 12 OTHER NON CURRENT ASSETS

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>Unsecured Considered Good, unless otherwise stated</b>		
<b>Other</b>		
Deposit with Exchanges	48,425,000	48,125,000
Advance Tax/ Income Tax Refund(Net of Taxation & Provisions)	8,720,757	4,220,071
Security Deposits	3,177,467	2,176,615
Capital Advance - Computer Systems	340,000	-
<b>Total</b>	<b>60,663,224</b>	<b>54,521,686</b>

### 13 TRADE RECEIVABLES

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
Debts outstanding for a period exceeding six months		
- Considered Good	-	390,034
- Considered Doubtful	7,660,816	6,675,151
Other Debts		
- Considered Doubtful	1,088,273	2,225,160
- Considered Good	102,578,166	92,833,825
	111,327,255	102,124,169
Less : Provision for Doubtful Debts	(8,749,089)	(8,900,310)
<b>Total</b>	<b>102,578,166</b>	<b>93,223,859</b>

13.1 Trade Receivable represent settlement dues, dues recoverable on account of erroneous payment of funds/ securities and other charges receivable from Sub-brokers/ Authorized Persons and the end clients as at March 31, 2012. The Trade Receivable are secured by way of base and additional trading deposits, bank guarantees, fixed deposits and securities withheld. On the basis of the same Trade Receivable has been classified as good debts and doubtful debts. Out of Total Sundry debtors of ₹11,13,27,255 the company has classified an amount of ₹87,49,089/- as doubtful and provision has been made against the same.

13.2 The company had written off ₹92,27,364/- in the financial year 2009-10 of which ₹59,00,294/- was on account of alleged fraudulent activity by one of sub broker. The said sub-broker has denied the claim and has raised counter allegations against the company. The Management has filed several criminal complaints against this sub-broker.

### 14 CASH & BANK BALANCES

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>A) Cash &amp; Cash Equivalents</b>		
In Current Accounts	39,419,090	148,500,788
Bank Deposit having Maturity <3 Months ( Refer note 14.1 & 14.2 below)	126,553,948	240,984,561
Cash on hand	-	-
<b>B) Other Bank Deposit</b>		
In deposit accounts		
Bank Deposit having Maturity <12 Months ( Refer note 14.1 & 14.2 below)	30,957,221	191,523,799
Bank Deposit having Maturity >12 Months ( Refer note 14.1 & 14.2 below)	214,378,338	346,407,066
	<b>411,308,597</b>	<b>927,416,214</b>

14.1 Deposit includes Fixed Deposit lien marked with various exchanges & Banks for the purpose of obtaining trading limits and overdraft facility. The value of the fixed deposit pledged as on March 31, 2012 is as follows: (As certified by the management)

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
NSE Cash Segment	60,200,000	89,700,000
BSE Cash Segment	55,000,100	65,000,000
NSE F&O Segment	170,353,949	230,000,000
NSE Currency	800,000	800,000
ILFS (Clearing Member)	1,000,000	1,000,000
Against Overdraft Facility (Refer Note 15.2 below)	69,000,000	160,991,385
Free FDs	15,535,458	231,424,041
	<b>371,889,507</b>	<b>778,915,426</b>

# ISE Securities & Services Limited

## NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012.

14.2 The Company has obtained bank overdraft facilities as follows:

The maximum overdraft facility availed by company in current year is ₹2,38,40,019/- from HDFC Bank which is taken against the collateral of fixed deposits of ₹ 6,90,00,000/-.

### 15 SHORT TERM LOANS & ADVANCES

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>Unsecured Considered Good, unless otherwise stated</b>		
Staff Advances	103,902	78,557
<b>Total</b>	<b>103,902</b>	<b>78,557</b>

### 16 OTHER CURRENT ASSETS

Particulars	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
<b>Unsecured Considered Good, unless otherwise stated</b>		
Advances recoverable in cash or kind or for value to be received		
Considered good	1,857,704	3,422,311
Considered doubtful	1,161,080	636,797
Less Provisions for Bad & Doubtful Advances (Refer Note 16.1)	(1,161,080)	(636,797)
	1,857,704	3,422,311
Interest Accrued on Fixed Deposit with bank	6,140,125	11,309,977
Prepaid Expenses	2,183,661	3,464,022
Settlement Obligation to/from Clearing House	7,248,459	4,466,690
Security Deposit (with Holding Company)	2,500,000	2,500,000
Service Tax credit receivable	627,738	554,011
<b>Total</b>	<b>20,557,686</b>	<b>25,717,011</b>

