

15th Annual Report

2012- 2013



Inter-connected Stock Exchange of India Limited



Inter-connected Stock Exchange of India Limited

15th Annual Report 2012-13

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Inter-connected Stock Exchange of India Limited

BRANCH OFFICES

AHMEDABAD

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

KOLKATA

Mukti Chambers - 403
4, Clive Row, Kolkata
West Bengal- 700 001
(Branch Incharge: Shri Ramesh Kumar)

COIMBATORE

684,
Stock Exchange Building
Trichy Road, Singanallur
Coimbatore
Tamil Nadu - 641 005
(Branch Incharge: Shri T. Umashankar)

NAGPUR

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

6014, 6th Floor,
Emerald House, S.D. Road,
Secunderabad, Andhra Pradesh-500 003
(Branch Incharge: Shri K. V. Nagabhushan)

GUWAHATI

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

INVESTOR POINTS

HYDERABAD

6014, 6th floor, Emerald House
S.D. Road, Secunderabad - 500003
(ANDHRA PRADESH)
Mobile No.- 9949902111
Tel. No.- 040-40020032
Fax No.- 040-40020031
e-mail ID – isehyd@yahoo.com
(Branch Incharge: Mr. K. V. Nagabhushan)

TIRUNELVELI

No: G1 "Atura Jose Complex",
Near Uzhavar Market, Maharaja Nagar, Palayamkottai
Tirunelveli-627 011(TAMILNADU)
Mobile No.- 9944444578
Tel. No.- 0462-2577578
Fax No.- 0462-2577578
e-mail ID – isetvl@iseindia.com
(Branch Incharge: Mr. S. P. Nagarajan)

CORPORATE INFORMATION

BOARD OF DIRECTORS

PUBLIC INTEREST DIRECTORS



Shri K. Rajendran Nair
Chairman



Shri A. K. Mago
(till 16-04-2013)



Shri H. C. Parekh



Prof. Sudhir Naib
(w.e.f. 17-01-2013)



Shri Paul Joseph
(w.e.f. 16-07-2013)

SHAREHOLDER DIRECTORS



Shri P. Sivakumar



**Shri Dharmendra
B. Mehta**



Shri Santosh Muchhal



Shri Bharat Meisheri

MANAGING DIRECTOR



Shri P. J. Mathew
(till 02-08-2013)

CORPORATE INFORMATION

COMPANY SECRETARY & COMPLIANCE OFFICER

Shri Milind Nigam

AUDIT COMMITTEE

Shri P. Sivakumar
Shri H. C. Parekh
Prof. Sudhir Naib
Shri Dharmendra B. Mehta
Shri Santosh Muchhal

STATUTORY AUDITORS

M/s. Contrator Nayak & Kishnadwala,
Chartered Accountants

INTERNAL AUDITORS

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, 5th Floor
Sector - 30, Vashi
Navi Mumbai - 400703.

**Notice of the 15th Annual General Meeting of Inter-connected Stock Exchange of India Limited to be held on
Thursday, September 26, 2013 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 15th Annual General Meeting of the Members of Inter-connected Stock Exchange of India Ltd. will be held on Thursday, September 26, 2013 at 11.30 am at Chandragupta 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, 2013 and Profit & Loss Account for the period April 1, 2012 to March 31, 2013 and Reports of the Directors and Auditors thereon.
2. To appoint a Shareholder Director in place of Mr. P. Sivakumar, 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 Board of India (SEBI).
3. To appoint a Shareholder Director in place of Mr. Santosh Muchhal, 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 Board of India (SEBI).
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To appoint a Shareholder Director who is liable to retire by rotation, as per the applicable provisions of the Articles of Association of the Company, subject to approval of Securities and Exchange Board of India (SEBI).

BY ORDER OF THE GOVERNING BOARD

Date: August 23, 2013
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. 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.
4. 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 at least Rs. 50,000/-.

5. The Register of Members and Share Transfer Books of the Company will remain closed from September 11, 2013 to September 26, 2013 (both days inclusive).
6. 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 2013, 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. Avail of Nomination facility by filling in and forwarding the nomination form to the R&TA, if not already done.
 - vii. Send all share transfer lodgments (physical mode) / correspondence to the R&TA of the Company up to the date of book closure to:
7. Members/ Proxies are requested to bring the Attendance Slip duly filled up for attending the Meeting.
8. 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.
9. 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.
10. Members are requested to Contact for any query at the following address:

**Bigshare Services Pvt. Ltd.,
E-2 & 3, Ansa Industrial Estate,
Saki-Vihar Road, Sakinaka,
Andheri (E), Mumbai-400072**

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

SPECIAL BUSINESS

Item No.5

As per the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated June 20, 2012 (herein after referred to as SECC Regulations) read with SEBI circular no. CIR/MRD/DSA/33/2012 dated December 13, 2012, the shareholders of the Company in its 14th Annual General Meeting held on September 14, 2012 implemented the provisions of the aforesaid Regulation and Circular. As per the said Regulation the new composition of the Governing Board was as under:-

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

The Shareholders in the said 14th Annual General Meeting had elected Shri Bharat Meisheri and Shri P. C. Cyriac in the Shareholder Director category, subject to approval of SEBI. The said appointments were submitted to SEBI on September 17,

2012 for seeking SEBI's approval. As per reply received from SEBI, SEBI has intimated their no objection only for the re-appointment of Shri Bharat Meisheri in the Shareholder Director category.

The Governing Board in its 127th Meeting held on August 23, 2013 decided to place the said vacancy which has not been filled, since ISE has not received SEBI's no objection for the appointment of Shri P. C. Cyriac in the Shareholder Director category.

Therefore, the Governing Board is proposing the said resolution before the Shareholders of the Company to send their nomination in terms of Sec. 257 of the Companies Act, 1956, nominating their representative to be appointed as a Shareholder Director subject to approval of SEBI.

The candidate should fulfill the criteria prescribed in the SECC Regulations read with SEBI Circular dated December 13, 2012.

None of the Directors is interested in the proposed resolution.

BY ORDER OF THE GOVERNING BOARD

Date: August 23, 2013
Place: Vashi, Navi Mumbai

sd/-
MILIND NIGAM
COMPANY SECRETARY

Details of Directors Seeking Appointment/Re-appointment at the Annual General Meeting

Particulars	Shri Santosh Muchhal	Shri P. Sivakumar
Date of Birth	31.03.1964	17.05.1960
Date of Appointment	29.09.2010	30.08.2007
Qualifications	Graduate in commerce , Fellow member of The Institute of Chartered Accountants of India (FCA)	Post graduate in commerce, Fellow member of The Institute of Company Secretaries of India (FCS), Fellow member of The Institute of Cost Accountants of India (FCMA) and Certified Management Accountant credential from IMA (USA)
Expertise in specific functional areas	Statutory Audits, Taxation, Bank Branch Audits, Insurance Audits, Financial Planning/ Structuring, Company Law matters etc.	Rich and varied experience in the areas of corporate law, finance, accounting, administration and management
Directorships held in other public companies (excluding foreign companies and section 25 companies)	1. Madhya Pradesh Stock Exchange Limited 2. Sam Industries Limited 3. Malwa Apparel Park Limited	SVJS Knowledge Lab Pvt. Ltd.
Memberships/ Chairmanships of committees of other public companies (includes only Audit Committee and Shareholders/Investors Grievance Committee)	1. Sam Industries Limited <ul style="list-style-type: none"> • Audit Committee- Chairman • Remuneration Committee 2. Madhya Pradesh Stock Exchange Limited <ul style="list-style-type: none"> • Compensation Committee • Arbitration Committee • Sub-Committee • Ethics Committee • Independent Oversight Committee 	SVJS Knowledge Lab Pvt. Ltd.
Number of shares held in the Company	Nil	Nil

Director's Report 2012-13

The Board of Directors of Inter-connected Stock Exchange of India Ltd. is pleased to present the Fifteenth (15th) Annual Report for the year ended March 31, 2013 together with the Audited Statement of Accounts for the financial year 2012-13.

FINANCIAL HIGHLIGHTS

The financial performance of your Exchange for the year 2012-13, 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	2012-13	2011-12	2010-11	2009-10	2008-09
INCOME					
Admission Fee from Trading Members	1.50	5.50	6.70	163.09	190.35
Annual Subscription from Trading Members	69.67	76.32	94.47	110.00	88.66
Listing Fees	0.25	0.96	0.62	0.66	1.67
Transaction Charges	-	-	-	-	-
Income from DP Operation	122.68	138.09	173.13	182.66	154.70
Income from Training Programmes	2.92	8.51	9.16	6.95	12.44
Income from Research	2.39	0.73	0.23	0.43	1.01
Income from Rent	-	20.40	18.00	18.00	26.40
Interest on Bank Deposits	140.43	160.61	158.09	277.90	245.69
Management Services Fee	60.00	60.00	30.00	30.00	30.00
Others	115.95	139.59	80.33	29.66	75.87
Total Income	515.79	610.71	570.73	819.35	826.79
EXPENDITURE					
Employee Cost	322.32	298.44	239.59	197.88	146.37
Administrative & Operational Expenses	295.67	203.15	227.37	242.79	262.57
DP Expenses	25.18	26.65	37.72	46.16	46.02
Training Programmes Expenses	1.35	2.98	2.47	2.19	3.76
Research Expenses	-	-	-	0.05	0.12
Depreciation	113.11	32.05	28.37	26.27	25.61
Total Expenditure	757.63	563.27	535.52	515.34	484.45
Profit/(Loss) before Taxation	(241.84)	47.44	35.21	304.01	342.34
Less: Provision for Tax and other adjustments	21.17	13.39	(8.69)	63.79	166.16
PROFIT/(LOSS) AFTER TAXATION	(220.67)	34.05	43.90	240.22	176.18

Note: Previous year figures have been regrouped/ reclassified wherever necessary.

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	(220.67)

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 also the net loss incurred during the year 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

Position as on 31.03.2012	664
Fresh Registration	7*
Resignation	54
Default	Nil
Expulsion	Nil
Position as on 31.03.2013	617

*Upgradation of trading membership from individual to corporate: 1

The distribution of the Trading Members across the different geographical regions of the country as on March 31, 2013 was as given in **Table No. 3**.

Table No. 3: Geographical distribution of Trading Members

Sr. No.	Region	States	Trading Members
1	West	Goa, Gujarat, Maharashtra	260
2	North	Haryana, Delhi, Punjab, Rajasthan, Uttarakhand and Uttar Pradesh	94
3	East	Assam, Bihar, Orissa and West Bengal	163
4	South	Andhra Pradesh, Karnataka, Kerala and Tamilnadu	85
5	Central	Jharkhand, Chhattisgarh and Madhya Pradesh	15
		Total	664

(ii) Listing

During the financial year 2012-13, shares of any new company were not listed on ISE. As at the end of March 31, 2013, shares of 5 Companies were listed on ISE.

(iii) Depository Participant (DP) Operations

The DP Operations during the last two years in terms of the number of demat accounts opened and number of instructions processed were as shown in **Table No. 4**:

Table No. 4: Details of DP Operations

Particulars	2012-13	2011-12
Income (₹ in lakh)	122.68	138.09
Expenditure (₹ in lakh)	25.18	26.65
Net Income (₹ in lakh)	97.50	111.44
No. of beneficiary accounts	47,687	45,446
No. of instructions processed	8,64,907	8,74,626
No. of Collection / Service centers	114	122
No. of DP branches	8	8
No. of investor points	2	2

The number of DP accounts opened with your Exchange grew from 45,446 in 2011-12 to 47,687 in 2012-13 i.e. 2,241 new Beneficiary Owner (BO) accounts were opened in 2012-13.

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

SEBI vide its letter no. MRD/DSA/OW/13560/2013 dated June 06, 2013 pointed out that the clearing house of ISE did not fulfill the basic eligibility criteria under Regulation 3 of SECC Regulations, 2012 and became ineligible to continue as Depository Participant (DP) in the capacity of clearing house of a Stock Exchange. Hence the Governing Board of ISE directed ISE Securities and Services Ltd. (ISS) (wholly-owned subsidiary of the Company) to get itself registered with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) to provide Depository Participant (DP) services, so that all the Beneficiary Owners Accounts in ISE-DP would be transferred to ISS. The said transfer is in process.

(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 2012-13 are given in **Table No. 5**

Table No. 5: Details of training programmes conducted in 2012-13

Sr. No	Name of Training Programme	Date	No of Participants
1	Capital Market (Summer Internship project work)	May 12 - July 12, 2012	19
2	Anti Money Laundering	June 23, 2012	21
3	Capital Market (Pragati College, Dombivli)	Jul 8 to Sept 3, 2012	48
4	Anti-Money Laundering	Sept. 28, 2012	8
5	Compliance requirements for brokers & Sub-brokers	October 6, 2012	11
6	Capital Market (SIES College, Sion)	October 15 to October 27, 2012	31
7	Capital Market (Acharya College, Chembur)	October 16 to October 27, 2012	38
8	Investor Relation	Dec 15, 2012	14
9	Capital Market (VES College, Chembur)	March 15 to March 26, 2013	38
10	Capital Market (Saket College of Management, Kalyan)	March 16 to April 05, 2013	18
11	Capital Market (Pillai College, Panvel)	March 20 to April 04, 2013	21

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

No. of staff	Trading Programme attended
4	Investor Relation
13	Anti-money Laundering

Your exchange has conducted 6 in-house programmes with different organisations in the year 2012-13. 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 share markets. 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 commodities overview.

Apart from this, the cell also provides daily newsletter which covers Indian & global markets data, Forex data and corporate news. The Cell also provides research tools like 'Techni trade Equities, Future, and Commodities (MCX & NCDEX)'. The Cell is having tie up with Capital Market etc. for providing data and other related material for equity research.

(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 ₹1,912.82 lakh as at March 31, 2012 to ₹1,988.61 lakh as at March 31, 2013.

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

Table No. 6 (i): Status of Settlement Guarantee Fund (SGF)

(₹ In lakh)

Sr. No.	Item	31.03.2013	31.03.2012
1	Cash contribution from promoter Exchanges	130.00	130.00
2	Settlement Guarantee Fund (including accretions from levy on transactions)	69.11	68.81
3	Contribution towards Base Minimum Capital (Cash component) from Registered Trading Members	696.47	716.47
4	Interest accrued on the cash component of SGF	1,093.03	997.54
	Total SGF Corpus	1,988.61	1,912.82

Table No. 6 (ii): Status of Investors' Services Fund (ISF)

(Amount in ₹)

Particulars	31.03.2013	31.03.2012
Opening balance	21,41,857	20,93,585
Add: Interest received on Fixed Deposit	138,718	131,435
Add: Accretion by way of appropriation from the listing fee income during the period	6,500	25,000
Less: Expenses incurred for Investor Programmes conducted	-	49,244
Less: Newspaper and Periodicals Expenses	46,140	58,918
Closing balance as on March 31	22,40,935	21,41,857

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:

Table No. 7: Status of ISE-IPF Trust

(Amount in ₹)

Particulars	2012-13	2011-12
Opening balance	1,26,811	88,659*
Add: Accretion by way of appropriation from the listing fee income during the period	325	1,250
Add: Interest received on Fixed Deposit	26,629	2,559
Add: Amount transferred from Investors' Services Fund	-	34,453
Add: Fines and Penalties transferred from Inter-connected Stock Exchange of India Ltd.	14,36,186	-
Less: Bank Charges	140	110
Closing balance as on March 31	15,89,810	1,26,811

(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:

Shri Dnyanoba V. Narhare
Inter-connected Stock Exchange of India Ltd.
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: dnyanoban@iseindia.co.in,
invgrievise@iseindia.co.in

Shri Sanjay Upadhyay
Inter-connected Stock Exchange of India Ltd.
16/11, 3rd Floor, R.D. Chamber,
Arya Samaj Road, Karol Bagh,
New Delhi - 110005.
Tel : 011- 45064732
Fax: 011-28750889
E-mail: invgrievise@iseindia.co.in,
sanjayu@iseindia.com

Shri Santosh Gupta
Inter-connected Stock Exchange of India Ltd.
Mukti Chambers - 403,
4, Clive Road,
Kolkata: 700001.
Tel : 03364596348, 033-22313393
E-mail to: invgrievise@iseindia.co.in,
santoshg@iseindia.com

Shri T. Umashankar
Inter-connected Stock Exchange of India Ltd.
684 Stock exchange building,
Trichy road, Coimbatore 641005,
Tel: (0422) 3207078; 4395938; 4395663
Fax: (0422) 4395664; Cell: 09994444472
E-mail: invgrievise@iseindia.com,
isecbt@iseindia.com

Table No. 8: Details of Regional Investors' Grievance Redressal Committees

Mumbai Region

1. Shri A. P. Bakliwal - Independent External Person (IEP)
2. Smt. Lakshmi R. Menon - Independent External Person (IEP)
3. Shri Ganesh Shastri - Independent External Person (IEP)
4. Shri P.J. Mathew Managing Director

Coimbatore Region

1. Shri S. Murli - Public Representative
2. Shri E. Gomathishankar - Public Representative
3. Shri A.K. Mohammed Azad - Public Representative
4. Shri P.J. Mathew - Managing Director

Delhi Region

1. Shri Avineesh Matta - Public Representative
2. Shri Rajesh Gupta - Public Representative
3. Shri Naresh Kumar Gupta - Public Representative

Kolkata Region

1. Shri Krishanu Bhattacharyya - Public Representative
2. Shri Pradeep Kumar Agarwal - Public Representative
3. Shri Goutam Dutt - Public Representative

(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. 9**.

Table No. 9: 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
2011-12	3	2	1	4
2012-13	4	0	0	4

Regarding the four cases pending against your Exchange at the beginning of the year 2012-13, 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 Governing Board wishes to inform that the Stock Exchange has got approval from SEBI vide its letter no. MRD/DSA/OW/705/2013 dated January 10, 2013, to recommence trading on its platform subject to fulfillment of certain conditions, which include, inter-alia, suspension of operations at its subsidiary i.e. ISE Securities & Services Ltd. (ISS) (wholly-owned subsidiary of the Company) engaged in the business of Stock Broking; ensuring that the networth of the Exchange would not fall below ₹28,70,99,498/- as it stood on 31st March, 2012, at any point in time till the Exchange recommences its Trading Platform; and raising funds to meet the capital requirement as brought out in the Business Plan. The management, with appropriate directions from the Governing Board, is taking steps to comply with the conditions as stipulated by SEBI before re-commencing the Trading Platform.

The Governing Board in this regard convened an Extra- ordinary General Meeting of its Shareholders on July 15, 2013 seeking their approval to divest the stake of ISE in ISS. The Shareholders in the said meeting approved the disinvestment of ISS.

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 & Patna and DR site at Bangalore 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, 2013, Report of the Board of Directors and the Report of the Auditors for the year ended March 31, 2013 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 ₹1003.14 lakh for the year 2012-13, which is 2.33 per cent lower than the figure of ₹1027.06 lakh achieved in 2011-12. While the income decreased by 2.33 per cent, expenditure also decreased from ₹787.05 lakh to ₹721.75 lakh by 8.29 per cent, thereby resulting in an increase in profit. The Finance cost was less by ₹0.24 lakh as compared to that of the previous year thereby providing additional relief to the company. Since the percentage of decrease in expenditure is much higher than the percentage of decrease in income, the profit increased to ₹187.75 lakh from ₹161.45 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, 2013:

- 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, 2013 and Profit & Loss Account for the year ended March 31, 2013;
- 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 14th Annual General Meeting held on September 14, 2012, eight meetings of the Board of Directors were held, as detailed in **Table No. 10**.