16.1 As a matter of Prudence, a provision of ₹5,42,283/- has been made towards the TDS on transaction charges recoverable from NSE and BSE for the year 2006-07

Other operating income	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
Networking Recovery	6,841,185	8,364,834
Annual Fees	2,085,000	2,185,000
Penalty for delayed payin	3,210,312	3,395,218
Excess Recovery Of Transaction Charges	722,074	697,393
Fines Collected from Clients	26,000	-
Other Charges Recovery related to operations (includes ₹1,99,222/- towards excess provision written back)	1,269,834	2,732,776
<b>Total</b>	<b>14,154,405</b>	<b>17,375,221</b>

Other Income	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
Interest Income from Banks on Fixed Deposits including Short Term and Long Term Fixed Deposit	51,709,603	49,291,960
Recovery of DP Charges (NET)	461,467	693,384
Dividend Income	520,000	520,000
<b>Total</b>	<b>52,691,070</b>	<b>50,505,344</b>

Employee Cost	As at March 31, 2012 (₹)	As at March 31, 2011 (₹)
Salary & Other Allowances	24,613,430	19,690,201
Contribution Provident Fund - Employer Contribution	1,292,307	1,146,397
Gratuity	345,027	362,556
Staff Welfare expenses	362,099	377,157
<b>Total</b>	<b>26,612,863</b>	<b>21,576,311</b>

19.1 As per Accounting Standard 15 "Employees Benefits", the disclosure as defined in the Accounting Standard are given below :

Amount To Be Recognised In Balance Sheet	Period ended 31 March 2012	Period ended 31 March 2011
Present Value of Funded Obligations	1,571,896	1,160,549
Fair Value of Plan Assets	(1,203,013)	(789,474)
Present Value of Unfunded Obligations	-	-
Unrecognized Past Service Cost	-	-
Net Liability	368,883	371,075
<b>Amount in Balance Sheet</b>		
Liability	368,883	371,075
Assets	-	-
Net Liability is bifurcated as follows:		
Current	-	-
Non Current	368,883	371,075
<b>Net Liability</b>	<b>368,883</b>	<b>371,075</b>

Amount To Be Recognised In Profit & Loss Accounts	Period ended 31 March 2012	Period ended 31 March 2011
Current Service Cost	329,150	242,945
Interest on Defined Benefit Obligation	122,707	81,684
Expected Return on Plan Assets	(83,949)	(55,875)
Net Actuarial Losses / (Gains) Recognized in Year	(53,464)	75,040
Past Service Cost	-	-
Total, Included in "Employee Benefit Expense"	<b>314,444</b>	<b>343,794</b>
Actual Return on Plan Assets	96,903	64,379

Reconciliation Of Benefit Obligation & Plan Assets For The Period	Period ended 31 March 2012	Period ended 31 March 2011
<b>Change in Defined Benefit Obligation</b>		
Opening Defined Benefit Obligation	1,160,549	752,376
Current Service Cost	329,150	242,945
Interest Cost	122,707	81,684
Actuarial Losses / (Gain)	(40,510)	83,544
Past Service Cost	-	-
Closing Defined Benefit Obligation	<b>1,571,896</b>	<b>1,160,549</b>
<b>Change in Fair Value of Assets</b>		
Opening Fair Value of Plan Assets	789,474	606,175
Expected Return on Plan Assets	83,949	55,875
Actuarial Gain/ (Losses)	12,954	8,504
Contributions by Employer	316,636	118,920
Closing Fair Value of Plan Assets	<b>1,203,013</b>	<b>789,474</b>
Expected Employer Contribution next year	700,000	700,000

# ISE Securities & Services Limited

## NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012.

Category of Assets (% Allocation)	Period ended 31 March 2012 (Amount ₹)	Period ended 31 March 2011 (%)	Period ended 31 March 2011 (%)
Government of India Securities	0	0%	0%
Corporate Bonds	0	0%	0%
Special Deposit Scheme	0	0%	0%
Equity Shares of Listed Companies	0	0%	0%
Property	0	0%	0%
Insurer Managed Funds	1203013	100%	100%
Others	0	0%	0%
<b>Grand Total</b>	<b>1203013</b>	<b>100%</b>	<b>100%</b>

Financial Assumptions As The Valuation Date	Period ended 31 March 2012	Period ended 31 March 2011
Discount Rate (p.a.)	8.65%	8.35%
Expected Rate of Return on Assets (p.a.)	7.50%	7.50%
Salary Escalation Rate (p.a.)	7.00%	7.00%

19.2 Long term Employee Benefits(net of write back) : Amount of ₹ 10,13,942/- (Previous Year : ₹ 8,07,200/-) & Short term Employee Benefits : Amount of ₹ 1,19,973/- is recognized as an expense towards Employee Benefits-Compensated Absences (Leave Encashment) included under the Note-20: 'Employee Benefit Expenses' in profit and loss account.

20 Finance Costs	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Interest - Other than Fixed Loans	26,991	23,213
<b>Total</b>	<b>26,991</b>	<b>23,213</b>

21 Other Expenses	As at March 31, 2012 ₹	As at March 31, 2011 ₹
VSAT, VPN and other Communication expenses	8,178,375	8,968,453
Annual Maintenance Charges for Networking Equipment	3,112,917	3,424,170
Annual Maintenance charges	397,555	710,951
Board Meeting Expenses	720,238	528,069
Brokerage for the rented premises	429,000	15,700
Sitting Fees	340,000	204,500
Reimbursement of actual Expenses ( Refer Note 21.1 & Note 32)	7,438,838	3,416,398
Management Fees to ISE (Refer Note 32)	6,000,000	3,000,000
Electricity Charges	750,284	538,826
Telephone Expenses	708,622	657,099
Security Charges	578,274	595,966
Provision for Doubtful Debts	-	1,487,734
Provision for Doubtful Debts - others	572,283	636,797
Courier Charges	265,451	289,255

# ISE Securities & Services Limited

## NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012.

Other Expenses	As at March 31, 2012 ₹	As at March 31, 2011 ₹
Insurance	110,664	112,466
Legal, Professional Charges and Contract charges	5,729,345	4,533,113
Miscellaneous Expenses	2,488,572	2,036,261
MemberShip charges	294,340	343,094
Printing & Stationery	330,933	660,817
Remuneration to Auditors ( Refer Note 21.2)	493,965	615,607
Rent ( includes ₹19,20,000/- paid to ISE Previous Year ₹18,00,000/- )	8,009,990	6,387,405
Repairs & Maintenance-Others	307,806	158,970
<b>Total</b>	<b>47,257,451</b>	<b>39,321,651</b>

21.1 The Company and its holding company, ISE, have an agreement, under which the actual expenses incurred by the holding company for supporting the operations of the Company are reimbursed by the Company. Reimbursement of actual expenses by the Company to the Holding Company excluding service tax for the period was ₹ 1,04,81,611/- (Previous year ₹ 61,62,106/-). The detailed breakup for the same is as follows:

Particulars	2011-12 (₹)	2010-11 (₹)
Annual maintainance chs -ISE	43,569	67,924
Brokerage - ISE	11,250	-
Cidco maintainence -ISE	-	179,430
Cleaning-ISE	104,817	81,260
Computer consumable - ISE	4,368	-
Conveyance - ISE	27,652	27,620
Courier & postage - ISE	107,419	99,914
Electricity Expenses - ISE	3,462,651	1,094,073
Gift & publicity - ISE	11,255	-
Lodging & boarding Expenses - ISE	818	-
Meeting travelling exp-ISE	-	60,355
Miscellaneous Expenses - ISE	24,010	41,780
Newspaper charges -ISE	3,273	-
Office refreshment - ISE	75,070	88,541
Office stationery - ISE	33,302	31,912
Photocopy charges -ISE	10,671	9,138
PLB - ISE	296,669	-
Pooja Expenses - ISE	3,321	-
Professional fees others - ISE	130,452	137,904
Rent - ISE	914,927	944,209
Repairs & maint/cleaning -ISE	281,670	39,973
Research employee cost - ISE	718,450	-
Research Expenses - ISE	339,112	-
Retainers - ISE	141,386	196,009
Security charges - ISE	436,168	-
Staff welfare-ISE	1,422	11,503
Stampduty ISE	2,410	-
Telephone & fax - ISE	179,214	197,536
Training Expenses - ISE	500	-