Table No. 10: Details of Meetings of Governing Board

Meeting No.	Date	Venue
119th	November 6, 2012	At Hotel Atithi, Vile Parle (E), Mumbai – 99
120th	December 28, 2012	At Hotel Atithi, Vile Parle (E), Mumbai – 99
121st	January 17, 2013	At the Registered Office of the Exchange, Vashi
122nd	February 06, 2013	At Hotel Atithi, Vile Parle (E), Mumbai – 99
123rd	April 16, 2013	At Hotel Atithi, Vile Parle (E), Mumbai – 99
124th	June 7, 2013	At Hotel Atithi, Vile Parle (E), Mumbai – 99
125th	July 16, 2013	At Hotel Atithi, Vile Parle (E), Mumbai – 99
126th	August 2, 2013	At Hotel Atithi, Vile Parle (E), Mumbai – 99

The changes which have taken place in the Board of Directors from September 14, 2012 till date are presented in **Table No. 11**:

Table No. 11: Changes in Directors during 2012-13

Sr. No.	Name of Director	Particulars	Date of Appointment / re-appointment / cessation / resignation
1.	Shri Rajeeb Rajan Kumar	Ceased as Trading Member Director	August 14, 2012
2.	Shri Surendra Holani	Ceased as Trading Member Director	September 14, 2012
3.	Shri Debraj Biswal	Ceased as Shareholder Director	September 14, 2012
4.	Shri Bharat Meisheri	Re-appointed as Shareholder Director	September 14, 2012 (with the approval of SEBI dated 17.01.2013)
5.	Prof. Sudhir Naib	Appointed as Public Interest Director	January 17, 2013
6.	Shri A.K. Mago	Resigned as Public Interest Director	April 16, 2013
7.	Shri Paul Joseph	Appointed as Public Interest Director	July 16, 2013
8.	Shri P. J. Mathew	Ceased as Managing Director	From the closing business hours of 02.08.2013

In terms of the Powers under regulation 51 of the Securities Contracts (Regulation) (Stock exchanges and Clearing corporations) Regulations, 2012 ('SECC Regulations') dated June 20, 2012, SEBI has issued a circular no. CIR/MRD/DSA/33/2012 dated December 13, 2012 on Procedural norms on Recognitions, Ownership and Governance for Stock exchanges and Clearing Corporations (SEBI Circular) for the effective implementation of the SECC Regulations. This circular shall be read in conjunction with Securities Contracts (Regulation) Act, 1956 (SCRA), Securities Contracts (Regulation) Rules, 1957 (SCRR), SECC Regulation and other applicable laws.

ISE being a recognized Stock Exchange would have to ensure due compliance with the amended provisions of the said circular within a period of three months from the date of commencement of the circular.

SEBI vide the aforesaid circular laid down the criteria, qualification, disclosure norms and the procedure for appointment of Directors on the Governing Board of Exchange. The said circular also suggested constitution and functions of the statutory and operational committees of the Stock Exchange.

CONSTITUTION OF THE STATUTORY AND OPERATIONAL COMMITTEES

Your Exchange has constituted the various Statutory and Operational Committees, as per the directives issued by SEBI vide its circular no. CIR/MRD/DSA/33/2012 dated December 13, 2012. Details of the composition of these Committees for the year 2012-13, as well as the details of meetings attended by its members, are given in **Table No. 12**.

Table No. 12: Details of Committees

Arbitration Committee

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri K. Rajendran Nair	Public Interest Director	-	-
Shri A. K. Mago (till April 16, 2013)	Public Interest Director	-	-
Shri H. C. Parekh	Public Interest Director	-	-
Prof. Sudhir Naib (w.e.f. January 17, 2013)	Public Interest Director	-	-
Shri Santosh Muchhal (w.e.f. January 17, 2013)	Shareholder Director	-	-
Shri D. B. Mehta (w.e.f. January 17, 2013)	Shareholder Director	-	-
Shri Bharat Meisheri (w.e.f. January 17, 2013)	Shareholder Director	-	-

Defaulters' Committee (Committee Managing SGF)

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri H. C. Parekh	Public Interest Director	-	-
Shri A. K. Mago (till April 16, 2013)	Public Interest Director	-	-
Shri Paul Joseph (w.e.f. July 16, 2013)	Public Interest Director	-	-
Shri Debaraj Biswal (till September 14, 2012)	Shareholder Director	-	-
Shri Bharat Meisheri (till January 17, 2013)	Shareholder Director	-	-
Shri Jay Mahendra Shah (till January 17, 2013)	Trading Member Representative	-	-
Shri P. J. Mathew (till August 02, 2013)	Managing Director	-	-

Disciplinary Action Committee

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri A. K. Mago (till April 16, 2013)	Public Interest Director	2	2
Shri H. C. Parekh	Public Interest Director	2	2
Prof. Sudhir Naib (w.e.f. January 17, 2013)	Public Interest Director	1	1
Shri Ashvin Jain (till January 17, 2013)	Trading Member Representative	1	1
Shri Manubhai Parekh (till January 17, 2013)	Public Representative	1	1
Shri Jinesh Panchali (till January 17, 2013)	Public Representative	1	1
Shri P. J. Mathew (till August 02, 2013)	Managing Director	2	2

Investors' Services Committee

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri K. Rajendran Nair (till January 17, 2013)	Public Interest Director	-	-
Shri A.K.Mago (till April 16, 2013)	Public Interest Director	-	-
Shri H. C. Parekh (w.e.f. January 17, 2013)	Public Interest Director	-	-
Prof. Sudhir Naib (w.e.f January 17, 2013)	Public Interest Director	-	-
Shri Paul Joseph (w.e.f. July 16, 2013)	Public Interest Director	-	-
Shri Bharat Meisheri (till January 17, 2013)	Shareholder Director	-	-
Shri A.P. Bakliwal (till January 17, 2013)	Public Representative	-	-
Shri Jayant Vidwans (till January 17, 2013)	Trading Member Representative	-	-
Shri P.J. Mathew (till January 17, 2013)	Managing Director	-	-

SEBI Inspection Compliance Committee

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri K. Rajendran Nair	Public Interest Director	8	7+1*
Shri A. K. Mago (till April 16, 2013)	Public Interest Director	8	7+1*
Shri H. C. Parekh	Public Interest Director	8	8
Shri Bharat Meisheri (w.e.f January 17, 2013)	Shareholder Director	2	2
Shri Rajeeb Ranjan Kumar (till August 14, 2012)	Trading Member Director	3	1+1*
Shri P. J. Mathew (till August 02, 2013)	Managing Director	8	8

*Meeting Attended through tele-conferencing.

Ethics Committee

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri K. Rajendran Nair (till January 17, 2013)	Public Interest Director	1	1
Shri H. C. Parekh	Public Interest Director	1	1
Prof. Sudhir naib (w.e.f. January 17, 2013)	Public Interest Director	-	-
Shri Santosh Muchhal (w.e.f. January 17, 2013)	Shareholder Director	-	-
Shri Surendra Holani (till September 14, 2012)	Trading Member Director	1	-
Shri P. J. Mathew (till August 02, 2013)	Managing Director	1	1

Membership Selection Committee (previously known as Screening Committee)

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri. K Rajendran Nair	Public Interest Director	3	3
Shri H.C. Parekh (w.e.f January 17, 2013)	Public Interest Director	1	1
Dr. M.Y. Khan (till January 17, 2013)	Subject Expert	2	2
Shri. K. D. Gupta (till January 17, 2013)	Subject Expert	2	2
Shri. Bharat Meisheri (till January 17, 2013)	Shareholder Director	2	1
Shri P. J. Mathew (till August 02, 2013)	Managing Director	3	3

Independent Oversight Committee of Governing Board for Member Regulation

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri. K Rajendran Nair (w.e.f. January 17, 2013)	Public Interest Director	-	-
Shri H.C. Parekh (w.e.f. January 17, 2013)	Public Interest Director	-	-
Shri Satyan Israni (w.e.f. January 17, 2013)	Independent External person (IEP)	-	-

Independent Oversight Committee of the Governing Board for Listing Function

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri K. Rajendran Nair (w.e.f January 17, 2013)	Public Interest Director	-	-
Shri H. C. Parekh (w.e.f January 17, 2013)	Public Interest Director	-	-
Dr. S. D. Israni (w.e.f January 17, 2013)	Independent External Person(IEP)	-	-

Independent Oversight Committee of the Governing Board for surveillance Function

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri K. Rajendran Nair (w.e.f January 17, 2013)	Public Interest Director	-	-
Shri A. K. Mago (till April 16, 2013)	Public Interest Director	-	-
Shri Mahesh Soneji (w.e.f January 17, 2013)	Independent External Person (IEP)	-	-

Compensation Committee (previously known as HR & Remuneration Committee)

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri K. Rajendran Nair	Public Interest Director	2	2
Shri A. K. Mago (till April 16, 2013)	Public Interest Director	2	2
Shri H.C. Parekh	Public Interest Director	2	2
Shri Paul Joseph (w.e.f. July 16, 2013)	Public Interest Director	-	-
Shri K. V. Thomas (till July 29, 2012)	Shareholder Director	-	-
Shri Debaraj Biswal (till September 14, 2012)	Shareholder Director	-	-
Shri Bharat Meisheri (till November 6, 2012)	Shareholder Director	-	-
Shri D.B. Mehta (w.e.f. November 6, 2012)	Shareholder Director	2	2
Shri P. J. Mathew (till August 02, 2013)	Managing Director	2	2

Advisory Committee

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri K. Rajendran Nair (w.e.f January 17, 2013)	Public Interest Director	-	-
Shri Mohil Sanghavi, (w.e.f April 16, 2013)	Trading Member	-	-
Shri Ashish C. Mehta (w.e.f April 16, 2013)	Trading Member	-	-
Shri Jayant Vindwans (w.e.f April 16, 2013)	Trading Member	-	-
Shri Viral Dalal (w.e.f April 16, 2013)	Trading Member	-	-
Shri Mitesh Shah (w.e.f April 16, 2013)	Trading Member	-	-

Public Interest Directors' Committee

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri K. Rajendran Nair (w.e.f January 17, 2013)	Public Interest Director	-	-
Shri A. K. Mago (till April 16, 2013)	Public Interest Director	-	-
Shri H.C. Parekh (w.e.f January 17, 2013)	Public Interest Director	-	-
Prof. Sudhir Naib (w.e.f January 17, 2013)	Public Interest Director	-	-
Shri Paul Joseph (w.e.f July 16, 2013)	Public Interest Director	-	-

Selection Committee (Committee for selection of Managing Director)

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri K. Rajendran Nair (w.e.f January 17, 2013)	Public Interest Director	-	-
Shri Paul Joseph (w.e.f July 16, 2013)	Public Interest Director	-	-
Dr. S.D. Israni (w.e.f January 17, 2013)	Independent External person (IEP)	-	-
Shri R.M.Joshi (w.e.f January 17, 2013)	Retired Executive Director (ED) of SEBI	-	-

Standing committee on Technology

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri H.C. Parekh (w.e.f January 17, 2013)	Public Interest Director	-	-
Shri Ganesh Shastry (w.e.f January 17, 2013)	External Computer Expert	-	-
Shri Nanda Mohan Shenoy D (w.e.f January 17, 2013)	Independent External person (IEP)	-	-

Business Development Committee (BDC) (Committee Managing Business Rules)

Name of the Committee Members	Category	Number of Meetings during the year 2012-13	
		Held	Attended
Shri K. V. Thomas (Chairman)	Shareholder Director	5	2+2*
Shri H. C. Parekh	Public Interest Director	5	5
Shri Bharat Meisheri	Shareholder Director	5	5
Shri Cyriac Thomas	Shareholder Director	5	4+1*
Shri P. J. Mathew (till August 02, 2013)	Managing Director	5	4

*Meeting Attended through tele-conferencing.

During the FY 2012-13 the BDC met on 03.04.2012, 10.05.2012, 19.07.2012, 17.07.2012 & 13.09.2012.

Fund Raising Committee (FRC)

Name of the Committee Members	Category	Number of FRC Meetings during the FY 2012-13		Number of FRC Meetings during the F.Y. 2013-14 (April 1, 2013 till July 15, 2013)
		Held	Attended	Held
Shri K. Rajendran Nair (Chairman)	Public Interest Director	5	5	4
Shri A. K. Mago	Public Interest Director	5	5	NA
Shri P. Sivakumar	Shareholder Director	5	3	4
Shri D. B Mehta	Shareholder Director	5	3	4
Shri K. V. Thomas	Shareholder Director	3	2	NA
Shri P. J. Mathew (till 02.08.13)	Managing Director	5	5	4
Shri Bharat Meisheri	Shareholder Director	4	4	4
Shri Sudhir Naib	Public Interest Director	2	2	4

During the FY 2012-13 the FRC met on 10.05.2012, 19.06.2012, 13.09.2012, 26.02.2013, 23.03.2013, 16.04.2013, 25.05.2013, 06.06.2013 & 21.06.2013.

AUDITORS

M/s. Contractor Nayak & Kishnadwala, Chartered Accountants, were appointed by the Members of the Exchange in the 14th Annual General Meeting as statutory auditors to hold office till the conclusion of the 15th Annual General Meeting.

The Auditors' Report relating to the accounts for the year ended March 31, 2013 does not contain any qualification.

PARTICULARS OF EMPLOYEES

Your Exchange had a total staff strength of 75 on its rolls as on March 31, 2013. In addition, 17 contractual / consultant / temporary / Management Trainee staff members are 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.

Further in terms of Regulation 27(5) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 dated 20.06.2012, "The compensation given to the Key Management Personnel (KMP) shall be disclosed in the Report of the recognised Stock Exchange or recognised clearing corporation under section 217 of the Companies Act, 1956", therefore the remuneration paid to the KMPs is disclosed as under:

Sr. No.	Employee Name	Designation	Date of Joining	Paid Remuneration in ₹ (per annum)
1	P. J. Mathew (till 02.08.2013)	Managing Director	2-Aug-07	3,570,820
2	Krishna Wagle	General Manager - Finance & Accounts	3-Nov-03	894,552
3	Milind Nigam	Assistant Vice President - Legal, Compliance & Secretarial	12-Apr-06	1,195,176
4	Sheena Varghese (till 04.02.2013)	Assistant General Manager - Human Resource & Admin	6-Jun-08	740,713
5	Jayakrishna Padiyar	Senior Manager - Depository Participant	22-Oct-08	692,976
6	Gajendranath Mudaliar	Vice President - Information Technology	2-Feb-09	1,457,808
7	Manisha Thakur (till 03.08.2012)	Vice President - Membership & Listing	8-Dec-10	466,843
8	Nitin Bohra	General Manager - Marketing	26-Sep-11	1,067,004
9	Shachindrakumar R Dube	Assistant Vice President - Membership & Listing	3-Sep-12	*693,334
10	Thomas Kurian	Assistant General Manager - Human Resource & Admin	04-Feb-13	**107,263
11	Pradeep Muduli	General Manager - Surveillance	10-Jan-11	831,288

Note:

1. Remuneration includes Annual Gross salary, Employer contribution to Provident Fund & Pension.
2. Payables/Benefits enjoyed by the employees and are excluded in remuneration mentioned above are Leave Travel Allowance (LTA), Performance Linked Bonus (PLB), Contribution to Gratuity, Privilege Leave (PL), Group Mediclaim Policy (GMC), Group Personal Accident Policy (GPA) & other charges applicable to PF.
 - * Shachindrakumar R Dube : for the period from 3-Sep-12 to 31-Mar-13
 - ** Thomas Kurian : for the period from 04-Feb-13 to 31-Mar-13

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 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 the entire promoter Exchanges, Shareholders 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.

By order of the Board of Directors

Date: August 02, 2013
Place: Vashi, Navi Mumbai

sd/-
K. Rajendran Nair
Chairman

CORPORATE GOVERNANCE REPORT FOR THE FY 2012-13

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 read with SEBI circular no. CIR/MRD/DSA/33/2012 dated 13.12.2012, the Exchange has moved ahead in its pursuit of excellence in incorporating Corporate Governance Report in its Annual Report.

SEBI vide the aforesaid circular laid down the criteria, qualification, disclosure norms and the procedure for appointment of Directors on the Governing Board of Exchange. The said circular also suggested constitution and function of the statutory and operational committees of the Stock Exchange.

II. Board of Directors (Governing Board)

- As on March 31, 2013, the Company has nine Directors with a Non-Executive Chairman. Of the Nine Directors, Four were Public Interest Directors, Four were Shareholder Directors, and One Managing Director. The composition of the Governing Board is in conformity with SEBI Regulations.
- The names and categories of the Directors on the Governing Board, their attendance at Meetings of the Governing Board 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 Committees of Governing Board include only Audit and Shareholders/Investors Grievance Committees:-

Name of the Director	Category	Number of Meetings of Governing Board held during the year 2012-13		Whether attended last AGM held on September 14, 2012	Number of Directorships in other Public Companies		Number of Committee positions held in other Public Companies	
		Held	Attended		Yes/No	Chairman	Member	Chairman
Mr. K. Rajendran. Nair (Chairman & Public Interest Director)	Non-Executive	6	6	Yes	-	-	-	-
Mr. A. K. Mago (Public Interest Director) (till April 16, 2013)	Non-Executive	6	6	Yes	-	-	-	-
Mr. H. C. Parekh (Public Interest Director)	Non- Executive	6	6	Yes	-	-	-	-
Prof. Sudhir Naib (Public Interest Director) (w.e.f. January 17, 2013)	Non- Executive	2	2	No	-	-	-	-
Mr. P J Mathew (Managing Director)	Executive	6	6	Yes	-	1	-	2
Mr. K. V. Thomas (Shareholder Director) (till July 29, 2012)	Non-Executive	1	1	Yes	-	-	-	-

Name of the Director	Category	Number of Meetings of Governing Board held during the year 2012-13		Whether attended last AGM held on September 14, 2012	Number of Directorships in other Public Companies		Number of Committee positions held in other Public Companies	
		Held	Attended		Yes/No	Chairman	Member	Chairman
Mr. Debraj Biswal (Shareholder Director) (till September 14, 2012)	Non-Executive	2	2	Yes	-	-	-	-
Mr. D B Mehta (Shareholder Director)	Non-Executive	6	5	Yes	-	1	-	1
Mr. Santosh Muchhal (Shareholder Director)	Non-Executive	6	5	No	-	3	1	6
Mr. Bharat Meisheri (Shareholder Director)	Non- Executive	6	3	Yes	-	-	-	-
Mr. P. Sivakumar (Shareholder Director)	Non- Executive	6	4	No	-	-	-	-
Mr. Rajeev Ranjan Kumar (Trading Member Director) (till August 14, 2012)	Non-Executive	2	1	No	-	-	-	-
Mr. Surendra Holani (Trading Member Director) (till September 14, 2012)	Non-Executive	2	1	No	-	-	-	-

- 3) Six Meetings of Governing Board 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:

June 26, 2012; July 30, 2012; November 6, 2012; December 28, 2012; January 17, 2013; and February 6, 2013.

The necessary quorum was present for all the meetings.

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

III. Audit Committee

- 1) The Audit Committee of the Company is constituted in line with the provisions of Corporate Governance norms prescribed by SEBI.
- 2) 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 are 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 depositor's debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any.
 - Reviewing compliances as regards the company's Whistle Blower Policy.
- 3) 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
- 4) The previous Annual General Meeting of the Company was held on September 14, 2012 and due to unavoidable circumstances Mr. P Sivakumar, Chairman of the Audit Committee and Non-Executive Director of the Governing Board was unable to attend the meeting.
- 5) 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 2012-13	
		Held	Attended
Shri P. Sivakumar (Chairman)	Shareholder Director	3	3
Shri Santosh Muchhal	Shareholder Director	3	3
Shri D. B. Mehta	Shareholder Director	3	3
Shri H. C. Parekh (w.e.f. 17.01.2013)	Public Interest Director	1	1
Prof. Sudhir Naib (w.e.f. 17.01.2013)	Public Interest Director	1	1

- 6) Three Audit Committee Meetings were held during the year. The dates on which the said meetings were held are as follows:
July 18, 2012, December 13, 2012 and February 26, 2013.
The necessary quorum was present for all the meetings.

IV. HR & Remuneration Committee (Compensation Committee)

- 1) The Company has a HR & Remuneration Committee (Compensation Committee) of Directors.
- 2) The broad terms of reference of the HR & Remuneration Committee (Compensation 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 suggest the HR & Remuneration Committee (Compensation Committee) to examine and recommend/approve.