# ISE Securities & Services Limited

## NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012.

Particulars	2011-12 (₹)	2010-11 (₹)
Travelling Expenses - ISE	1,808	3,635
Water consumption charges - ISE	71,204	103,682
<b>Total Reimbursement of Expenses</b>	<b>7,438,838</b>	<b>3,416,398</b>
<b>Other Reimbursements</b>		
Salary	1,594,532	1,522,295
Reimbursement To Employees	25,667	135,602
PLB - ISE	-	222,463
Mediclaime Insurance Premium	314,050	342,622
Service Tax	902,524	522,726
<b>Total</b>	<b>2,836,773</b>	<b>2,745,708</b>
<b>Grand Total</b>	<b>10,275,611</b>	<b>6,162,106</b>

### 21.2 Remuneration to Auditors (exclusive of Service tax as applicable) :

Particulars	Year ended 31-3-2012 (₹)	Year ended 31-3-2011 (₹)
Audit fees	400,000	380,000
For tax audit	75,000	75,000
<b>For other services in respect of:</b>		
Management Services/Others	12,000	15,000
Reimbursement of expenses	6,965	6,107
<b>To Associate Firm</b>		
Taxation related services	-	139,500
<b>Total</b>	<b>493,965</b>	<b>615,607</b>

22. The Company continues with the method of recognition of brokerage income on settlements, which are completed with respect to funds pay-in and payout during the year.

### 23. Capital Commitment and Contingent Liability not provided for :

- The company has received show cause notices from the Service tax department in which service tax is demanded to the extent ₹1,95,04,653/-(Previous year ₹ 87,82,696/-). The Company has contested the same. As per the legal opinion taken by the company, no provision is required.
- The company has received various notices for the financial years 2001-02 to 2009-10 from the NMMC (Navi Mumbai Municipal Corporation) department for submission of information. The assessment for the above mentioned period is in process and no fresh notice has been received from NMMC. In view of the management amount of demand is not ascertainable due to pending assessment & accordingly no provision has been made.
- Claim against the company not acknowledged as debts amounting to ₹ 22,99,729/-(Estimated) (Previous Year ₹6,51,581/-).
- The company has issued perpetual indemnity in favor of Indusind Bank to the extent of ₹ 30,00,000/- (Previous year ₹30,00,000/-).
- The company has received demands from the Income Tax Department for an amount of ₹31,80,527/- (Previous year : ₹87,59,067/-) relating to the various assessment years which have been disputed by the Company and for which the company has filed appeals before higher authorities against the orders. In the view of the management these demands are not tenable & accordingly no provision has been made.
- The company has received demands from the Income Tax Department regarding short payment of taxes for an amount of ₹82,46,946/- (Previous year ₹ Nil) relating to various assessment years which has been disputed by the Company and for which the company has filed rectification application with authorities against the orders. The short payment of taxes arises because

of non reflection of TDS deducted by deductor in Form 26 AS (Annual Tax Statement U/S 203AA). In the view of the management these demands are not tenable & accordingly no provision has been made.

24. The Company has obtained bank guarantees favoring NSE and BSE for an amount of ₹ NIL (Previous year ₹25,00,000/-) towards base capital and margin requirements as of March 31, 2012. These bank guarantees are obtained against the collaterals received from sub-brokers favoring the Company towards the same for base capital and margin requirements.
25. The bank guarantees of the sub brokers amounting to ₹NIL (Previous year ₹10,00,000/-), are utilized as collaterals for various trading facilities at **BSE** as follows:

(Amount in ₹)

Particulars	Year Ended 31/03/2012	Year Ended 31/03/2011
Collaterals for bank guarantees issued to BSE for margin adjustable base capital	NIL	10,00,000
<b>Total</b>	<b>10,00,000</b>	<b>10,00,000</b>

26. The bank guarantees of the sub brokers amounting to ₹ **NIL/-** (Previous year: ₹ **15,00,000/-**) are utilized as collaterals for various trading facilities at **NSE F&O** as follows:

(Amount in ₹)

Particulars	Year Ended 31/03/2012	Year Ended 31/03/2011
Collaterals for bank guarantees issued to NSE for margin adjustable base capital	NIL	15,00,000
<b>Total</b>	<b>NIL</b>	<b>15,00,000</b>

27. **Earnings per share:**

Particulars	Year Ended 31/03/2012	Year Ended 31/03/2011
Net Profit/(Loss) after taxation attributable to equity shareholders	₹1,61,07,946	₹ 2,15,30,413
Weighted average outstanding number of equity shares (Face value ₹10/- per share)	55,00,000	55,00,000
<b>Basic / diluted earnings per share of ₹10/- each</b>	<b>2.93</b>	<b>3.91</b>