- 3) The composition of the HR & Remuneration Committee (Compensation 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 2012-13	
		Held	Attended
Shri K. Rajendran Nair (Chairman)	Public Interest Director	2	2
Shri A. K. Mago (till April 16, 2013)	Public Interest Director	2	2
Shri H.C. Parekh	Public Interest Director	2	2
Shri K. V. Thomas (till July 29, 2012)	Shareholder Director	-	-
Shri Debaraj Biswal (till September 14, 2012)	Shareholder Director	-	-
Shri Bharat Meisheri (till November 6, 2012)	Shareholder Director	-	-
Shri D.B. Mehta (w.e.f. November 6, 2012)	Shareholder Director	2	2
Shri P. J. Mathew	Managing Director	2	2

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

November 6, 2012 and January 27, 2013.

The necessary quorum was present for all the meetings.

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

6) 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.

- 7) Details of the Remuneration (sitting fees) paid to Directors during the year ended March 31, 2013:

(a) Non-Executive Directors

Name	Sitting Fees (₹ '000)
Shri K. Rajendran Nair	155
Shri A. K. Mago (till April 16, 2013)	145
Shri H. C. Parekh	170
Shri P. Sivakumar	70
Shri K. V. Thomas (till July 29, 2012)	35
Shri Debaraj Biswal (till September 14, 2012)	25
Shri Dharmendra B. Mehta	100
Shri Santosh Muchhal	65
Shri Bharat Meisheri	80
Shri Rajeeb Ranjan Kumar (till August 14, 2012)	20
Shri Surendra Holani (till September 14, 2012)	10
Shri Sudhir Naib (w.e.f. January 17, 2013)	40

During the year 2012-13, 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.

(b) Executive Director (Managing Director)

Name of Director and period of appointment	Salary (₹ in Amt)	Benefits Perquisites and Allowances (₹ in Amt)	PLB (₹ in Amt)
Mr. P. J. Mathew Managing Director (w.e.f. August 3, 2010 for a period of 3 years)	2,385,793 (Basic Salary)	1,414,937 (Allowances & contribution to PFs and other funds)	397729

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.

8) Details of shares of the Company held by the Directors as on March 31, 2013 are given below:

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

V. Shareholders / Investors Grievance Committee

1) The Governing Board of the Company constituted following 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.:-

- a. Shri H. C. Parekh
- b. Shri P. J. Mathew

2) 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.

3) 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

4) Details of investor complaints received and redressed during the year 2012-13 are as follows:

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

VI. General Body Meetings

1) General Meeting

(a) Annual General Meeting:

Details	Date	Time	Venue
2009-10	September 29, 2010	12.30 pm	Chandragupt Hall, 2nd Floor, Hotel Abbott, Sector – 2, Near Meghraj Cinema Hall, Vashi, Navi Mumbai – 400 703
2010-11	September 29, 2011	11.30 am	
2011-12	September 14, 2012	11.30 am	

(b) Extraordinary General Meeting held in the F.Y. 2012-13:

Details	Date	Time	Venue
Extra-ordinary General Meeting	February 6, 2013	11.00 am	Hotel Atithi, Near Mumbai Domestic Airport, Vile Parle (East), Mumbai 99.

2) Postal Ballot

No Postal Ballot was conducted during the year 2012-13, since the same is applicable to listed companies as per the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011.

3) Special Resolutions

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.

At the Annual General Meeting of the Company held on September 14, 2012, no Special Resolution was passed.

VII. Disclosures

- 1) There are no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large.
- 2) 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
- 3) 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 (Compensation 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 Annual report is also displayed on the Company's website "www.iseindia.com".

X. General Shareholder Information

1) Annual General Meeting:

Date	:	September 26, 2013
Time	:	11.30 am
Venue	:	Chandragupt Hall, 2nd Floor, Hotel Abbott, Sector 2, Near Meghraj Cinema Hall, Vashi, Navi Mumbai-400703

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 26, 2013.

2) Financial Calendar:

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

3) Date of Book Closure/Record Date : As mentioned in the Notice of the AGM to be held on September 26, 2013

4) Listing on Stock Exchanges : N/A

5) Stock Codes/Symbol: : N/A

6) Corporate Identification Number (CIN) of the Company : U67120MH2005PLC157556

7) 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.

8) Declaration of Dividend:

The Exchange has shared a significant part of its profits during the past years and had paid 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
2009-10	September 29, 2010	300%
2010-11	September 29, 2011	100%
2011-12	September 14, 2012	Nil

9) 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

10) Share Transfer System:

90% 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.

11) Shareholding as on March 31, 2013:

(a) Distribution of Equity Shareholding as on March 31, 2013:

Reholding of Nominal	Number of Shareholders	Percentage of Total	Share Amount	Percentage of Total
20001 - 30000	2	5.00	56000	0.20
100001 - 999999999	38	95.00	27944000	99.80
GRAND TOTAL	40		28000000	100.00

(b) Categories of Equity Shareholders as on March 31, 2013

Category	Total Shareholders	Percentage of Shareholders	Total Shares	Percentage
Corporate Bodies	26	65.00	23700340	84.6441
Non Resident Indians	1	2.50	279400	0.9979
Public	13	32.50	4020260	14.3581
Total	40		28000000	100.00

(c) Top Ten Equity Shareholders of the Company as on March 31, 2013:

Sr. No.	Name of the Shareholder	Number of shares held	Percentage of holding
1	Bhubaneswar Stock Exchange Limited	1400000	5.00
2	Cochin Stock Exchange Limited	1400000	5.00
3	Coimbatore Stock Exchange Limited	1400000	5.00
4	Gauhati Stock Exchange Limited	1400000	5.00
5	Madhya-Pradesh Stock Exchange	1400000	5.00
6	Magadh Stock Exchange Limited	1400000	5.00
7	Saurashtra-Kutch Stock Exchange Limited	1400000	5.00
8	Bennett Coleman & Co. Ltd	1248260	4.4581
9	Darashaw and Company Pvt Ltd	1248260	4.4581
10	Panoramic Universal Limited	1248260	4.4581

12) 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 90% of the Company's equity share capital are dematerialised and remaining 10% are in physical form, as on March 31, 2013.

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

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

As on March 31, 2013, the Company did not have any outstanding GDRs/ADRs/Warrants or any convertible instruments.

14) Converting of shares held in physical form to dematerialized form:

During the year 2012-13, 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.

15) 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 / 91 22 679411109
Fax: 91 22 27812105
Designated e-mail address for Investor Services: invgrievise@iseindia.co.in
Website: 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, 2013, 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, 2013.

Date: August 2, 2013
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, 2013**, 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.

Date: Indore
Place: 02.08.2013

For Neelesh Gupta & Co.,
Company Secretaries

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



CIN: U67120MH2005PLC157556

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 2013. 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 **Annexure '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 **Annexure '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 Six (6) times during the financial year on 26th June 2012, 30th July 2012, 6th November 2012, 28th December 2012, 17th January 2013 and 6th February 2013 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 from 04th September 2012 to 14th September 2012, during the financial year.
6. The Annual General Meeting for the Financial Year ended on 31st March 2012 was held on 14th September 2012 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 on 06th February 2013 and resolution passed thereat was duly recorded in the Minutes Book maintained during the financial year.
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 not delivered any share certificates as there was no allotment, transfer and transmission of securities during the financial year.

- ii). has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
 - iii). has not posted warrants to any members of the Company as no dividend was declared during the financial year.
 - 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 and resignation of the directors was 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 not issued any shares 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 not altered the provisions of the Memorandum with respect to the Share Capital of the Company during the year under scrutiny.
 30. The Company has altered the Articles of Association on the direction of SEBI issued vide its circular no. SEBI/MRD/DSA/OW/25900/2012 dated 20th November 2012 and vide SECC Reg. dated 20th June 2012 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: 02/08/2013

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 2013.

Sr. No.	Name of the document	Companies Act, 1956	For	Filing Date [Receipt No.]
1.	Form 23	Section 31	24.03.2012	13.04.2012 (B36804227)
2.	Form 1A	Section 20&21	17.05.2012	17.05.2012 (B39281076)
3.	Form 1A	Section 20&21	26/06/2012	24/07/2012 (B43959535)
4.	Form 32	Section 303 (2)	29.07.2012	07.08.2012 (B44899409)
5.	Form 32	Section 303 (2)	14.08.2012	27.08.2012 (B56209968)
6.	Form 66	Section 383 A	31.03.2012	24/09/2012 (P89036271)
7.	Form 32	Section 303 (2)	14.09.2012	08.10.2012 (B59125245)
8.	Form 23AC and 23ACA	Section 220	31.03.2012	10.10.2012 (P89821516)
9.	Form 20B	Section 159	29.09.2012	12.11.2012 (P95642500)
10.	Form 1A	Section 20&21	26/11/2012	26.11.2012 (B62391594)
11.	Form32	Section 257	17.01.2013	28.01.2013 (B66580390)
12.	Form 23	Section 31	06.02.2013	11/02/2013 (B67589382)

END OF COMPLIANCE CERTIFICATE

INDEPENDENT AUDITORS' REPORT

To the Members of Inter Connected Stock Exchange of India Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Inter Connected Stock Exchange of India Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of 'the Companies Act, 1956' of India (the "Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
 - (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

7. Without modifying our report, we draw attention to note 2.29 to the financial statements, referring to certain conditions to be complied by the Company before re-commencement of the trading operations of the Stock Exchange, which are enumerated in the letter issued by Securities Exchange Board of India, vide its letter no. MRD/DSA/OW/705/2013 dated January 10, 2013. Further one of the conditions in that letter; to be complied with is that the operation at subsidiary of the Stock Exchange i.e. ISE Securities & Services Ltd. (ISS) shall be suspended.

Report on Other Legal and Regulatory Requirements

8. As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in

paragraphs 4 and 5 of the Order.

9. As required by section 227(3) of the Act, we report that:

- (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books ;
- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act;
- (e) On the basis of written representations received from the directors as on March 31,2013 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31,2013 , from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For Contractor Nayak & Kishnadwala
Firm Registration Number: 101961W
Chartered Accountants

sd/-
(Hiren Shah)
Partner
Membership Number: 100052

Place: Mumbai
Date: August 02, 2013

Annexure to Auditors' Report

Referred to in paragraph 8 of the Auditors' Report of even date to the members of
Inter Connected Stock Exchange of India Limited on the financial statements as of and for the year ended March 31, 2013

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
- (c) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The Company is engaged in providing inter connectivity among the regional Stock Exchanges and the nature of business doesn't require holding inventory, hence clause 4 (ii) of the Order is not applicable.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Hence clause 4 (iii) (a), (b), (c), (d) of the Order are not applicable.
- (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 Act. Hence Clause 4 (iii) (e), (f), (g) of the Order are not applicable.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale services. The activities of the Company do not involve purchase of inventory and sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across, nor have been informed of, any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion, and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) According to the information and explanations given to us, these contracts or arrangements with ISE Securities & Services Ltd. are management services, and others mainly in the nature of reimbursement of cost incurred by ISE Ltd. for ISE Securities and Services Ltd, the prices for which are reasonable.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the Company.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues, including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues, as applicable, with the appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income-tax, sales-tax, wealth-tax, service-tax, customs duty, and excise duty which have not been deposited on account of any dispute other than the following:

Nature of dues	Period to which amount relates	Amount (Rs.)	Forum where dispute is pending
Navi Mumbai Municipal Corporation(NMMC)	1998-1999	3,477,858	The Honorable Bombay High Court
Navi Mumbai Municipal Corporation(NMMC)	1999-2011	9,695,631	Notice Received from NMMC.The company has filed an appeal under section 406 (6) (i)/(ii) of the Bombay Provincial Municipal Corporation Act, 1949 before the Deputy Commissioner Cess.

10. The accumulated losses of the Company did not exceed fifty percent of its net worth as at March 31, 2013 and it has incurred cash losses in the financial year ended on that date and has also not incurred cash losses in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ societies are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, the Company has not obtained any term loans.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion, and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures during the year; and does not have any debentures outstanding as at the year end.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.

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

sd/-
(Hiren Shah)
Partner
Membership No 100052

Place: Mumbai
Date: August 02, 2013

Inter-connected Stock Exchange of India Ltd.

Balance Sheet as at March 31, 2013

	Note	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
<u>EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' FUND			
Share Capital	2.1	28,000,000	28,000,000
Reserves and Surplus	2.2	427,680,502	435,876,294
NON CURRENT LIABILITIES			
Deferred Tax Liability (Net)	2.3	191,392	2,308,711
Long term provisions	2.4	2,597,302	2,292,262
CURRENT LIABILITIES			
Trade Payables	2.5	178,299	200,120
Other current liabilities	2.6	90,071,207	96,976,994
Short term provisions	2.7	6,253,876	6,183,691
Total		554,972,578	571,838,072
ASSETS			
NON CURRENT ASSETS			
Fixed assets	2.8		
(i) Tangible Assets		156,583,259	35,599,618
(ii) Intangible Assets		30,025,950	779,411
(iii) Capital work-in-progress		-	140,632,975
Non current Investments	2.9	186,609,209	177,012,004
Long Term Loans & Advances	2.10	55,000,000	55,000,000
Other Non Current Assets	2.11	13,539,936	9,876,414
		56,055	59,609
CURRENT ASSETS			
Trade Receivables	2.12	15,847,461	12,870,469
Cash & Bank Balances	2.13	268,508,363	307,150,440
Short Term Loans & Advances	2.14	9,143,951	7,507,279
Other Current Assets	2.15	6,267,603	2,361,857
Total		554,972,578	571,838,072
Significant Accounting Policies and Notes forming part of the Accounts	1 & 2 (2.1 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: August 02, 2013

For and on behalf of Board of Directors

sd/-
K. Rajendran Nair
 Chairman

Place: Navi Mumbai
Date: August 02, 2013

sd/-
P. J. Mathew
 Managing Director

sd/-
Milind Nigam
 Company Secretary

Inter-connected Stock Exchange of India Ltd.

Statement of Profit and Loss for the period April 01, 2012 to March 31, 2013

Particulars	Note	Year ended March 31, 2013 (₹)	Year ended March 31, 2012 (₹)
Revenue from Operations	2.16	25,940,764	29,011,773
Other Income	2.17	25,638,028	32,059,982
Total		51,578,792	61,071,755
Expenditure			
Employee Benefit Expenses	2.18	32,231,638	29,843,966
Finance Cost		-	-
Depreciation/Amortisation		11,310,764	3,213,910
Less : Adjusted against Capital Reserve		-	8,533
		11,310,764	3,205,377
Other expenses	2.19	32,220,237	23,277,413
Total Expenses		75,762,639	56,326,756
Profit/(Loss) before Exceptional, Extraordinary items & Tax		(24,183,847)	4,744,999
Exceptional items		-	-
Profit/(Loss) before Extraordinary items & Tax		(24,183,847)	4,744,999
Extraordinary Items		-	-
Profit/(Loss) before Tax		(24,183,847)	4,744,999
Tax Expenses			
- Current tax (after adjusting taxation provision on interest credited to earmarked fund account of Rs. 6,666,403/- (previous year: Rs. 5,602,176/-))		-	(910,000)
- Deferred Tax [Saving/ (Expenses)]	2.3	2,117,319	(429,175)
Profit/(Loss) for the period from continuing Operations		(22,066,528)	3,405,824
Profit/(loss) for the period		(22,066,528)	3,405,824
Earnings per share (for face value of Rs.1 /-each) (Basic & Diluted)	2.26	(0.79)	0.12
Significant Accounting Policies and Notes forming part of the Accounts		1 & 2 (2.1 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: August 02, 2013

For and on behalf of Board of Directors

sd/-
K. Rajendran Nair
 Chairman

Place: Navi Mumbai
Date: August 02, 2013

sd/-
P. J. Mathew
 Managing Director

sd/-
Milind Nigam
 Company Secretary

Inter-connected Stock Exchange of India Ltd.

Cash Flow Statement for the year ended March 31, 2013

	Year ended March 31, 2013		Year ended March 31, 2012	
	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
A. Cash Flow from Operating activities				
Net Profit before tax as per statement of profit and loss		(24,183,847)		4,744,999
Adjustment for :				
Interest on Bank Fixed Deposits	(14,042,949)		(16,060,847)	
Dividend received from Subsidiary	(10,175,000)		(13,200,000)	
Provision for Doubtful Debts	1,779,764		702,778	
Depreciation	11,310,764		3,205,377	
		(11,127,421)		(25,352,692)
Operating Profits before working capital changes:		(35,311,268)		(20,607,693)
Adjustments for:				
(Increase)/Decrease in Trade and other Receivable	(10,288,608)		(994,787)	
Increase/(Decrease) in Trade and other Payables, liabilities and provisions	(6,552,383)		(3,611,445)	
		(16,840,991)		(4,606,232)
Cash generated from operation		(52,152,259)		(25,213,925)
Direct taxes paid (net of income tax refund)	(3,670,534)		(3,968,683)	
Total taxes paid		(3,670,534)		(3,968,683)
Net Cash inflow/(outflow) from Operating Activities (A)		(55,822,793)		(29,182,608)
B. Cash Flow From investing Activities				
Fixed Deposits Interest earned	14,042,949		16,060,847	
Dividend from Subsidiary Company	10,175,000		13,200,000	
Purchase of Fixed Assets including Capital work in Process	(20,907,970)		(43,778,941)	
Net Cash inflow/(outflow) from Investing Activities (B)		3,309,979		(14,518,094)
C. Cash Flow from financing activities				
Dividend of 2011-2012 paid	-		(1,400,000)	
Amount transferred from Settlement Gurantee Fund	4,193,076		-	
Amount received in Settlement Guarantee Fund and interest earned thereon	9,578,583		10,124,440	
Amount received in Investor Protection Fund (Transferred/Paid)	-		(88,659)	
Amount received in Investor Service Fund and interest earned thereon	99,078		48,273	
Net Cash inflow/(outflow) from financial activities (C)		13,870,737		8,684,054

	Year ended March 31, 2013		Year ended March 31, 2012	
	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
<i>Continued Cash Flow Statement</i>				
Net increase/(decrease) in cash and cash equivalents (A+B+C)		(38,642,077)		(35,016,648)
Cash and cash equivalents at the beginning of the year		307,199,440		342,216,088
Cash and cash equivalents at the end of the year		268,557,363		307,199,440

- 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. Cash and cash equivalents at the end of the year includes earmarked fund balances (Refer note 2.13).

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: August 02, 2013

Place: Navi Mumbai
Date: August 02, 2013

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 new 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 and Reimbursement of Expenses 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, 2013

2.1 SHARE CAPITAL:

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
Authorised Capital (10,00,00,000 Equity shares of Re 1/- each)	100,000,000	100,000,000
Issued, Subscribed And Paid Up (2,80,00,000 Equity shares of Re 1/- each fully paid up)	28,000,000	28,000,000
Total	28,000,000	28,000,000

- 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) 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, 2013.
- E) Reconciliation of number of shares outstanding

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
Number of Shares at the beginning	28,000,000	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	28,000,000

2.2 RESERVES & SURPLUS:

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
<u>PART A : RESERVES & SURPLUS (before November 24, 2005)*</u>		
<u>Free Reserves</u>		
Surplus in P&L as per last Balance Sheet	11,888,319	11,888,319
General Reserves:		
Opening Balance	1,253,176	-
Add: Transferred from Networking Equipment Contribution	-	1,253,176
Closing Balance	1,253,176	1,253,176
Total Free Reserves	13,141,495	13,141,495
<u>Capital Reserves</u>		
Infrastructure Development Contribution:		
As per last Balance Sheet	91,900,000	91,900,000
	91,900,000	91,900,000
Networking Equipment Contribution:		
As per last Balance Sheet (Balance transferred from erstwhile Company, Inter-connected Stock Exchange of India Ltd., limited by guarantee)	-	1,261,710
Less: Adjustment towards Depreciation	-	8,533
	-	1,253,176
Less: Transferred to Pre-demutualization General Reserves	-	1,253,176
	-	-
Dealer Admission Fees :		
As per last Balance Sheet	38,328,857	38,328,857
	38,328,857	38,328,857
Total Capital Reserves	130,228,857	130,228,857
Total of PART A : RESERVES & SURPLUS	143,370,352	143,370,352

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.

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
<u>PART B : RESERVES & SURPLUS (after November 24, 2005)</u>		
Share Premium Account:		
Opening Balance	111,438,315	138,038,315
<u>Less:</u> Capitalization of Share Premium towards Bonus shares	-	26,600,000
Closing Balance	111,438,315	111,438,315
General Reserves:		
Opening Balance	6,839,725	6,839,725
<u>Add:</u> Transfer from surplus	-	-
<u>Add:</u> Transferred from Settlement Guarantee Fund *	4,193,076	-
Closing Balance	11,032,801	6,839,725
Surplus:		
Opening balance	52,451,106	49,045,282
<u>Add:</u> Net profit/(loss) after tax transferred from statement of profit and loss	(22,066,528)	3,405,824
Closing Balance	30,384,577	52,451,106
Total of PART B : RESERVES & SURPLUS	152,855,693	170,729,146

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
<u>PART C : EARMARKED Fund **</u>		
Settlement Guarantee Fund:		
Opening Balance	119,634,939	109,510,499
<u>Add:</u> Interest received on SGF/ BMC (net of tax Rs. 6,599,780/- (previous year: Rs. 5,543,401/-))	13,741,659	12,396,408
<u>Add:</u> Contributions from the Trading Members	30,000	50,000
<u>Less:</u> Transferred to General Reserves *	4,193,076	-
<u>Less:</u> Excess BMC of the Defaulting Trading Members	-	2,321,968
Closing Balance	129,213,522	119,634,939
Investor Protection Fund:		
Opening Balance	-	88,659
<u>Add:</u> Accretion by way of appropriation from the listing fee income during the year	-	-
<u>Add:</u> Amount transferred from Investor Service Fund	-	-
<u>Less:</u> Expenses incurred for Investor Awareness, education	-	-
<u>Less:</u> Amount transferred to Investor Protection Fund Trust	-	88,659
Closing Balance	-	-

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
Investor Services Fund:		
Opening Balance	2,141,857	2,093,585
Add: Interest received on Fixed Deposit (net of tax Rs. 66,623/- (previous year: Rs. 58,755/-))	138,718	131,435
Add: Accretion by way of appropriation from the listing fee income during the period	6,500	25,000
Less: Expenses incurred for Investor Programmes conducted	-	49,244
Less: Newspaper and Periodicals Expenses	46,140	58,918
Closing Balance	2,240,935	2,141,857
Total of PART C : EARMARKED RESERVES	131,454,457	121,776,796
Reserves and Surplus (TOTAL OF PART A+B+C)	427,680,502	435,876,294

* During the year, the management of the company with the approval of Governing Board of ISE transferred Rs. 4,193,076/- equivalent to 2% of the Total Settlement Guarantee Fund (SGF) including amounts shown under other current liabilities (Refer Note 2.6) as on the closing date of March 31, 2013 to General Reserves for meeting various expenditure viz. employee cost, maintenance and monitoring of the SGF Fund.

** 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.

Pursuant to Regulation 39 (2) of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, the Settlement Guarantee Fund on recommencement of trading activities of the stock exchange shall be transferred to the recognized clearing corporation to which the clearing and settlement functions of the stock exchange are transferred.

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, 2013 (₹)	As at March 31, 2012 (₹)
<u>DEFERRED TAX LIABILITIES</u>	191,392	2,308,711
Total	191,392	2,308,711

(A) Composition of Deferred Tax:

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
<u>DEFERRED TAX LIABILITIES</u>		
Fixed Assets	16,307,088	3,673,017
<u>LESS: - DEFERRED TAX ASSETS</u>		
Unabsorbed Depreciation	16,115,696	-
Provisions for Doubtful debts	-	571,608
Provision for employees benefit	-	792,698
Total Net	191,392	2,308,711

Note:

* The Company has recognised Deferred Tax Liabilities of Rs. 191,392/- as on March 31, 2013 after adjusting the carried forward unabsorbed depreciation benefit (to the extent set off available).

In the absence of virtual certainties of future taxable income, net deferred tax assets have not been recognized by way of prudence in accordance with Accounting Standard 22 on accounting for Taxes on Income, issued pursuant to the Companies (Accounting Standards) Rules 2006 by the Central Government.

2.4 LONG TERM PROVISIONS:

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
Gratuity	723,180	547,060
Employees' Leave Encashment	1,874,122	1,745,202
Total	2,597,302	2,292,262

2.5 TRADE PAYABLES:

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
(A) Due to Micro Small & Medium Enterprises (refer note below point 2.6)	-	-
(B) Others		
Depository Services	178,299	200,120
Total	178,299	200,120

2.6 OTHER CURRENT LIABILITIES:

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
(A) Income received in advance	2,889,761	3,893,524
(B) Advance received from members	4,912,500	5,435,000
(C) Refundable Deposits		
- Base Minimum Capital of Trading Members	69,647,403	71,647,404
- Trading Member Security Deposit	7,400,000	6,600,000
(D) Other payables		
Dues to Micro Small & Medium Enterprises *	-	-
Statutory Liabilities	212,122	207,850
Creditors for Capital Items	-	1,122,879
Defaulter Account Credit Balances	2,133,802	2,133,802
Others	2,875,619	3,436,536
Rent Deposit from Subsidiary Company	-	2,500,000
Total	90,071,207	96,976,994

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, 2013 (₹)	As at March 31, 2012 (₹)
Employees' Leave Encashment	-	273,105
Performance Linked Bonus *	6,253,876	5,910,586
Total	6,253,876	6,183,691

* Excess provision write back of Rs. 2,718,078/- (previous year: Rs. 335,106/-)

2.8 FIXED ASSETS:

A)

(Amount in ₹)

PARTICULARS	GROSS BLOCK (At Cost)				DEPRECIATION				NET BLOCK	
	As at 01-04-2012	Additions	Deductions	As at 31-03-2013	As at 01-04-2012	For the period	Deductions / Adjustments	As at 31-03-2013	As at 31-03-2013	As at 01-04-2012
Tangible Assets										
Leasehold Land	870,626	-	-	870,626	189,969	14,191	-	204,160	666,466	680,657
Leasehold Premises	32,585,962	-	-	32,585,962	7,654,904	531,151	-	8,186,055	24,399,907	24,931,058
Plant and Electrical Equipments	4,645,757	8,799,001	-	13,444,758	1,647,449	311,410	-	1,958,859	11,485,899	2,998,308
Furniture and Fixtures	8,607,735	21,094	-	8,628,829	5,110,270	482,969	-	5,593,239	3,035,590	3,497,465
Vehicles	725,000	-	-	725,000	468,728	68,875	-	537,603	187,397	256,272
Office Equipments	2,065,731	82,797	-	2,148,528	891,870	96,212	-	988,082	1,160,446	1,173,861
Computer Equipments including networking equipments	9,091,507	120,307,366	-	129,398,873	7,029,510	6,721,808	-	13,751,318	115,647,555	2,061,997
Total Tangible Assets	58,592,317	129,210,258	-	187,802,576	22,992,700	8,226,617	-	31,219,317	156,583,259	35,599,618
Intangible Assets										
Computer Software	6,216,314	32,330,686	-	38,547,000	5,436,902	3,084,147	-	8,521,050	30,025,950	779,411
Total Intangible Assets	6,216,314	32,330,686	-	38,547,000	5,436,902	3,084,147	-	8,521,050	30,025,950	779,411
Total	64,808,631	161,540,944	-	226,349,576	28,429,602	11,310,764	-	39,740,366	186,609,209	36,379,029
Capital Work in Progress										
									-	140,632,975
								Grand Total	186,609,209	177,012,004

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.

2.9 NON CURRENT INVESTMENTS:

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
<u>Non Current Investments (Trade, unquoted & at cost):</u> 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
Total	55,000,000	55,000,000

2.10 LONG TERM LOANS & ADVANCES:

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
Considered Good:		
Security Deposits	3,522,706	3,529,718
Advance Tax/ Income Tax refund receivable (Net of Provision)	10,017,230	6,346,696
Total	13,539,936	9,876,414

2.11 OTHER NON CURRENT ASSETS:

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
Prepaid Expenses	7,055	10,609
Long Term Deposits with banks with maturity period more than 12 months	49,000	49,000
Total	56,055	59,609

2.12 TRADE RECEIVABLES:

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
More than six months from the date they were due for payment:		
- Secured, considered Good	10,180,331	9,315,599
- Unsecured, considered Good	1,978,138	2,738,663
- Unsecured, considered Doubtful	3,629,627	1,849,863
Less : Provision for Doubtful Debts	3,629,627	1,849,863
	12,158,469	12,054,262
Others:		
- Secured, considered Good	2,165,705	50,000
- Unsecured, considered Good	1,523,287	766,207
- Unsecured, considered Doubtful	-	-
Less : Provision for Doubtful Debts	-	-
	3,688,992	816,207
Total	15,847,461	12,870,469

Note:

- (A) Trade Receivables includes Trading Members, listed companies and other Trader receivables from whom an amount of Rs. 19,477,088/- is outstanding on account of various charges including DP charges recoverable. Out of this, an amount of Rs. 1,779,764/- (previous year Rs. 702,778/-) has been provided as doubtful debts during the year ended March 31, 2013. 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 include undertakings given by Recognised Regional Stock Exchanges (RSEs) for which confirmations are called for and only few are awaited. DP Income receivables 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, 2013 (₹)	As at March 31, 2012 (₹)
(A) Cash & Cash Equivalents		
(i) Balances with bank		
In Current Accounts	1,615,423	1,089,149
In Deposit Accounts with maturity less than 3 months	61,639,706	11,500,000
(ii) Cash on hand	-	-
(B) Other Bank Balances		
Long Term Deposit with maturity more than 3 months but less than 12 months	4,183,731	98,055,790
Earmarked Fund balances with banks *		
In Current Accounts	26,905	20,405
In Deposit Accounts		
- less than 3 months	2,150,000	-
- more than 3 months but less than 12 months	198,892,598	194,335,095
- more than 12 months	-	2,150,000
	201,042,598	196,485,095
Total	268,508,363	307,150,440

Note:

- * Earmarked Fund balances with banks comprising of Settlement Guarantee Fund and Investor Services Fund. (Ref Note B of 2.20 & 2.21)

2.14 SHORT TERM LOANS & ADVANCES:

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
(A) Loans and advance to Subsidiary	-	-
(B) Others:		
Unsecured Considered Good, unless otherwise stated		
(i) Prepaid Expenses	1,155,455	654,953
(ii) Advances recoverable in cash or kind or for value to be received	7,886,373	6,680,837
(iii) Staff Advances	102,123	171,489
Total	9,143,951	7,507,279

2.15 OTHER CURRENT ASSETS:

Particulars	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
Expenses recoverable from subsidiary	4,223,893	1,213,984
Interest Accrued (Bank Deposits & Earmarked Deposits)	2,043,710	1,147,873
Total	6,267,603	2,361,857

2.16 REVENUE FROM OPERATIONS:

Particulars	For the year ended March 31, 2013 (Rupees)	For the year ended March 31, 2012 (Rupees)
Depository Participant (DP) Operations	12,268,385	13,809,636
Training Programmes	291,738	851,047
Subscription for Research Publications	238,840	72,840
Annual Subscription from Trading Members	6,966,875	7,632,000
Admission Fees	150,000	550,000
Listing Fees	24,925	96,250
Management Services Fee	6,000,000	6,000,000
Total	25,940,764	29,011,773

2.17 OTHER INCOME:

Particulars	For the year ended March 31, 2013 (₹)	For the year ended March 31, 2012 (₹)
<u>Interest Income</u>		
- Fixed Deposits		
Gross Interest on Bank Deposits	27,923,326	28,588,689
Less : Interest earned on Earmarked Fund (net of Income Tax Rs. 6,666,403/-, previous year: Rs. 5,602,176/-)	13,880,377	12,527,842
Net Interest from Fixed Deposits	14,042,949	16,060,847
- Interest on delayed payments by Trading Members	156,357	339,157
Dividend from Subsidiary Company	10,175,000	13,200,000
Rent Income from Subsidiary Company	-	2,040,000
Income from Business Development and Advertisement	1,000,000	-
Other non operating Income	263,722	419,977
Total	25,638,028	32,059,982

2.18 EMPLOYEES BENEFIT EXPENSES:

Particulars	For the year ended March 31, 2013 (₹)	For the year ended March 31, 2012 (₹)
Salaries and allowances (Net of recovery: Rs. 27,30,727/- , previous year: Rs. 30,90,754/-)	34,469,230	34,520,920
Less: Transferred to Fixed Asset	6,571,004	8,767,302
	27,898,226	25,753,618
Contribution to Provident and other Fund	1,899,536	1,634,362
Leave Encashment (Compensated Absences)	637,321	868,821
Gratuity	868,773	567,326
Staff Welfare	927,782	1,019,839
Total	32,231,638	29,843,966

2.19 OTHER EXPENSES

Particulars	For the year ended March 31, 2013 (₹)	For the year ended March 31, 2012 (₹)
DP Operations	2,518,185	2,665,347
Training Expenses	134,821	297,625
Telephone and Fax	1,708,215	1,686,869
Printing and Stationery	1,509,247	1,573,634
Remuneration to Auditors (Refer Note 2.27)	657,284	512,439
Legal and Professional Charges	3,275,834	2,810,080
Power, Fuel & Water Charges	4,957,180	5,431,496
Board/ Committee Meetings	1,020,000	1,735,000
Rent, Rates and Taxes	2,864,819	2,864,888
Repairs and Maintenance - Leasehold Premises	376,248	361,418
Repairs and Maintenance - Others	1,512,765	1,621,158
Travelling and Conveyance	1,955,025	2,383,607
Postage and Courier	1,572,520	1,568,039
Security	1,036,268	932,290
Insurance	116,039	242,355
Advertisement and Publicity	1,108,012	746,158
Books, Newspapers and Periodicals	37,227	31,394
Vehicle Maintenance	188,833	187,828
Bank Charges	18,633	-
Miscellaneous Expenses	67,029	309,613
Lodging & Boarding Exp	351,638	597,308
Provision for Doubtful Debts	1,779,764	702,778
Contribution to Investor Protection Fund *	1,436,186	-
Indirect Taxes paid	926,509	-
Sebi Fees	101,200	101,200
Bad Debts	14,916	62,000
Interest paid on delayed payments	2,733,733	4,772
Total (A)	33,978,130	29,429,295
Less:		
Reimbursement of Expenses received from Subsidiary Company	1,757,893	6,151,882
Total (B)	1,757,893	6,151,882
Total (A - B)	32,220,237	23,277,413

* As per SEBI directive the company has transferred Fines & Penalties levied on its Trading Members to Inter-connected Stock Exchange of India Ltd. Investor Protection Fund (ISE-IPF) Trust Corpus in Financial Year 2012-13. Accordingly, an amount of Rs. 1,436,186/- (previous year: Nil) has been transferred to ISE-IPF Trust Corpus.

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

A)

Settlement Guarantee Fund	As at March 31, 2013	As at March 31, 2012
Settlement Guarantee Fund (including accretions from levy on transactions)	6,910,819	6,880,819
Settlement Stabilisation Fund	13,000,000	13,000,000
Contribution towards Base Minimum Capital (Cash component) from Registered Trading Members	69,647,403	71,647,404
Interest accrued on above	109,302,702	99,754,120
Total	198,860,925	191,282,343

- B) The balances as on March 31, 2013 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, 2013	As at March 31, 2012
With Bank in Fixed Deposits	198,850,520	191,271,938
With Bank in Current Account	10,405	10,405
Total of Deposits and Bank Balance	198,860,925	191,282,343
Amount outstanding as on March 31, 2013	Nil	Nil
To be transferred to Normal Fund	2,702,574	3,828,305

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

Settlement Guarantee Fund	As at March 31, 2013	As at March 31, 2012
Contribution towards SGF/ BMC from Trading Members pending registration	4,742,500	4,952,500
Total	4,742,500	4,952,500

- 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, 2013	As at March 31, 2012
Bank Guarantees from Trading Members:		
- Registered	Nil	Nil
- Unregistered	Nil	Nil
Fixed Deposits under lien:		
- Registered	6,367,772	6,259,363
- Unregistered	305,139	305,139
Securities pledged, (at market value):		
- Registered	7,292,715	7,663,721
- Unregistered	Nil	Nil
Undertakings given by the Regional Stock Exchanges on behalf their Trading Members:		
- Registered	22,500,000	22,700,000
- Unregistered	4,800,000	4,800,000
Security Deposit:		
- Registered	1,200,000	300,000
- Unregistered	Nil	Nil
Total Non-Cash Component:		
- Registered	37,360,487	36,923,084
- Unregistered	5,105,139	5,105,139

- 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.

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.

2.21 Details of Investor Services Fund:

A)

Particulars	As at March 31, 2013	As at March 31, 2012
Including Rs. 6,500/- (previous year: Rs. 25,000/-) appropriation from listing fee income during the year, Rs. 138,718/- (previous year: Rs. 131,435/-) accretions by the way of interest on fixed deposit Less: Rs. 46,140/- towards expenses incurred towards Newspaper & Periodicals at Investor Points (previous year: Rs. 58,918/-)	2,240,935	2,141,857

- B) The balances as on March 31, 2013 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, 2013	As at March 31, 2012
With Bank in Fixed Deposits	2,224,435	2,131,857
With Bank in Current Account	16,500	10,000
Total of Deposits and Bank Balance	2,240,935	2,141,857
Amount outstanding as on March 31, 2013	Nil	Nil
To be transferred to Normal Fund	116,729	24,500

2.22 Capital commitment and Contingent Liabilities not provided for:

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

B)

Particulars	April 1, 2012 to March 31, 2013 (₹)	April 1, 2011 to March 31, 2012 (₹)
Estimated amount of contract remaining unexecuted on capital account and not provided for.	3,300,000	3,300,000

- C) Company has received notice pertaining to Navi Mumbai Municipal Corporation (NMMC) Cess Tax for Rs. 3,718,468/- against which company has already paid Rs. 240,610/- for the period 1998-1999. The company has filed a writ petition before the Bombay High Court against the order. The company has received various notices from the NMMC department amounting to Rs. 10,608,646/-. The assessment for the above mentioned period is in process and no fresh notice has been received from NMMC. During the year the company has paid Rs. 913,015/- against the same. In the opinion of the management this demand is not tenable and accordingly no provision of Rs. 13,173,489/- for the years 1999-2011 has been made.

2.23 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.

2.24 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, 2013	Year ended March 31, 2012
Present Value of Funded Obligations	3,248,324	2,373,382
Fair Value of Plan Assets	(2,525,144)	(1,826,322)
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
Net Liability	723,180	547,060
Amount in Balance Sheet		
Liability	723,180	547,060
Assets	0	0
Net Liability	723,180	547,060

(Amount in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Current Service Cost	542,583	546,089
Interest on Defined Benefit Obligation	245,419	184,497
Expected Return on Plan Assets	(168,568)	(95,114)
Net Actuarial Losses/ (Gains) Recognised in Year	198,304	(114,108)
Past Service Cost	0	0
Losses/ (Gains) on "Curtailements & 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"	817,738	521,364
Actual Return on Plan Assets	216,977	147,799

(Amount in ₹)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	2,373,382	1,704,219
Current Service Cost	542,583	546,089
Interest Cost	245,419	184,497
Actuarial Losses/ (Gain)	246,713	(61,423)
Past Service Cost	0	0
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	(159,773)	0

Closing Defined Benefit Obligation	3,248,324	2,373,382
Change in Fair Value of Assets		
Opening Fair Value of Plan Assets	1,826,322	1,045,640
Expected Return on Plan Assets	168,568	95,114
Actuarial Gain/ (Losses)	48,409	52,685
Assets Distributed on Settlements	0	0
Contribution by Employer	641,618	632,883
Assets Acquired on Acquisition/ (Distributed on Divestiture)	0	0
Exchange Difference on Foreign Plans	0	0
Benefits Paid	(159,773)	0
Closing Fair Value of Plan Assets	2,525,144	1,826,322
Expected Employer's Contribution Next Year	1,000,000	1,000,000

Category of Assets (% Allocation)	(Amount in ₹)	(%)	(%)
	Year ended March 31, 2013	Year ended March 31, 2013	Year ended March 31, 2012
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	2,525,144	100%	100%
Others	0	0%	0%
Grand Total	2,525,144	100%	100%

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Discount Rate (p.a.)	8.00%	8.65%
Expected Rate of Return on Assets (p.a.)	7.50%	7.50%
Salary Escalation Rate (p.a.)	7.00%	7.00%

(ii) Experience Adjustment:

	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2009
Defined Benefit Obligation	3,248,324	2,373,382	1,704,219	1,060,838	737,558
Plan Assets	2,525,144	1,826,322	1,045,640	796,886	508,879
Surplus/ (Deficit)	(723,180)	(547,060)	(658,579)	(263,952)	(228,679)
Exp. Adj. on Plan Liabilities	59,107	3,376	142,054	22,806	(615,558)
Exp. Adj. on Plan Assets	48,409	52,685	11,322	8,035	(7,364)

Experience adjustment is on account of attrition in the number of employees as compared to the previous year and change in actuarial assumptions. The estimates of future salary increases, considered in actuarial valuation, takes into account inflation, seniority, promotion and other relevant factors such as supply and demand and the employment market.