28. Client Obligations and balance in the Dividend Client Account, Deposits are subject to confirmation and reconciliation. Necessary effects if any will be given upon completion of the reconciliation. In opinion of the management, effect if any on completion of reconciliation will not be material in nature.
29. In the opinion of the Board of Directors, the current assets, loans and advances have a value on realization in the ordinary course of business of at least equal amounts at which they are stated in the Balance Sheet
30. The Company had been accepting securities as collateral from sub-brokers and clients. These securities are pledged with the Exchange (NSE and BSE) for the purpose of obtaining trading limits. The value of the securities so pledged as on March 31, 2012 with the Exchanges as follows: (As certified by the management)

(Amount in ₹)

Particulars	Year Ended 31/03/2012	Year Ended 31/03/2011
NSE Cash Segment	7,68,42,535	9,71,79,341
BSE Cash Segment	4,32,00,469	5,56,98,602
NSE F&O Segment	7,94,08,727	8,53,74,234



31. The company has not been able to compile the details of vendor's status under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The Company contends that no overdue amounts along with interest have been payable to enterprise covered under MSMED Act and generally payments are made to vendors within the stipulated time/agreed credit terms.

**32. Related party transactions:**

Disclosures as required by the Accounting Standard 18 (AS-18) "Related Party Disclosures" are given below:

The Company has entered into transactions with the following related parties

Sr. No.	Name of the Related Parties	Relationship	Country
1	Inter-Connected Stock Exchange of India Ltd.	Holding Company	India
2	Mr. Sivaraman K M- Chief Executive Officer & Whole Time Director	Key Managerial Personnel	India

Transactions with related parties during the period:

(Amount in ₹)

Sr. No.	Nature of Transactions	Holding Company	Key Management Personnel	Total as on March 31, 2012	Total as on March 31, 2011
1	Rendering of Services (inclusive of Service Tax)	66,18,000	-	66,18,000	33,09,000
2	Reimbursement of Expenses (inclusive of service tax)	1,02,75,611	-	1,02,75,611	61,62,107
3	DP Charges (inclusive of Service tax)	38,80,049	-	38,80,049	51,58,626
4	Rent ( inclusive of Service tax )	22,50,120	-	22,50,120	19,85,400
5	Finance (Including loans and equity contributions in cash or in kind)				
	- Loans (incl. interest)	Nil	-	Nil	Nil
	- Investment in Equity	Nil	-	Nil	Nil
	- Provision for diminution in value of Investment	Nil	-	Nil	Nil
6	Managerial Remuneration (Paid to Director & Officiating Director)	-	23,92,836	23,92,836	17,08,095
7	Reimbursement of expenses (Paid to Director & Officiating Director)	-	1,26,978	1,26,978	Nil
8	Amount Outstanding as at March 31, 2012				
	Loans (incl. interest) (Maximum outstanding during the year)	Nil	-	Nil	Nil
	Investment in Equity	5,50,00,000	-	5,50,00,000	5,50,00,000
	Managerial Remuneration	Nil	17,884	17,884	Nil
	Reimbursement of expenses	12,13,984	-	12,13,984	30,10,561
	Deposit from subsidiary	25,00,000	-	25,00,000	25,00,000

Shri. Sivaraman K M is CEO & Whole Time Director from 22nd January 2010.

**33. Operating Lease:**

(a) Total of minimum lease payments

(₹ in lakh)

Particulars	As at 31-Mar-2012	As at 31-Mar-2011
(i) Total of minimum lease payments	279.85	163.32
The total of future minimum lease payments under non-Cancelable		
<b>Operating leases for period:</b>		
Not later than one year	57.49	67.37
Later than one year and not later than five years	222.36	95.95
Later than five years	-	-

(₹ in lakh)

Particulars	As at 31-Mar-2012	As at 31-Mar-2011
(b) Lease payments recognised in the statement of profit & loss for the year	80.10	63.87



(c) Details of lease Deposit

Place	Deposit (₹)	Period
Powerica Limited	25,50,000/-	5 years
CRD Godown	1,00,000/-	33 Months
Guest House	50,000/-	1 year
Sanpada Godown	1,00,000/-	3 year

- (d) The general description of significant leasing arrangements: - The Company has entered into operating lease arrangements for office premises, godown & Guest house.
- (e) The above lease payments are exclusive of service tax.