(iii) Other Long term Employee Benefits:

Amount of Rs. 637,321/- (previous year: Rs. 868,821/-) 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.

2.25 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, 2013	Total as on March 31, 2012
1	Rendering of Services (net of Service Tax)	6,000,000	-	6,000,000	6,000,000
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	-	4,297,946	4,297,946	4,094,678
5	Contribution to ISE IPF Trust	1,436,511	-	1,436,511	1,250
6	Reimbursement of Expenses (net of service tax): Includes:	4,620,318	-	4,620,318	9,373,088
	(a) Rs. 27,30,727/- (previous year: Rs. 30,90,754/-) is net of recovery from salary				
	(b) Rs. 1,31,698/- (Previous year: Rs. 1,30,452/-) is net of recovery from Professional fees others.				
7	DP Charges	3,015,022	-	3,015,022	3,370,917
8	Rent	Nil	-	Nil	2,040,000
9	Dividend Received	10,175,000	-	10,175,000	13,200,000
10	Business Development and Advertisement	1,000,000	-	1,000,000	Nil
11	Amt Outstanding as at March 31, 2013	-	-	-	-
	Loans (incl. interest) (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	4,223,893	-	4,223,893	1,213,984
	Deposit from subsidiary	Nil	-	Nil	2,500,000

2.26 Earnings Per Share:

Sr. No	Particulars	As on March 31, 2013	As on March 31, 2012
1.	Profit After Tax (Rs.)	(22,066,528)	3,405,824
2.	Number of shares beginning of the year	28,000,000	1,400,000
3.	Bonus Shares	Nil	26,600,000
4.	Number of shares close of the year	28,000,000	28,000,000
5.	Basic and Diluted Earnings Per Share for face value of Rs.1/- each	(0.79)	0.12

2.27 Remuneration to Auditors:

Particulars	April 1, 2012 to March 31, 2013 (Rs.)	April 1, 2011 to March 31, 2012 (Rs.)
Audit Fees	380,000	380,000
Tax Audit Fees	70,000	70,000
Certification & Other Expenses	204,500	57,309
Out of Pocket Expenses	2,784	5,130
Total (Net of Service Tax)	657,284	512,439

2.28 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.

2.29 The Company has received a letter no. MRD/DSA/OW/705/2013 dated January 10, 2013 from SEBI with regard to re-commencement of trading on the platform of ISE and directed ISE to ensure compliance of conditions mentioned in the letter, before re-commencing trading operations to the satisfaction of SEBI. The management is in process of complying with the conditions.

2.30 The Governing Board of ISE in its meeting held on February 06, 2013 decided to divest its stake completely from its wholly owned subsidiary ISE Securities & Services Ltd. (ISS).

Further, SEBI vide its letter no. MRD/DSA/OW/13560/2013 dated June 06, 2013 informed that the clearing house of ISE does not fulfil the basic eligibility criteria under Regulation 3 of SECC Regulations, 2012 and becomes ineligible to continue as Depository Participant (DP) in the capacity of clearing house of a Stock Exchange. Therefore, the Governing Board of ISE had directed ISS to get itself registered with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) to provide Depository Participant (DP) services, so that all the Beneficiary Owners Accounts in ISE-DP would be transferred to ISS.

The amounts of revenue, expenses, assets, liabilities attributable to the DP services are as follows:

(Amount in Rupees)

Sr. No.	Particulars	As on March 31, 2013	As on March 31, 2012
1.	Total Revenue	12,268,385	13,809,636
2.	Total Expenses	2,518,185	2,665,347
3.	Total Assets	8,585,731	6,837,425
4.	Total Liabilities	3,116,682	3,820,176

2.31 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: August 2, 2013

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: August 2, 2013

INDEPENDENT AUDITORS' REPORT

The Members,
Inter Connected Stock Exchange of India Limited

We have audited the accompanying consolidated financial statements of Inter Connected Stock Exchange Of India Limited ("the company") and its subsidiary, which comprise the Consolidated Balance Sheet as at March 31, 2013 and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position and consolidated financial performance of the Company in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Consolidated Statement of Profit and Loss Account, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

Without modifying our report, we draw attention to note 5 (a) to the financial statements, referring to certain conditions to be complied by the Holding Company before re-commencement of the trading operations of the Stock Exchange, which are enumerated in the letter

issued by Securities Exchange Board of India, vide its letter no. MRD/DSA/OW/705/2013 dated January 10, 2013. Further one of the conditions in that letter; to be complied with is that the operation at subsidiary of the Stock Exchange i.e. ISE Securities & Services Ltd. (ISS) shall be suspended.

Other Matter

The Consolidated Financial Statements have been prepared for the limited purpose of viewing by the management

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

Place: Navi Mumbai
Date: August 2, 2013

sd/-
(Hiren Shah)
Partner
Membership No 100052

Inter-connected Stock Exchange of India Ltd.

Consolidated Balance Sheet as at March 31, 2013

Particulars	Note	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
<u>EQUITY AND LIABILITIES</u>			
SHAREHOLDERS' FUND			
Share Capital	4.1	28,000,000	28,000,000
Reserves and Surplus	4.2	505,516,207	506,763,309
NON CURRENT LIABILITIES			
Deferred Tax Liability (Net)	4.3	191,392	2,308,711
Long term provisions	4.4	4,652,690	3,675,087
CURRENT LIABILITIES			
Trade Payables	4.5	749,458,511	463,212,540
Other current liabilities	4.6	109,633,077	112,089,922
Short term provisions	4.7	11,066,921	11,142,020
Total		1,408,518,798	1,127,191,589
ASSETS			
NON CURRENT ASSETS			
Fixed assets	4.8		
(i) Tangible Assets		160,276,103	41,839,851
(ii) Intangible Assets		31,088,289	2,234,405
(iii) Capital work-in-progress		-	140,632,975
		191,364,392	184,707,231
Non current Investments	4.9	6,710,005	6,710,005
Deferred Tax Asset	4.10	4,782,140	4,520,209
Long Term Loans & Advances	4.11	76,037,451	70,550,246
Other Non Current Assets	4.12	32,356,055	214,427,338
CURRENT ASSETS			
Trade Receivables	4.13	106,771,333	115,448,635
Cash & Bank Balances	4.14	947,312,395	504,080,699
Short Term Loans & Advances	4.15	15,767,961	12,210,769
Other Current Assets	4.16	27,417,066	14,536,457
Total		1,408,518,798	1,127,191,589
Significant Accounting Policies	3		
The Notes are an integral part of the Consolidated Financial Statements			

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: August 02, 2013

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: August 02, 2013

Inter-connected Stock Exchange of India Ltd.

Consolidated Statement of Profit and Loss for the period April 01, 2012 to March 31, 2013

Particulars	Note	Year ended March 31, 2013 (₹)	Year ended March 31, 2012 (₹)
Revenue			
Revenue from Operations	4.17	46,385,580	60,956,386
Other Operating Revenue	4.18	16,559,089	12,069,405
Other Income	4.19	71,772,788	69,511,051
Total		134,717,457	142,536,842
Expenditure			
Employee Benefit Expenses	4.20	59,823,536	57,613,333
Finance Cost	4.21	3,334	26,991
Depreciation/Amortisation		15,026,811	8,022,212
Less : Adjusted against Capital Reserve (Refer Note 4.2 A)		-	(8,533)
		15,026,811	8,013,679
Other expenses	4.22	66,084,466	61,338,360
Total Expenses		140,938,147	126,992,363
Profit/(Loss) before Exceptional, Extraordinary items & Tax		(6,220,690)	15,544,479
Exceptional items		-	-
Profit/(Loss) before Extraordinary items & Tax		(6,220,690)	15,544,479
Extraordinary Items		-	-
Profit/(Loss) before Tax		(6,220,690)	15,544,479
Tax Expenses			
- Current tax (after adjusting taxation provision on interest credited to earmarked fund account of Rs. 6,666,403/-) (previous year: Rs. 5,602,176/-)		(9,200,000)	(9,910,000)
- Deferred Tax [Saving/ (Expenses)]	4.3 & 4.10	2,379,250	679,290
- Excess/(Short) Provision of Income Tax of earlier year written back		(425,757)	-
Profit/(Loss) for the period from continuing Operations		(13,467,197)	6,313,769
Profit/(loss) for the period		(13,467,197)	6,313,769
Earnings per share (for face value of Rs.1 /-each) (Basic & Diluted)	4.30	(0.48)	0.23
"Significant Accounting Policies The Notes are an integral part of the Consolidated Financial Statements"			

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: August 02, 2013

For and on behalf of Board of Directors

sd/-
K. Rajendran Nair
 Chairman

sd/-
P. J. Mathew
 Managing Director

Place: Navi Mumbai
 Date: August 02, 2013

sd/-
Milind Nigam
 Company Secretary

Inter-connected Stock Exchange of India Ltd.

Consolidated Cash Flow Statement for the year ended March 31, 2013

	Year ended March 31, 2013		Year ended March 31, 2012	
	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
A. Cash Flow from Operating activities				
Net Profit before tax as per statement of profit and loss		(6,220,691)		15,544,480
Adjustment for :				
Interest on Bank Fixed Deposits	(14,042,949)		(16,060,847)	
Dividend received	(780,000)		(520,000)	
Excess provision written back	(1,395,272)		(199,222)	
Fixed Assets Written Off	1,937,095		103,565	
Provision for Doubtful Debts	2,098,136		1,275,061	
Depreciation	15,026,811	2,843,821	8,013,679	(7,387,764)
Operating Profits before working capital changes:		(3,376,870)		8,156,716
Adjustments for:				
(Increase)/Decrease in Trade and other Receivable	(15,717,689)		(9,025,603)	
Increase/(Decrease) in Trade and other Payables, liabilities and provisions	288,141,933	272,424,244	(516,320,121)	(525,345,724)
Cash generated from operation		269,047,374		(517,189,008)
Direct taxes paid (net of income tax refund)	(11,315,994)		(17,469,368)	
Total taxes paid		(11,315,994)		(17,469,368)
Net Cash inflow/(outflow) from Operating Activities (A)		257,731,380		(534,658,376)
B. Cash Flow From investing Activities				
Fixed Deposits Interest earned	14,042,949		16,060,847	
Dividend from Subsidiary Company	780,000		520,000	
Purchase of Fixed Assets including Capital work in Process	(23,621,069)		(45,342,495)	
Net Cash inflow/(outflow) from Investing Activities (B)		(8,798,119)		(28,761,648)
C. Cash Flow from financing activities				
Dividend paid	-		3,550,000	
Dividend Distribution Tax	(1,650,640)		(1,338,295)	
Amount transferred from Settlement Gurantee Fund	4,193,076		-	
Amount received in Settlement Guarantee Fund and interest earned thereon	9,578,583		10,124,440	
Amount received in Investor Service Fund and interest earned thereon	99,078		48,273	
Amount received in Investor Protection Fund (Transferred/ Paid)	-		(88,659)	
Net Cash inflow/(outflow) from financial activities (C)		12,220,097		12,295,759

	Year ended March 31, 2013		Year ended March 31, 2012	
	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
<i>Continued Consolidated Cash Flow Statement</i>				
Net increase/(decrease) in cash and cash equivalents (A+B+C)		261,153,358		(551,124,265)
Cash and cash equivalents at the beginning of the year		718,508,037		1,269,632,302
Cash and cash equivalents at the end of the year		979,661,395		718,508,037

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. Cash and cash equivalents at the end of the year includes earmarked fund balances of the Holding Company. Refer note 4.14

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: August 02, 2013

For and on behalf of Board of Directors

sd/-
K. Rajendran Nair
Chairman

Place: Navi Mumbai
Date: August 02, 2013

sd/-
P. J. Mathew
Managing Director

sd/-
Milind Nigam
Company Secretary

1 General Information:

The Consolidated Financial Statements relate to Inter Connected Stock Exchange of India Limited ("the Holding Company") and its subsidiary ISE Securities and Services Ltd. The Company and its subsidiary together constitute the Group.

2 a. Basis of Consolidation:

The consolidated financial statements are prepared in accordance with Accounting Standard 21 on "Consolidated Financial Statements" notified under section 211(3C) of the Companies Act, 1956. The consolidated financial statements are prepared on the following basis:

- i. The financial statements of the subsidiary company used in the consolidation are drawn upto the same reporting date as of the Company i.e. year ended 31st March, 2013.
- ii. The Financial Statements of the Company and its subsidiary companies have been combined on a line by line basis by adding together book values of similar items of assets, liabilities income and expenses. The intra-group balances and intra group transactions have been fully eliminated.
- iii. The difference between the cost of investments in the subsidiaries ,over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve , as the case may be.
- iv. Consolidated Financial Statements are prepared by applying uniform accounting policies to the extent possible,in use at the group.
- v. Indian Rupee is the reporting currency for the Group.

b. The subsidiary company considered in the Consolidated Financial Statements:

ISE Securities and Services Limited

3. Significant Accounting Policies:

a. Accounting Convention

The financial statements have been prepared in accordance with the historical cost convention. The presentation of the financial statements is broadly based on the format used by the Holding Company, which has presented its accounts based on the Schedule VI of the Companies Act, 1956. All assets and liabilities are classified into current and non current generally based on the criteria of realisation/settlement within twelve months period from the balance sheet date.

b. 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.

c. Revenue Recognition

- i. Admission fees and annual fees will be treated as income once admission of new Trading Member has been approved by Screening committee and Board.
- ii. 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.
- iii. The Dividend Income, if any, is accounted when the right to receive payment is established.
- iv. 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.
- v. Annual Fees, contributions towards the Settlement Guarantee Fund and Base Minimum Capital 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.
- vi. In appropriate circumstances, revenue is recognised when no significant uncertainty as to determination and realisation exists.

- vii. The revenue in respect of a settlement is accounted on the funds pay-in date of the settlement.
- viii. 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.
- ix. 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.
- x. Interest, Networking Recoveries, annual fees and Other incomes are accounted for on an accrual basis based on certainty of recovery.

d. 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.

e. 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 as per Holding Company.
- ii. As per Subsidiary company Computers 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. Furniture & fixture at leasehold premises amortized in accordance with the lease agreement period or 5 years whichever is less.
- iii. The effect of above difference in accounting policy has not been given in the Consolidated Financial Statements as it is not considered to be very material in nature.
- iv. Depreciation on additions to fixed assets, where actual cost does not exceed Rs 5,000/- has been provided at the rate of 100% irrespective of the date of acquisition.
- v. Depreciation on assets acquired/purchased during the year is provided on pro-rata basis.
- vi. Leasehold Land and Premises, including improvements, are amortised over the year of the lease.
- vii. 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.

f 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.

g 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.

h Investments

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

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.

i 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.

j Employees Benefits :

i. Provident Fund:

The groups 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.

ii Gratuity:

The groups 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.

iii Compensated Absences:

The employees of the group 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.

iv 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.

k Settlement Transactions

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

l Networking Equipment Contributions

The recoveries made by the holding 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 holding company and are considered as Capital Reserves.

m Taxation

Current Income Tax is measured at the amount expected to be paid to the tax authorities in accordance with local laws of various jurisdiction where the Group operates. Provision for deferred taxation is made using the balance sheet method, on all timing differences to the extent that it is probable that a liability or asset will crystallise. As at the balance sheet date, unless there is evidence to the contrary of management's expectation of future profits for set off, deferred tax assets pertaining to business loss are recognised.

n Accounting for Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent liabilities exist and are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within

the control of Company, unless the possibility of an outflow is remote. A present obligation that arises from past events where it is either not probable that an outflow of resources will be required or a reliable estimate of the amount cannot be made is termed as contingent liability.

4 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

4.1 SHARE CAPITAL:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
Authorised Capital (10,00,00,000 Equity shares of Re 1/- each)	100,000,000	100,000,000
Issued, Subscribed And Paid Up (2,80,00,000 Equity shares of Re 1/- each fully paid up)	28,000,000	28,000,000
Total	28,000,000	28,000,000

- 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) 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, 2013.

E) Reconciliation of number of shares outstanding

Particulars	As at March 31, 2013	As at March 31, 2012
Number of Shares at the beginning	28,000,000	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	28,000,000

4.2 RESERVES & SURPLUS:

A)

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
<u>PART A : RESERVES & SURPLUS (before November 24, 2005)*</u>		
Free Reserves		
Surplus in P&L as per last Balance Sheet	11,888,319	11,888,319
General Reserves:		
Opening Balance	1,253,176	
Add: Transferred from Networking Equipment Contribution	-	1,253,176
Closing Balance **	1,253,176	1,253,176
Total Free Reserves	13,141,495	13,141,495

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
Capital Reserves		
Infrastructure Development Contribution:		
As per last Balance Sheet	91,900,000	91,900,000
	91,900,000	91,900,000
Networking Equipment Contribution:		
As per last Balance Sheet (Balance transferred from erstwhile Company, Inter-connected Stock Exchange of India Ltd., limited by guarantee)	-	1,261,709
Less : Adjustment towards Depreciation	-	(8,533)
	-	1,253,176
Less: Transferred to Pre-demutualization General Reserves **	-	(1,253,176)
	-	-
Dealer Admission Fees :		
As per last Balance Sheet	38,328,857	38,328,857
	38,328,857	38,328,857
Total Capital Reserves	130,228,857	130,228,857
Total of PART A : RESERVES & SURPLUS	143,370,352	143,370,352

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.

B)

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
<u>PART B : RESERVES & SURPLUS (after November 24, 2005)</u>		
Share Premium Account:		
Opening Balance	111,438,315	138,038,315
Less: Capitalization of Share Premium towards Bonus shares	-	(26,600,000)
Closing Balance	111,438,315	111,438,315
General Reserves:		
Opening Balance	34,149,725	33,339,725
Add: Transfer from surplus	1,425,000	810,000
Transferred from Settlement Guarantee Fund *	4,193,076	-
Closing Balance	39,767,801	34,149,725
Surplus:		
Opening balance	96,028,121	91,862,646
Add: Net profit after tax transferred from statement of profit and loss	(13,467,197)	6,313,769
Profit available for Appropriation	82,560,924	98,176,415
Add Excess Dividend Tax Paid	-	61
Less: Proposed Dividend	-	-
Less: Tax on interim dividend	(1,650,640)	(1,338,356)
Less : Interim Dividend	-	-
Less: Transfer to General Reserve	(1,425,000)	(810,000)
Closing Balance	79,485,283	96,028,120
Total of PART B : RESERVES & SURPLUS	230,691,398	241,616,160

C)

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
PART C : EARMARKED Fund **		
Settlement Guarantee Fund:		
Opening Balance	119,634,939	109,510,499
<u>Add:</u> Interest received on SGF/ BMC (net of tax Rs. 6,599,780/- (previous year: Rs. 5,543,401/-))	13,741,659	12,396,408
<u>Add:</u> Contributions from the Trading Members	30,000	50,000
<u>Less:</u> Transferred to General Reserves *	4,193,076	-
<u>Less:</u> Excess BMC of the Defaulting Trading Members	-	(2,321,968)
Closing Balance	129,213,522	119,634,939
Investor Protection Fund:		
Opening Balance	-	88,659
<u>Add:</u> Accretion by way of appropriation from the listing fee income during the period	-	-
<u>Add:</u> Amount transferred from Investor Service Fund	-	-
<u>Less:</u> Expenses incurred for Investor Awareness, education	-	-
<u>Less:</u> Amount transferred to Investor Protection Fund Trust	-	(88,659)
Closing Balance	-	-
Investor Services Fund:		
Opening Balance	2,141,857	2,093,585
<u>Add:</u> Interest received on Fixed Deposit (net of tax Rs. 66,623/- (previous year: Rs. 58,755/-))	138,718	131,435
<u>Add:</u> Accretion by way of appropriation from the listing fee income during the period	6,500	25,000
<u>Add:</u> Sale of securities	-	-
<u>Less:</u> Expenses incurred for Investor Programmes conducted	-	(49,244)
<u>Less:</u> Newspaper and Periodicals Expenses	46,140	(58,918)
<u>Less:</u> Amount transferred from Investor Protection Fund	-	-
Closing Balance	2,240,935	2,141,858
Total of PART C : EARMARKED RESERVES	131,454,457	121,776,797
Reserves and Surplus (TOTAL OF PART A+B+C)	505,516,207	506,763,309

* During the year, the management of the company with the approval of Governing Board of ISE transferred Rs. 4,193,076/- equivalent to 2% of the Total Settlement Guarantee Fund (SGF) including amounts shown under other current liabilities (Refer Note 2.6) as on the closing date of March 31, 2013 to General Reserves for meeting various expenditure viz. employee cost, maintenance and monitoring of the SGF Fund.

** 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.

Pursuant to Regulation 39 (2) of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, the Settlement Guarantee Fund on recommencement of trading activities of the stock exchange shall be transferred to the recognized clearing corporation to which the clearing and settlement functions of the stock exchange are transferred.

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.

4.3 DEFERRED TAX LIABILITY:*

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
DEFERRED TAX LIABILITIES		
Fixed Assets	16,307,088	3,673,017
LESS: - DEFERRED TAX ASSETS		
Unabsorbed Depreciation	16,115,696	-
Provisions for Doubtful debts	-	571,608
Provisions for Gratuity	-	-
Provisions for Compensated Absences	-	-
Provision for employees benefit	-	792,698
Provisions for Contingency	-	-
Total	191,392	2,308,711

Note:

- * The Company has recognised Deferred Tax Liabilities of Rs. 191,392/- as on March 31, 2013 after adjusting the carried forward unabsorbed depreciation benefit (to the extent set off available). In the absence of virtual certainties of future taxable income, net deferred tax assets have not been recognized by way of prudence in accordance with Accounting Standard 22 on accounting for Taxes on Income, issued pursuant to the Companies (Accounting Standards) Rules 2006 by the Central Government.

4.4 LONG TERM PROVISIONS:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
Provision for Employee Benefits		
Gratuity (Refer Note 4.27)	1,329,302	915,943
Employees' Leave Encashment	3,323,388	2,759,144
Total	4,652,690	3,675,087

4.5 TRADE PAYABLES:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
(A) Due to Micro Small & Medium Enterprises *	-	-
(B) Others		
Exchange Liability	1,330,819	1,388,447
Settlement Obligations to Sub-Brokers/Clients/Authorised person	628,062,920	321,586,353
Sub Broker Margin-BSE	48,691,624	51,064,821
Sub Broker Margin-NSE	71,194,849	88,972,798
Depository Services	178,299	200,120
Total	749,458,511	463,212,540

4.6 OTHER CURRENT LIABILITIES:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
(A) Income received in advance	2,889,761	3,893,524
(B) Advance received from members	4,912,500	5,435,000
(C) Refundable Deposits		
- Base Minimum Capital of Trading Members	69,647,403	71,647,404
- Trading Member Security Deposit	7,400,000	6,600,000
(D) Other payables		
Dues to Micro Small & Medium Enterprises *	-	-
Statutory Liabilities	3,871,857	6,667,360
Creditors for Capital Items	-	1,122,879
Defaulter Account Credit Balances	2,133,802	2,133,802
Others	16,755,758	9,612,531
Dividend Payable- Clients	54,788	2,183,460
Expenses Payable	1,967,207	2,793,963
Total	109,633,077	112,089,922

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.

4.7 SHORT TERM PROVISIONS:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
<u>Provision for Employee Benefits</u>		
Employees' Leave Encashment	162,405	393,078
Performance Linked Bonus	9,253,876	9,410,586
Tax on dividend	1,650,640	1,338,356
Total	11,066,921	11,142,020

4.9 NON CURRENT INVESTMENTS:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
Equity shares of ISE Securities & Services Ltd.		
Non Current Investments (Trade, unquoted & at cost):		
1,30,000 Equity Shares of face value of Rs 1/- fully paid of Bombay Stock Exchange Ltd. Out of this 10,000 shares are received as bonus shares during the year 2008-09.	6,710,005	6,710,005
Total	6,710,005	6,710,005

During the financial year 2004-05, the Company had acquired the corporate membership of Bombay Stock Exchange Ltd. at a cost of Rs. 67,10,005/-. As per its entitlement the Company had subscribed to and was allotted 1,20,000 shares of face value Rs. 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.

4.10 DEFERRED TAX ASSETS:

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

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
Deferred Tax Assets		
Provision for doubtful debts	2,204,952	2,838,642
Provision for doubtful debts - Other Advances	239,954	376,712
Provision for compensated absences, gratuity and other employee benefits	1,733,221	1,623,158
Total	4,178,127	4,838,512
Deferred Tax Liabilities		
On difference between book balance and tax balance of fixed assets	604,013	(318,303)
Total	604,013	(318,303)
Net Deferred Tax (Liability) /Asset	4,782,140	4,520,209

Pursuant to Accounting Standard 22 "Accounting for Taxes on Income" the Company has recorded a net deferred tax adjustment of Rs. 2,61,930/- (Previous Year Rs. 11,08,465 /-) adjusted from the profits and loss account.

4.11 LONG TERM LOANS & ADVANCES:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
Unsecured considered Good:		
Capital Advance - Computer Systems	-	340,000
Security Deposits	6,354,761	6,707,185
Deposits		
Deposit with Exchanges	52,925,000	48,425,000
Other Loans & Advances		
Advance Tax/ Income Tax refund receivable (Net of Provision)	16,757,690	15,067,453
Prepaid Expenses	-	10,608
Total	76,037,451	70,550,246

4.12 OTHER NON CURRENT ASSETS:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
Prepaid Expenses	7,055	-
Long Term Deposits with banks with maturity period more than 12 months	32,349,000	214,427,338
Total	32,356,055	214,427,338

4.13 TRADE RECEIVABLES:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
More than six months from the date they were due for payment:		
- Secured, considered Good	10,180,331	9,315,599
- Unsecured, considered Good	1,978,138	2,738,663
- Unsecured, considered Doubtful	10,147,177	9,510,679
Less : Provision for Doubtful Debts	3,629,627	1,849,863
	18,676,019	19,715,078
Others:		
- Secured, considered Good	2,165,705	50,000
- Unsecured, considered Good	92,447,159	103,344,373
- Unsecured, considered Doubtful	120,373	1,088,273
Less : Provision for Doubtful Debts	6,637,923	8,749,089
	88,095,314	95,733,557
Total	106,771,333	115,448,635

Note:

Holding Company

- A) Trade Receivables includes Trading Members, listed companies and other Trader receivables from whom an amount of Rs. 19,477,088/- is outstanding on account of various charges including DP charges recoverable. Out of this, an amount of Rs. 1,779,764/- (previous year Rs. 702,778/-) has been provided as doubtful debts during the year ended March 31, 2013. 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 include undertakings given by Recognised Regional Stock Exchanges (RSEs) for which confirmations are called for and only few are awaited. DP Income receivables 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.

Subsidiary Company

- A) Trade Receivable represents 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, 2013. 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 trade receivables of Rs. 9,75,61,795/- the company has classified an amount of Rs. 66,37,923/- as doubtful and provision has been made against the same.
- B) The company had written off Rs. 92,27,364/- in the financial year 2009-10 of which Rs. 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.

4.14 CASH & BANK BALANCES:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
(A) Cash & Cash Equivalents		
(i) Balances with bank		
In Current Accounts	118,241,312	40,508,239
In Deposit Accounts with maturity less than 3 months	417,760,529	138,053,948
(ii) Cash on hand	-	-
(B) Other Bank Balances		
Long Term Deposit with maturity more than 3 months but less than 12 months	210,241,051	129,013,011
Earmarked Fund balances with banks *		
In Current Accounts	26,905	20,405
In Deposit Accounts		
- less than 3 months	-	-
- more than 3 months but less than 12 months	198,892,598	194,335,095
- more than 12 months	2,150,000	2,150,000
	201,042,598	196,485,095
Total	947,312,395	504,080,699

Note:

* Earmarked Fund balances with banks comprising of Settlement Guarantee Fund and Investor Services Fund. (Ref Note B of 4.23 & 4.24)

(A) 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, 2013 is as follows (as certified by the management):

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
NSE Cash Segment	50,100,000	60,200,000
BSE Cash Segment	65,000,100	55,000,100
NSE F&O Segment	309,620,823	170,353,949
NSE Currency	800,000	800,000
ILFS (Clearing Member)	1,000,000	1,000,000
Against Overdraft Facility (Refer Note below)	107,000,000	69,000,000
Free FDs	60,957,221	15,535,458
Total	594,478,144	371,889,507

(B) The Company has obtained bank overdraft facilities as follows: The maximum overdraft facility availed by company in current year is Rs. 54,16,448/- from HDFC Bank which is taken against the collateral of fixed deposits of Rs. 10,70,00,000/-.

4.15 SHORT TERM LOANS & ADVANCES:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
Unsecured Considered Good, unless otherwise stated		
Other Loans and Advances		
(i) Prepaid Expenses	2,795,344	2,838,613
(ii) Advances recoverable in cash or kind or for value to be received		
Considered good	12,680,319	9,096,764
Considered doubtful	722,372	1,161,080
Less : Provision	(722,372)	(1,161,080)
	12,680,319	9,096,764
(iii) Staff Advances	292,299	275,391
Total	15,767,961	12,210,769

4.16 OTHER CURRENT ASSETS:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
Expenses recoverable from subsidiary	-	-
Interest Accrued (Bank Deposits & Earmarked Deposits)	8,597,221	7,287,998
Settlement Obligation to/from Clearing House	18,819,844	7,248,459
Total	27,417,066	14,536,457

4.17 REVENUE FROM OPERATIONS:

Particulars	For the year ended March 31, 2013 (Rupees)	For the year ended March 31, 2012 (Rupees)
Depository Participant (DP) Operations	12,268,385	13,809,636
Training Programmes	291,738	851,047
Subscription for Research Publications	238,840	72,840
Annual Subscription from Trading Members	9,311,875	9,717,000
Admission Fees	150,000	550,000
Listing Fees	24,925	96,250
Brokerage Income	24,099,816	35,859,612
Total	46,385,580	60,956,386

4.18 OTHER OPERATING REVENUE:

Particulars	For the year ended March 31, 2013 (Rupees)	For the year ended March 31, 2012 (Rupees)
Networking Recovery	5,656,850	6,841,185
Penalty for delayed payin	4,399,612	3,210,312
Excess Recovery Of Transaction Charges	509,607	722,074
Fines Collected from Clients	2,000	26,000
Other Charges Recovery related to operations (includes Rs. 51,23,698/- towards unidentified credit balances and Unclaimed dividend)	5,991,020	1,269,834
Total	16,559,089	12,069,405

4.19 OTHER INCOME:

Particulars	For the year ended March 31, 2013 (Rupees)	For the year ended March 31, 2012 (Rupees)
Interest Income		
- Fixed Deposits		
Gross Interest on Bank Deposits	27,923,326	80,298,293
Less : Interest earned on Earmarked Fund (net of Income Tax Rs. 6,666,403/- previous year: Rs. 5,602,176/-)	(13,880,377)	(12,527,842)
Net Interest from Fixed Deposits	68,638,046	67,770,450
- Other Interest Income	156,357	339,157
Dividend Income from subsidiary	780,000	520,000
Other non operating Income	2,198,384	881,444
Total	71,772,788	69,511,051

4.20 EMPLOYEES BENEFIT EXPENSES:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
Salaries and allowances (Net of recovery: Rs. 27,30,727/- previous year: Rs. 30,90,754/-)	34,469,230	60,290,854
Less: Transferred to Fixed Asset	6,571,004	8,767,302
	52,745,545	51,523,552
Contribution to Provident and other Fund	3,325,461	2,926,669
Leave Encashment (Compensated Absences)	637,321	868,821
Gratuity	1,431,022	912,353
Staff Welfare	1,684,187	1,381,938
Total	59,823,536	57,613,333

4.21 FINANCE COSTS:

Particulars	As at March 31, 2013 (Rupees)	As at March 31, 2012 (Rupees)
Interest - Other than Fixed Loans	3,334	26,991
Total	3,334	26,991

4.22 OTHER EXPENSES:

Particulars	For the year ended March 31, 2013 (Rupees)	For the year ended March 31, 2012 (Rupees)
DP Operations	2,518,185	2,665,347
Training Expenses	134,821	297,625
Telephone and Fax	2,153,825	2,395,490
Printing and Stationery	1,765,425	1,904,566
Remuneration to Auditors (Refer Note 4.27)	1,192,303	1,006,404
Legal, Professional Charges and contract charges	7,641,441	8,669,877
Power, Fuel & Water Charges	7,352,713	6,181,780
Board / Committee Meeting	1,785,251	2,795,238
Rent, Rates and Taxes	8,708,487	8,834,878
Repairs and Maintenance - Leasehold Premises	376,248	361,418
Repairs and Maintenance - Others	2,275,589	1,801,986
Travelling and Conveyance	1,955,025	2,517,191
Postage and Courier	1,789,411	1,833,490
Security	1,612,459	1,510,564
Insurance	198,208	353,019
Advertisement and Publicity	1,108,012	754,171
Books, Newspapers and Periodicals	37,227	31,394
Vehicle Maintenance	188,833	314,806
Bank Charges	18,633	36,665
Miscellaneous Expenses	1,693,114	2,482,779
Lodging & Boarding Exp	351,638	597,308
Provision for Doubtful Debts	2,098,136	1,275,061
Contribution to Investor Protection Fund *	1,436,186	-

Particulars	For the year ended March 31, 2013 (Rupees)	For the year ended March 31, 2012 (Rupees)
Indirect Taxes Paid	926,509	-
Loss on Sale of Fixed Assets	1,937,095	103,565
Sebi Fees	101,200	101,200
Bad Debts	14,916	62,000
Interest Paid	2,733,733	20,132
Write off	995,891	18,220
VSAT, VPN and other Communication expenses	5,156,130	8,178,375
Annual Maintenance Charges for Networking Equipment	3,646,780	3,112,917
Annual Maintenance charges	295,223	397,555
Brokerage for the rented premises	-	429,000
Reimbursement of actual Expenses	574,939	-
Membership charges	310,879	294,340
Admission Fees - MCX-SX	1,000,000	-
Total	66,084,466	61,338,360

* As per SEBI directive the company has transferred Fines & Penalties levied on its Trading Members to Inter-connected Stock Exchange of India Ltd. Investor Protection Fund (ISE-IPF) Trust Corpus in Financial Year 2012-13. Accordingly, an amount of Rs. 1,436,186/- (previous year: Nil) has been transferred to ISE-IPF Trust Corpus.

4.23 Details of Settlement Guarantee Fund (Registered Trading Members):

Settlement Guarantee Fund	As at March 31, 2013	As at March 31, 2012
Settlement Guarantee Fund (including accretions from levy on transactions)	6,910,819	6,880,819
Settlement Stabilisation Fund	13,000,000	13,000,000
Contribution towards Base Minimum Capital (Cash component) from Registered Trading Members	69,647,403	71,647,404
Interest accrued on above	109,302,702	99,754,120
Total	198,860,925	191,282,343

B) The balances as on March 31, 2013 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, 2013	As at March 31, 2012
With Bank in Fixed Deposits	198,850,520	191,271,938
With Bank in Current Account	10,405	10,405
Total of Deposits and Bank Balance	198,860,925	191,282,343
Amount outstanding as on March 31, 2013	Nil	Nil
To be transferred to Normal Fund	2,702,574	3,828,305

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

Settlement Guarantee Fund	As at March 31, 2013	As at March 31, 2012
Contribution towards SGF/ BMC from Trading Members pending registration	4,742,500	4,952,500
Total	4,742,500	4,952,500

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, 2013	As at March 31, 2012
Bank Guarantees from Trading Members		
- Registered	Nil	Nil
- Unregistered	Nil	Nil
Fixed Deposits under lien		
- Registered	6,367,772	6,259,363
- Unregistered	305,139	305,139
Securities pledged, (at market value)		
- Registered	7,292,715	7,663,721
- Unregistered	-	Nil
Undertakings given by the Regional Stock Exchanges on behalf their Trading Members:		
- Registered	22,500,000	22,700,000
- Unregistered	4,800,000	4,800,000
Security Deposit:		
- Registered	1,200,000	300,000
- Unregistered	Nil	Nil
Total Non-Cash Component		
- Registered	37,360,487	36,923,084
- Unregistered	5,105,139	5,105,139

- 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.

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."

4.24 Details of Investor Services Fund:

A)

Particulars	As at March 31, 2013	As at March 31, 2012
Including Rs. 6,500/- (previous year: Rs. 25,000/-) appropriation from listing fee income during the year, Rs. 138,718/- (previous year: Rs. 131,435/-) accretions by the way of interest on fixed deposit Less: Rs. 46,140/- towards expenses incurred towards Newspaper & Periodicals at Investor Points (previous year: Rs. 58,918/-)	2,240,935	2,141,857

- B) The balances as on March 31, 2013 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, 2013	As at March 31, 2012
With Bank in Fixed Deposits	2,224,435	2,131,857
With Bank in Current Account	16,500	10,000
Total of Deposits and Bank Balance	2,240,935	2,141,857
Amount outstanding as on March 31, 2013	Nil	Nil
To be transferred to Normal Fund	116,729	24,500

4.25 Capital commitment and Contingent Liabilities not provided for:

Holding Company:

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

b.

(Amount in Rs.)

Particulars	Year ended March 31, 2013	Year ended March 31, 2013
Estimated amount of contract remaining unexecuted on capital account and not provided for.	3,300,000	3,300,000

- c. Company has received notice pertaining to Navi Mumbai Municipal Corporation (NMMC) Cess Tax for Rs. 3,718,468/- against which company has already paid Rs. 240,610/- for the period 1998-1999. The company has filed a writ petition before the Bombay High Court against the order. Further, the company has received various notices from the NMMC department amounting to Rs. 10,608,646/-. During the year the company has paid Rs. 913,015/- against the same. After making the payment, ISE filed appeal under section 406 (6) (i)/(ii) of the Bombay Provincial Municipal Corporation Act, 1949 before the Deputy Commissioner Cess. In the opinion of the management these demands are not tenable and accordingly no provision has been made.

Subsidiary Company:

- a. 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.
- b. Claim against the company not acknowledged as debts amounting to Rs. 17,38,972/-(Estimated) (Previous Year Rs.22,99,729/).
- c. The company has issued perpetual indemnity in favor of Indusind Bank to the extent of Rs.30,00,000/- (Previous year Rs.30,00,000/-).
- d. The company has received demands from the Income Tax Department for an amount of Rs.99,38,892/- (Previous year : Rs.31,80,527/-) for various disallowances of company's claim of expenditures 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.
- e. The company has received demands from the Income Tax Department regarding short payment of taxes for an amount of Rs.54,14,764/- (Previous year Rs. 82,46,946/-) 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.
- f. During the year company has received notice from Office of The Collector of Stamp, Enforcement-2, Mumbai for less payment of Stamp Duty on Transaction charges. In this regard company has submitted necessary details required by the authority and company has not received any reply from the authority.

4.26 In the opinion of the Management of the Group, 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

4.27 Remuneration to Auditors:

Particulars	Year ended March 31,2013 (Rs.)	Year ended March 31,2012 (Rs.)
Audit Fees	780,000	780,000
Tax Audit Fees	145,000	145,000
Certification & Other Services	263,010	69,309
Out of Pocket Expenses	4,293	12,905
Total (Net of Service Tax)	1,192,303	1,006,404

4.28 Disclosures under AS 15 Employee Benefits:

a) The following table sets out the status of the defined benefit Gratuity Plan

(Amount in Rs.)

Particulars	Year ended March 31,2013	Year ended March 31,2012
Present Value of Funded Obligations	5,479,767	3,945,278
Fair Value of Plan Assets	(4,150,465)	(3,029,335)
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
Net Liability	1,329,302	915,943
Amount in Balance Sheet		
Liability	1,329,302	915,943
Assets	0	
Net Liability	1,329,302	915,943

(Amount in Rs.)