**Signature to notes 1 to 33**

As per our attached Report of even date

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

**For Contractor Nayak and Kishnadwala  
Chartered Accountants  
Firm Registration No.: 101961W**

sd/-  
**Sivaraman K M**  
Whole Time Director  
& CEO

sd/-  
**P J Mathew**  
Director

sd/-  
**(Hiren Shah)**  
Partner  
Membership No. 100052

sd/-  
**Mayank Mehta**  
Company Secretary

**Place:** Mumbai  
**Date:** 16<sup>th</sup> July, 2012

**Place:** Mumbai  
**Date:** 16<sup>th</sup> July, 2012



# ISE Securities & Services Limited

## Balance Sheet Abstract and Company's General Business Profile

Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956

### I. Registration Details

Registration No.	U67190MH2000PLC123707	State Code	11
Balance Sheet Date:	3/31/2012		

### II. Capital Raised during the year

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placements	Nil

### III. Position of Mobilisation and Deployment of Funds (Amount in ₹ Thousands)

Total Liabilities	6,14,137	Total Assets	6,14,137
-------------------	----------	--------------	----------

#### Sources of Funds

Paid up Capital	55,000	Reserves & Surplus	70,887
Secured Loans	Nil	Unsecured Loans	Nil
Deferred Tax	Nil		

#### Application of Funds

Net Fixed Assets	7,695	Investments	6,710
Deferred Tax	4,520	Net Current Assets	95,391
Accumulated Losses	Nil		

### IV. Performance of the Company (Amount in ₹ Thousands)

Turnover	102,705	Total expenditure	78,706
Profit before Tax	23,999	Profit after Tax	16,108
Earnings per share	2.93	Dividend Rate	Nil

### IV. Generic Names of Principal Product/Services of the Company (as per monetary terms)

Item Code No.	Nil	Product Description	Nil
---------------	-----	---------------------	-----



**ATTENDANCE SLIP**

**INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.**

Regd. Office: International Infotech Park, Tower No.7, 5th Floor, Sector - 30, Vashi, Navi Mumbai - 400703  
(PLEASE COMPLETE THIS SLIP AND HAND IT OVER AT THE ENTRANCE OF MEETING HALL)

**14<sup>th</sup> ANNUAL GENERAL MEETING**

Member's Name (in capital letters).....

Folio No. .... No. of Shares held.....

I hereby record my presence at the 14<sup>th</sup> Annual General Meeting of the company being held on **Friday, September 14, 2012 at 11.30 am at Chandragupt Hall, 2nd Floor, Hotel Abbott, Sector - 2, Near Meghraj Cinema Hall, Vashi, Navi Mumbai 400 703.**

\_\_\_\_\_  
Signature of the Shareholder or Proxy

Cut Here

**PROXY FORM**

**INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.**

Regd. Office: International Infotech Park, Tower No.7, 5<sup>th</sup> Floor, Sector: 30, Vashi, Navi Mumbai - 400703

Regd. Folio No.	
-----------------	--

I/We .....  
of..... being a member / members of the Company,  
hereby appoint .....of ..... in the District of  
..... or failing him ..... of ..... in the District of  
..... or failing him ..... of ..... in the District of  
.....as my/our Proxy to vote for me/us on my/our behalf at the 14th Annual General Meeting of the  
company being held on **Friday, September 14, 2012 at 11.30 am at Chandragupt Hall, 2nd Floor, Hotel Abbott, Sector - 2,  
Near Meghraj Cinema Hall, Vashi, Navi Mumbai 400 703** or at any adjournment thereof.

Signed this ..... Day of .....2012

Affix  
Re.1/-  
Revenue  
Stamp

Note: The Proxy form duly completed and signed must deposited at the Registered Office of the Company, not less the 48 hours before the meeting.

**INTENTIONALLY BLANK**



## **Inter-connected Stock Exchange of India Limited**

Tower No. 7, 5th Floor, Sector-30-A,  
International Infotech Park, Above Rly. Station, Vashi, Navi Mumbai - 400 703.  
Tel.: 6794 1100 / 2781 2056 / 58 / 59 / 60 / 62 Fax: 2781 2061  
e-mail: [invgrivise@iseindia.co.in](mailto:invgrivise@iseindia.co.in)