Particulars	Year ended March 31,2013	Year ended March 31,2012
Current Service Cost	885,788	875,239
Interest on Defined Benefit Obligation	408,551	307,204
Expected Return on Plan Assets	(282,856)	(179,063)
Net Actuarial Losses / (Gains) Recognised in Year	335,097	(167,572)
Past Service Cost	0	0
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"	1,346,580	835,808
Actual Return on Plan Assets	347,682	244,702

Particulars	Year ended March 31,2013	Year ended March 31,2012
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	3,945,278	2,864,768
Current Service Cost	885,788	875,239
Interest Cost	408,551	307,204
Actuarial Losses / (Gain)	399,923	(101,933)
Past Service Cost	0	0
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	(159,773)	0
Closing Defined Benefit Obligation	5,479,767	3,945,278
Change in Fair Value of Assets		
Opening Fair Value of Plan Assets	3,029,335	1,835,114
Expected Return on Plan Assets	282,856	179,063
Actuarial Gain/ (Losses)	64,826	65,639
Assets Distributed on Settlements	0	0
Contribution by Employer	933,221	949,519
Assets Acquired on Acquisition / (Distributed on Divestiture)	0	0
Exchange Difference on Foreign Plans	0	0
Benefits Paid	(159,773)	0
Closing Fair Value of Plan Assets	4,150,465	3,029,335
Expected Employer's Contribution Next Year	1,800,000	1,700,000

Category of Assets (% Allocation)	(Amount Rs.)	%	%
	Year ended March 31, 2013	Year ended March 31, 2013	Year ended March 31, 2012
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	4,150,465	100%	100%
Others	0	0%	0%
Grand Total	4,150,465	100%	100%

Particulars	Year ended March 31,2013	Year ended March 31,2012
Discount Rate (p.a.)	8.05%	8.65%
Expected Rate of Return on Assets (p.a.)	7.50%	7.50%
Salary Escalation Rate (p.a.)	7.00%	7.00%

4.29 Accounting for Leases:

Operating Lease Subsidiary Company

Total of minimum lease payments

(a)

(Amounts in Rs)

Particulars	As at 31-Mar-13	As at 31-Mar-12
(i) Total of minimum lease payments	2,22,80,164	2,79,85,190
The total of future minimum lease payments under non-cancelable		
Operating leases for period:		
Not later than one year	54,91,550	57,48,950
Later than one year and not later than five years	1,67,88,614	2,22,36,240
Later than five years	-	-

(b)

(Amount in Rs)

Particulars	As at 31-Mar-13	As at 31-Mar-12
Lease payments recognised in the statement of profit & loss for the year	58,43,668	80,09,990

(c) Details of lease Deposit

Place	Deposit (Rs)	Period
Powerica Limited	25,50,000/-	5 years
Guest House	50,000/-	1 year
Godown	1,20,000/-	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.

4.30 Earnings Per Share:

Sr. No.	Particulars	As on March 31, 2013
1.	Profit /(Loss) After Tax (Rs.)	(13,467,197)
2.	Number of shares close of the year	28,000,000
3.	Basic and Diluted Earnings Per Share for face value of Rs.1/- each	(0.48)

5. OTHER DISCLOSURES:

Holding Company

- The Company has received a letter no. MRD/DSA/OW/705/2013 dated January 10, 2013 from SEBI with regard to re-commencement of trading on the platform of ISE and directed ISE to ensure compliance of conditions mentioned in the letter, before re-commencing trading operations to the satisfaction of SEBI. The management is in process of complying with the conditions.
- The Governing Board of ISE in its meeting held on February 06, 2013 decided to divest its stake completely from its wholly owned subsidiary ISE Securities & Services Ltd. (ISS).

Further, SEBI vide its letter no. MRD/DSA/OW/13560/2013 dated June 06, 2013 informed that the clearing house of ISE does not fulfil the basic eligibility criteria under Regulation 3 of SECC Regulations, 2012 and becomes ineligible to continue as Depository Participant (DP) in the capacity of clearing house of a Stock Exchange. Therefore, the Governing Board of ISE had directed ISS to get itself registered with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) to provide Depository Participant (DP) services, so that all the Beneficiary Owners Accounts in ISE-DP would be transferred to ISS.

The amounts of revenue, expenses, assets, liabilities attributable to the DP services are as follows:

(Amount in Rupees)

Particulars	As on March 31, 2013	As on March 31, 2012
Total Revenue	12,268,385	13,809,636
Total Expenses	2,518,185	2,665,347
Total Assets	8,585,731	6,837,425
Total Liabilities	3,116,682	3,820,176

Subsidiary Company

- Client Obligations and balance in 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, effects if any on completion of reconciliation will not be material in nature.
- 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, 2013 with the Exchanges as follows: (As certified by the management)

(Amount in Rs).

Particulars	Year ended 31-3-2013	Year ended 31-3-2012
NSE Cash Segment	7,06,50,438	7,68,42,535
BSE Cash Segment	2,93,20,458	4,32,00,469
NSE F&O Segment	12,41,71,245	7,94,08,727

- 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.

6. Previous year amount has been re-grouped/re-classified and recast wherever necessary to confirm current year's classifications.

Signatures to Notes 1 to 6

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: August 02, 2013

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: August 02, 2013

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. 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 2013

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 has any interest in the investment 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;	NONE
t) Any special matter which the auditor may think fit or necessary to bring to the notice of the Deputy or Assistant Charity Commissioner.	NO

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

PLACE: Navi Mumbai
DATE: July 15, 2013

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, 2013

FUNDS & LIABILITIES		₹	PROPERTIES & ASSETS	₹
<u>ISE IPF Corpus:</u>			<u>Cash and Bank Balance:</u>	
ISE IPF Corpus:			Cash and Bank Balance:	
Opening Balance as on 01.04.2012	123,112		(A) with HDFC Bank Ltd.:	
Add: Fines and Penalties transferred from Inter-connected Stock Exchange of India Ltd.	1,436,186		Balance in Current Account	9,860
Closing Balance as on 31.03.2013		1,559,298	(B) in Fixed Deposit:	
			Bank Fixed Deposits - Vijaya Bank	1,564,038
<u>Income over Expenditure:</u>			<u>Other assets:</u>	
Opening Balance as on 01.04.2012	3,699		TDS on IPF Bank Fixed Deposits	1,804
Add: Surplus being excess of Income over Expenditure for the year as per Annexed Income & Expenditure Account	26,813		Interest Accrued on Bank Fixed Deposits	14,108
Closing Balance as on 31.03.2013		30,512		
TOTAL		1,589,810	TOTAL	1,589,810

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 15, 2013

Place: Vashi, Navi Mumbai
Date: July 15, 2013

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, 2013

EXPENDITURE	₹	INCOME	₹
To Establishment expenses:		By Contribution received from ISE against Listing fees	325
To Bank Charges	140	By Interest on Bank Fixed Deposits	26,629
To Audit Fees	-		
To Balance, being excess of Income over Expenditure, carried to Balance Sheet	26,813		
	26,954		26,954

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 15, 2013

Place: Vashi, Navi Mumbai
Date: July 15, 2013

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 Securities and Exchange Board of India (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.

4. As per SEBI directive Inter-connected Stock Exchange of India Ltd. (ISE) has transferred Fines & Penalties levied on its Trading Members to ISE-IPF Trust Corpus in Financial Year 2012-13. Accordingly, an amount of Rs. 14,36,186/- (previous year: Nil) has been transferred to ISE-IPF Trust Corpus from ISE.

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: Mumbai
Date: July 15, 2013

Place: Mumbai
Date: July 15, 2013

**Statement Pursuant to Section 212 of the Companies Act, 1956
relating to Company's Interest in Subsidiary Companies for the financial year 2012-13**

	Name of the Subsidiary Company	ISE Securities & Services Ltd
1.	The Financial year of the Subsidiary Companies ended on	March 31, 2013
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
	b) Extent of Interest of Holding Company at the end of the financial year of the Subsidiary Companies	100%
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, 2013	₹ 1,87,74,330
	ii) For the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries.	₹ 1,61,07,946
	b) Dealt with in the Holding Company's accounts:	
	i) For the financial year ended 31st March, 2013	Not Applicable
	ii) For the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	Not Applicable
NOTE: The audited financials of ISE Securities & Services Ltd (Subsidiary Company) have been received for the year ended 31st March, 2013.		

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: August 02, 2013



INTENTIONALLY BLANK



14TH ANNUAL REPORT

*2012-
2013*



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

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CONTENT

PUBLIC REPRESENTATIVE DIRECTORS



Shri Manubhai K. Parekh



Shri George Joseph

SHAREHOLDER REPRESENTATIVE DIRECTORS



Shri Ashish Parikh



Ms. Minu Mathew

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

Ms. Minu Mathew
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 N A
South Indian Bank Limited

REGISTERED OFFICE

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

CORPORATE & CORRESPONDENCE OFFICE

6th 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**				
	12-13	11-12	10-11	09-10	08-09
Income					
Net Operational Income	241.00	358.60	351.51	368.98	294.41
Interest	545.95	517.10	492.92	496.95	431.41
Networking Recoveries	56.57	68.41	83.65	86.15	91.2
Annual Fees	23.45	20.85	21.85	24.45	22.4
Exceptional Items	51.24	-	-	-	-
Other Income	84.93	62.10	80.39	83.11	79.8
Total Income	1003.14	1027.06	1030.31	1059.66	919.22
Expenditure					
Others Expenses	408.64	472.57	396.27	463.56	523.74
Employee Cost	275.92	266.13	212.34	162.12	155.04
Finance Cost	0.03	0.27	0.60	3.54	11.18
Depreciation / Amortization	37.16	48.08	95.48	152.25	62.91
Total Expenditure	721.75	787.05	704.69	781.49	752.88
Profit / (Loss) before Taxation	281.39	240.01	325.62	278.16	166.34
Excess(Short) Provisions of Taxes of earlier years	(4.26)	-	-	-	-
Provision for : Current Tax	(92.00)	(90.00)	(133.00)	(130.00)	(87.00)
Deferred Tax Expenses)/Savings	2.62	11.44	22.68	33.12	22.32
Net Profit / (Loss) after Taxation	187.75	161.45	215.30	181.29	101.66
Capital Structure					
Share Capital	550.00	550.00	550.00	550.00	550.00
Reserves & Surplus	778.36	708.87	701.40	486.09	349.84
Net Fixed Assets	47.55	76.95	110.44	148.77	251.81
Investments	67.10	67.10	67.10	67.10	67.10
Net Current Assets	1165.88	1069.62	1039.74	808.79	602.62
Net worth	1328.36	1258.87	1251.40	1036.09	921.53
Earning per share (in ₹)	3.41	2.93	3.91	3.30	1.85

Note

** Previous year amount have been re-grouped/re-classified and recast wherever necessary to confirm to current year's classifications.

Directors' Report 2012-13

The Board of Directors of ISE Securities & Services Limited (ISS) are pleased to present the Fourteenth Annual Report for the year ended March 31, 2013, together with the Auditors' Report and Audited Accounts for the Financial Year 2012-2013.

FINANCIAL PERFORMANCE

In the Financial year 2012-13 the Company has posted net profit of ₹187.75 Lakhs. Despite adverse market conditions, the company earned a total income of ₹ 951.90 lakhs during the year, compared to ₹1027.05 lakhs during the previous year. Expenditure before depreciation, interest and tax during the year under review stood at ₹ 684.56 lakhs, compared to ₹ 738.70 lakhs during the preceding year. The other income earned during the year 2012-13 was ₹ 710.90 lakhs, compared to ₹ 668.45 lakhs for the previous year. After considering interest, finance charges and depreciation, the increase of income over expenditure for the year 2012-13 was ₹ 281.39 lakhs as compared to ₹ 240.00 lakhs 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	2012-13	2011-12	2010-11	2009-10	2008-09	
Brokerage	241.00	358.60	351.51	368.98	294.41	
Other Income	710.90	668.45	678.81	690.67	624.81	
Expenditure before Depreciation, Interest and Tax	684.56	738.70	608.61	625.69	678.78	
Profit before Depreciation, Interest and Tax	267.34	288.35	421.70	433.96	240.43	
Interest and Finance Charges	0.03	0.27	0.60	3.54	11.18	
Depreciation	37.16	48.08	95.48	152.25	62.91	
Profit before exceptional items and tax	230.15	240.00	325.62	278.16	166.34	
Exceptional Items	51.24	-	-	-	-	
Profit before extraordinary items and tax	281.39	240.00	325.62	278.62	166.34	
Provision for Tax	(92.00)	(90.00)	(133.00)	(130.00)	(87.00)	
Deferred Tax (Expenses)/Savings	2.62	11.08	22.68	33.12	22.32	
Excess(Short) Provisions of Taxes of earlier years	(4.26)	-	-	-	-	
Profit/(Loss) after Tax	187.75	161.08	215.30	181.29	101.66	
Interim Dividend	101.75	82.50	-	-	22.00	
Proposed Dividend	-	-	-	38.5	5.5	

While income decreased from ₹1027.05 lacs during the previous year 2011-2012 to ₹ 951.90 lacs during the current year 2012-2013, the expenditure before Depreciation, Interest and Tax also decreased from ₹ 738.70 lacs during the previous year 2011-2012 to ₹ 684.56 lacs during the current year 2012-2013. The profit before extraordinary items and tax increased from ₹ 240.00 lacs during the previous year 2011-2012 to ₹ 281.39 lacs during the current year 2012-2013.

DIVIDEND

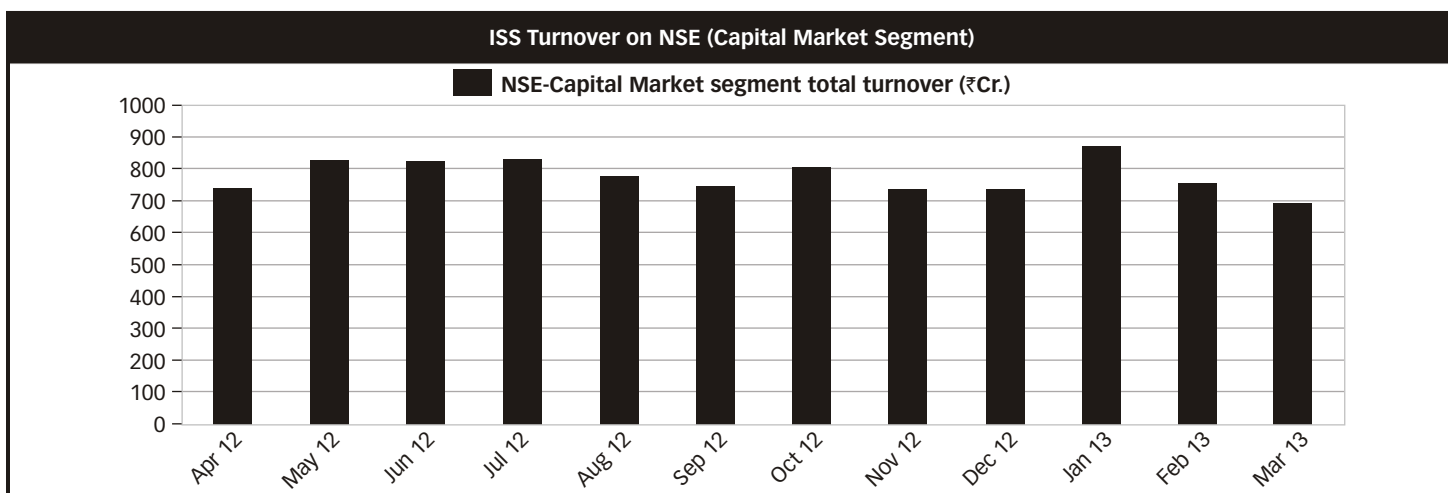
The Board of Directors at their meeting held on March 26, 2013, approved the payment of interim dividend, for the year ended March 31, 2013, at 18.5% on 55,00,000 equity shares of Rs. 10/- each. In view of this, no final dividend has been recommended by the Board.

OPERATIONAL HIGHLIGHTS

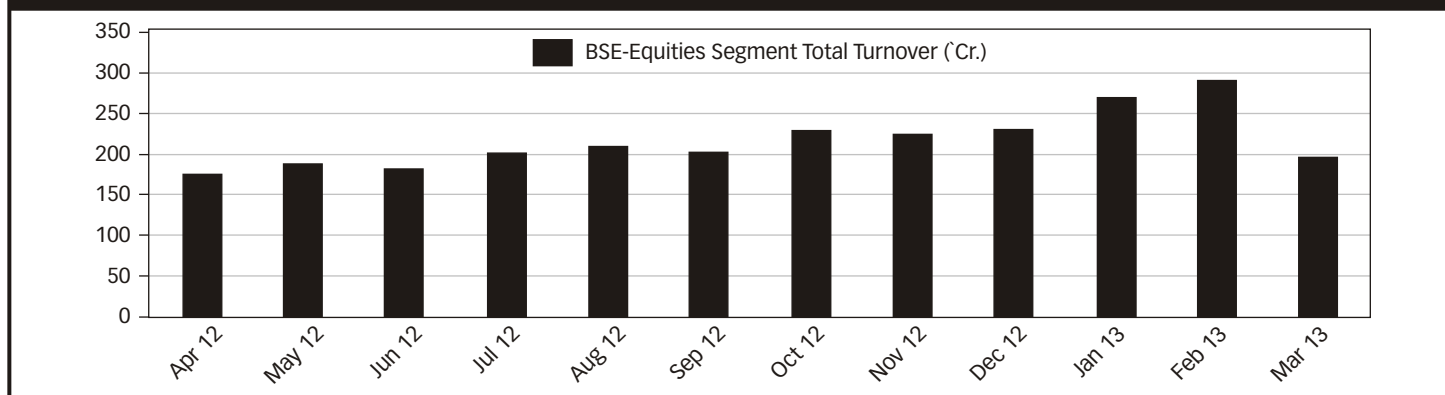
During the year 2012-2013, the Company recorded a turnover of ₹9,328 crores in the NSE capital market (CM) segment and ₹ 6,635 crores in the NSE futures & options (F&O) segment, aggregating to ₹15,963 crores. The corresponding figures for the previous year 2011-2012 were ₹12,006 crores in the CM segment and ₹16,811 crores in the F&O segment, i.e. a total of ₹28,817 crores. During the year 2012-2013, turnover of ₹2,603 crores was recorded in BSE Equities segment. The corresponding figure for the previous year 2011-2012 was ₹3,121 crores. The turnover of NSE CM segment, NSE F&O segment and BSE Equities segment taken together was recorded at ₹18,566 crores during the year 2012-2013. The corresponding figure for the previous year 2011-2012 was ₹31,938 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:

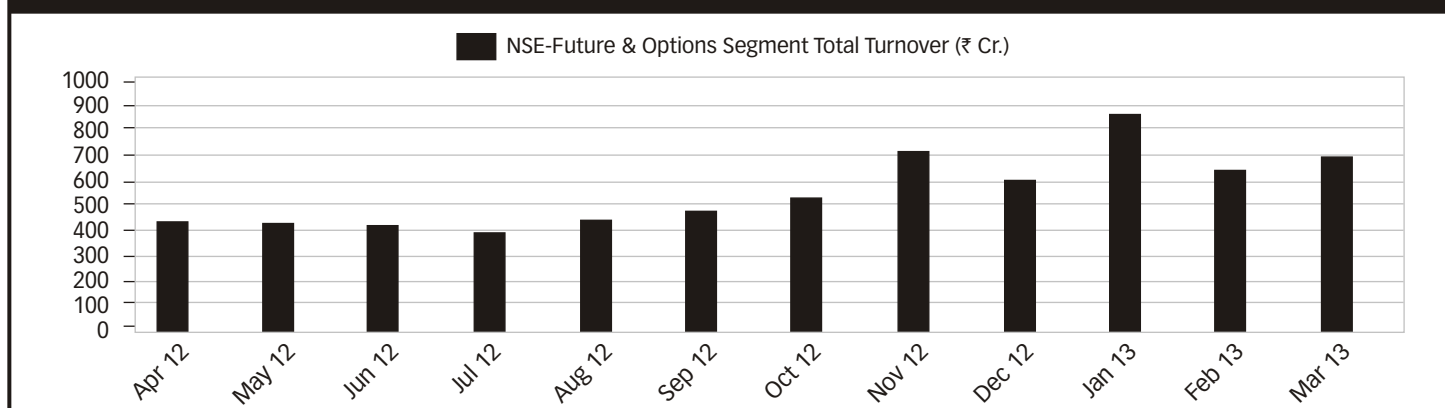
Month	NSE Capital Market, Futures & Options segments and BSE Equities Segment						
	Total Turnover (₹Cr.) (Rounded off)				Active Intermediaries		
	NSE Capital Market	BSE Equities	Total (NSE Capital Market + BSE Equities)	NSE Futures & Options	NSE Capital Market	BSE Equities	NSE Futures & Options
April-2012	740	176	916	433	187	158	92
May	824	188	1012	431	191	154	89
June	822	182	1004	425	185	152	88
July	830	202	1032	396	187	152	92
August	778	210	988	441	184	154	95
September	744	202	946	478	187	151	91
October	804	230	1034	529	189	157	90
November	735	224	959	714	186	158	91
December	736	231	967	602	190	159	92
January-2013	872	270	1142	858	188	158	94
February	752	291	1043	640	188	150	93
March	691	197	888	688	183	152	87
Total 2012-13	9328	2603	11931	6635			
Total 2011-12	12006	3121	15127	16811			
Total 2010-11	16642	6834	23476	11433			



ISS Turnover on BSE (Equities Segment)



ISS Turnover on NSE (Futures & Options Segment)



TECHNOLOGY AND SYSTEMS

There are no major Technological Changes except streamlining and certain up gradation was done in technology for which no major expenses were incurred during the Year under review

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 has resulted in 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 F&O 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)** 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 2012-2013

Considering recent spurt in trading volume of Equity Derivatives segment of BSE, the Board of Directors decided to apply for registration

as a Trading cum Clearing Member with Equity Derivatives segment of BSE. Applicable documentation has been completed and submitted to BSE. Exchange, in turn, has also completed process at their end and issued admission letter to organization. The said application is in process with SEBI and registration certificate will be received very soon. As soon as registration certificate is received, required formalities will be completed and trading in the segment will be commenced immediately.

MCX-SX, India's new stock exchange recently launched its operations in Equity & Equity Derivatives segments. Taking into account, the lucrative business opportunity and in order to add two more segments to the business portfolio, the Board of Directors decided to apply for registration with the Equity segment as a Member & with Equity Derivatives segment as a Trading cum Clearing Member. Applicable documentation has been completed and submitted to MCX-SX. Exchange, in turn, has also completed process at their end and issued admission letter to organization. The said application is in process with SEBI and registration certificate will be received very soon. As soon as registration certificate is received, required formalities will be completed and trading in the segment will be commenced immediately.

OPERATIONS OF THE COMPANY

The status of registration of sub-brokers & authorized 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 31.03.2012.	456	280	193	06
Fresh Registrations during 01.04.2012 to 31.03.2013	08	06	09	06
Resignations during 01.04.2012 to 31.03.2013	04	06	15	00
Position as on 31.03.2013	460	280	187	12
Change (+/-)	04	00	(06)	06

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 & authorized persons registration as on March 31, 2013

Sr. No.	Particulars	No. of applications pending			
		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	NIL	N.A.	NIL	NIL
4.	Applications pending at BSE	N.A.	NIL	N.A.	N.A.
5.	Applications pending at SEBI	02	02	NIL	NIL
	Total	02	02	NIL	NIL

The distribution of intermediaries across the different geographical regions of the country as on March 31, 2013 is as given below.

Sr. No.	Region	States	Trading Members		Authorised Persons (NSE F&O)	Authorised Persons (NSE CD)
			NSE	BSE		
1.	West	Goa, Gujarat, Maharashtra	183	108	87	08
2.	North	Haryana, Jammu & Kashmir, Delhi, Punjab, Rajasthan, Uttaranchal and Uttarpradesh	75	37	21	01
3.	East	Assam, Bihar, Jharkhand, Orissa and West Bengal	139	100	54	03
4.	South	Andhra Pradesh, Karnataka, Kerala and Tamilnadu	52	25	19	NIL
5.	Central	Chattisgarh and Madhya Pradesh	11	10	06	NIL
	TOTAL		460	280	187	06

OUTLOOK FOR THE YEAR 2013-2014

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 hassle-free switchover in the event of any emergency situation.

Post demutualization of Inter-connected Stock Exchange of India Ltd. (ISE), the parent exchange, the Governing Board of ISE had decided to revive its Trading Platform and accordingly awarded the contract to TCS. ISE invested approx. ₹12 crore for setting up its Trading Platform. ISE submitted its application on 15.09.2011 to SEBI for seeking prior approval for recommencing trading on the Platform of ISE.

In response to the same SEBI vide its letter dated January 17, 2013 placed certain pre-requisite condition to be complied with before recommencing the Trading which includes hiving of subsidiary ISE Securities & Services Ltd. (ISS).

The Governing Board of ISE considered the said letter received from SEBI at their meeting held on February 12, 2013 and approved disinvestment of its stake completely from its wholly-owned subsidiary, ISS and suggested the Managing Director to bring the same into the kind attention of the Board of Directors of ISS.

The Board of Directors of ISS took note of the same at their meeting held on February 16, 2013. ISE has further completed the process of inviting the institutions and corporates to submit their expression of interest for purchasing stake in ISS and their short listing.

Shortlisted entities have also completed the necessary due diligence process at ISS. The process of further short listing and selection of final stakeholder is expected to be completed very soon and thereafter, necessary prior approvals from the respective exchanges and other regulators will be obtained and entire process of transition from one organization to another will be carried out in hassle-free manner.

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 whereas Corporate Office of the company is situated at 6th Floor, 601, "Dakshna", Next to Raigad Bhavan, Sector 11, CBD Belapur, Navi Mumbai 400614

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, Ahmedabad, Gauhati and Patna.

COMPLAINTS REDRESSAL, ARBITRATION AND LEGAL CASES

The clients' / sub-brokers' 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 reviews 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 (L)	Amt Paid up (Rs.)	% 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	Shri Thomas Kurian (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

Sr. No.	Shareholder's Name	Number of shares held	Face value per share (L)	Amt Paid up (Rs.)	% of total
7	Shri P. J. Mathew (Nominee of Inter-connected Stock Exchange of India Limited)	3	10	30	0.000056
8	Shri Shachindrakumar Dube (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
	TOTAL	55,00,000	10	5,50,00,000	100.000000

CHANGES IN THE Board of Directors

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

Sr. No.	Name of the Director	Status	Date of Appointment
1.	Shri Manubhai K. Parekh	Public Representative Director	October 21, 2008
2.	Shri George Joseph	Public Representative Director	October 21, 2008
3.	Shri Ashish Parikh	Shareholder Representative Director	September 04, 2012
4.	Ms. Minu Mathew	Shareholder Representative Director	September 04, 2012
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

In the last Annual General Meeting held on September 04, 2012, Shri C.A. Venkatesan and Shri Cyriac Thomas, Shareholder Representative Directors, who completed three consecutive terms as directors, retired from the said post and were not reappointed as per provisions of 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. Shri Ashish Parikh & Ms. Minu Mathew were appointed as new Shareholder Representative Directors.

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

- Shri P.J. Mathew, Nominee of Parent Exchange and Shri Sivaraman K.M., Whole-time Director, are not liable to retire by rotation.
- Shri Manubhai Parekh and Shri George Joseph, Public Representative Directors were appointed by SEBI and are hence not liable to retire by rotation.
- 1/3 of the directors, except the foregoing, are eligible to retire by rotation. Accordingly one director will have to retire among the Shareholder Representative Directors. The present Shareholder Representative Directors, Shri Ashish Parikh & Ms. Minu Mathew were appointed on September 04, 2012 i.e. on the same day. Therefore, in terms of provisions of Section 256 (2) of the Companies Act, 1956, the director who shall retire by rotation at the ensuing Annual General Meeting will be determined by lot.

Accordingly, the Board of Directors at its meeting held on May 31, 2013, determined by lot that Ms. Minu Mathew will be liable to retire by rotation and eligible for reappointment.

During the period April 01, 2012 to March 31, 2013, the following Board Meetings were held:

Board Meeting No.	Date
103	June 14, 2012
104	July 16, 2012
105	September 20, 2012
106	December 03, 2012
107	February 16, 2013
108	March 26, 2013

DETAILS OF ATTENDANCE OF THE DIRECTORS IN THE BOARD MEETINGS

During the period April 01, 2012 to March 31, 2013, the Board of Directors met 6 times. The attendance record of the Directors at each Board Meeting and the last Annual General Meeting held on September 04, 2012 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 13th AGM
1.	Shri Manubhai K. Parekh Public Representative Director	6	6	Present
2.	Shri George Joseph Public Representative Director	6	6	Absent
3.	Shri C. A. Venkatesan Shareholder Representative Director	2	2	Absent
4.	Shri Cyriac Thomas Shareholder Representative Director	2	2	Absent
5.	Shri Ashish Parikh Shareholder Representative Director	4	3	Not Applicable
6.	Ms. Minu Mathew Shareholder Representative Director	4	4	Not Applicable
7.	Shri P. J. Mathew Director	6	6	Present
8.	Sivaraman K. M., Chief Executive Officer / Whole Time Director	6	6	Present

GENERAL BODY MEETINGS

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

The last three Annual General Meetings i.e. 11th, 12th and 13th Meetings of the Company were held on the following dates

- 11th AGM: September 07, 2010 (at the Registered Office of the Company)
- 12th AGM: August 11, 2011 (at the Registered Office of the Company)
- 13th AGM: September 04, 2012 (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. On account of changes in directorships at the 13th Annual General Meeting, the Audit Committee was reconstituted at 105th Board Meeting held on September 20, 2012. The present members of the Committee are Shri Manubhai K. Parekh (Chairman of the Committee), Ms. Minu Mathew 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, 2012 to March 31, 2013, the Audit Committee met 3 times i.e. on June 07, 2012, December 03, 2012, March 25, 2013. 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	3	3
2.	Shri C. A. Venkatesan	1	1
3.	Ms. Minu Mathew	2	2
4.	Shri P. J. Mathew	3	3

Auditors

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

M/s. Haribhakti & Co., Chartered Accountants & Internal Auditors whose term expired on March 31, 2013, were reappointed w.e.f. April 01, 2013 to September 30, 2013 by the Board in its meeting held on March 26, 2013.

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 **59** persons working for the Company, out of whom **45** are on rolls, **8** are working as consultants, **3** are working on contract, **1** working as management trainee 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, 2013 and Profit & Loss Account for the year ended March 31, 2013;

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.

REAPPOINTMENT OF AND INCREASE IN REMUNERATION OF CEO & WHOLE TIME DIRECTOR SHRI SIVARAMAN K. M.

The Board of Directors at its meeting held on June 14, 2012, approved the reappointment of Shri Sivaraman K. M. as CEO & Whole Time Director for the period of 3 years from January 22, 2013 to January 21, 2016 subject to approval from Inter-connected Stock Exchange of India Ltd. (ISE). ISE Board approved the term with revised remuneration. SEBI vide letter no. MRd/dsa/ise/27729/2012 dated December 12, 2012 expressed no objection for said reappointment.

The revised remuneration has been made applicable w.e.f. January 22, 2013.

The revised remuneration is in accordance with the provisions of schedule XIII of the Companies Act, 1956. The details are given below:

(Pay Scale: ₹1,11,000/- - 9,000/- - 1,20,000/- - 9,000/- - 1,29,000/-)		Amount in L
Basic	Per month	1,11,000
HRA	@ 20% of the Basic Salary per month	22,200
Traveling Allowance	@ 4.17% of the Basic Salary per month	4,629
Medical Allowance	@ 4.17% of the Basic Salary per month	4,629
Gross Monthly		1,42,458
Gross Yearly		17,09,496
Provident Fund Contribution by the company	@ 12% of the Basic Salary	1,59,840
Gratuity / Ex-gratia	@ 1/2 month's Basic Salary for each completed year of service	55,500
Fixed Performance Linked Bonus (payable half yearly)		3,41,420
Total cost to the company (CTC) per annum		22,66,256

Acknowledgements

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, BSE & MCX-SX 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 Board wishes to place on record its appreciation for the excellent services rendered by Shri C. A. Venkatesan & Shri Cyriac Thomas who served as Shareholder Representative Directors of the company till September 04, 2012.

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: July 4, 2013
Place: Navi Mumbai

sd/-
P. J. Mathew
Director

sd/-
Sivaraman K. M
Chief Executive Officer
& Whole Time Director

INDEPENDENT AUDITORS' REPORT

**The Members,
ISE Securities and Services Limited.**

Report on Financial Statements

1. We have audited the accompanying Financial Statements of ISE Securities and Services Limited, which comprise the Balance Sheet as at 31st March 2013, and the Statement of Profit And Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the Accounting Standards referred to in sub-section(3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and a plan and perform the audit to obtain reasonable assurance to whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2013;
 - (b) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

7. We draw attention to Note No. 24 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.

Report on Other Legal and Regulatory Requirements

8. 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.

9. As required by the section 227(3) of the Act, 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 31st March, 2013 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

Date: May 31, 2013
Place: Kochi

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

Annexure to Independent Auditors' Report

Referred to in Paragraph 8 Under the heading of "Report on Other Legal and Regulatory Requirements" of Our report of even date

- (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 2013, 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	Commissioner of Income Tax (Appeals)	TDS Credit	Financial Year 2006-07 (Assessment Year 2007-08)
27.18 Lakhs	Income Tax Appellate Tribunal	TDS Credit & Interest on Delayed Service Tax Payment	Financial Year 2007-08 (Assessment Year 2008-09)
29.67 Lakhs	Income Tax Appellate Tribunal	Recognition of Income and Expenses	Financial Year 2008-09 (Assessment Year 2009-10)
56.75 Lakhs	Commissioner of Income Tax Appeals	Disallowance of expenses and interest thereof.	Financial Year 2009-10 (Assessment Year 2010-11)

- (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 2013 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) In respect of dealing/trading in shares, securities, debentures and other investments, in our opinion and according to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company in its own name.
- (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**

Place: Kochi
Date: May 31, 2013

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

ISE Securities & Services Limited

Balance Sheet as at 31st March, 2013

Particulars	Note No.	As at March 31, 2013 (₹)	As at March 31, 2012 (₹)
I EQUITY AND LIABILITIES			
A Shareholder's funds			
(i) Shares Capital	2	55,000,000	55,000,000
(ii) Reserves & Surplus	3	77,835,705	70,887,015
B NON CURRENT LIABILITIES			
(i) Long Term Borrowing		-	-
(ii) Deferred Tax Liability (Net)		-	-
(iii) Other long term liabilities		-	-
(iv) Long term provisions	4	2,055,388	1,382,825
C CURRENT LIABILITIES			
(i) Trade Payable	5	749,280,212	463,012,419
(ii) Other current liabilities	6	23,607,763	18,623,427
(iii) Short term provisions	7	4,991,045	5,231,330
Total		912,770,113	614,137,016
II ASSETS			
A NON - CURRENT ASSETS			
(i) Fixed assets	8		
(a) Tangible Assets		3,692,844	6,240,234
(b) Intangible Assets		1,062,339	1,454,993
(ii) Non current Investments	9	6,710,005	6,710,005
(iii) Deferred tax assets (net)	10	4,782,140	4,520,210
(iv) Other non-current assets	11	62,497,515	60,663,224
B CURRENT ASSETS			
(i) Current Investments		-	-
(ii) Trade Receivables	12	90,923,872	102,578,165
(iii) Cash & Bank Balances	13	711,104,032	411,308,597
(iv) Short Term Loans & Advances	14	190,176	103,902
(v) Other current assets	15	31,807,190	20,557,686
Total		912,770,113	614,137,016
Significant Accounting Policies and Notes forming part of the Accounts	1 to 30		

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
Designated Director

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

sd/-
Mayank Mehta
Company Secretary

Place: Kochi
Date: May 31, 2013

Place: Kochi
Date: May 31, 2013

ISE Securities & Services Limited

Statement of Profit and Loss for the year ended 31st March, 2013

Particulars	Note No.	For the Year ended March 31, 2013 A ₹	For the Year ended March 31, 2012 B ₹
I. Revenue from Operations			
Brokerage Income		194,942,015	297,714,831
Commission paid/ payable		(170,842,199)	(261,855,219)
		24,099,816	35,859,612
Other operating revenues	16	13,780,391	13,955,184
II. Other Income	17	62,433,457	52,890,292
III. Total Revenue		100,313,664	102,705,088
IV. Expenditure			
Employee Benefit Expenses	18	27,591,898	26,612,863
Finance Costs	19	3,334	26,991
Depreciation/Amortisation	8	3,716,047	4,808,302
Other Expenses	20	40,864,229	47,257,451
Total Expenses		72,175,508	78,705,607
V Profit before exceptional and extraordinary items and tax		28,138,156	23,999,481
VI Tax Expenses			
(i) Current Tax		(9,200,000)	(9,000,000)
(ii) Deferred Tax		261,931	1,108,465
(ii) Excess(Short) Provisions of Taxes of earlier years		(425,757)	-
VII Profit/(loss) for the period		18,774,330	16,107,946
VIII Profit/(Loss) from discontinuing Operations		-	-
IX Tax expenses of Discontinuing operations		-	-
X Profit/(Loss) for the period from continuing Operations (after tax)		-	-
Earning Per Share (₹) (Basic)	23	3.41	2.93
Significant Accounting Policies and Notes forming part of the Accounts	1 to 30		

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: Kochi
Date: May 31, 2013

sd/-
Sivaraman K M
Whole Time Director
& CEO

sd/-
P J Mathew
Designated Director

sd/-
Mayank Mehta
Company Secretary

Place: Kochi
Date: May 31, 2013

ISE Securities & Services Limited

Cash Flow Statement for the year ended March 31, 2013

(Amount in ₹)

Particulars	As at 31.03.2013		As at 31.03.2012	
I. Cash Flow from Operating Activities:				
Net profit before tax & extra ordinary items		28,138,156		23,999,481
Adjustments for:				
Depreciation	3,716,047		4,808,302	
Dividend received	(780,000)		(520,000)	
Excess provision written back	(1,395,272)		(199,222)	
Provision for Bad & Doubtful debts- Others	318,372		572,283	
Fixed Assets Written Off	1,937,095		103,565	
		3,796,242		4,764,929
Operating profit before working capital changes		31,934,398		28,764,410
Adjustments for:				
(Increase) / Decrease in Trade & Other receivable	(2,014,527)		(5,636,611)	
(Increase) / Decrease in Loans & Advances	(404,646)		(597,628)	
Increase / (Decrease) in Trade & Other Payable	291,684,409		(514,505,253)	
		289,265,236		(520,739,492)
Cash generated from operations before tax & extra ordinary items		321,199,634		(491,975,082)
Less: Direct Tax Paid (net of refunds)		(7,645,460)		(13,500,685)
		313,554,174		(505,475,767)
Net Cash From Operating Activities (A)		313,554,174		(505,475,767)
II. Cash Flow From Investing Activities:				
Purchase of Fixed Assets	(2,713,099)		(1,563,554)	
Dividend Income	780,000		520,000	
		(1,933,099)		(1,043,554)
Net Cash (Used in) / from investing activities (B)		(1,933,099)		(1,043,554)
III. Cash Flow From Financing Activities:				
Dividend Distribution tax	(1,650,640)		(1,338,295)	
Dividend Paid	(10,175,000)		(8,250,000)	
Net Cash (Used in) / from Financing activities (C)		(11,825,640)		(9,588,295)
Net Increase / decrease in cash & cash equivalents (A+B+C)		299,795,435		(516,107,616)
Cash & Cash equivalents at the beginning of the year		411,308,597		927,416,213
Cash & Cash equivalents at the end of the year		711,104,032		411,308,597
Refer Note- 1 Significant Accounting Policies and Notes forming part of the Accounts				

Notes:

- The cash flow statement has been prepared by using Indirect Method in accordance with the requirements of 'Accounting Standard -3 Cash Flow Statement'
- Cash & Cash equivalents includes cash and bank balance in current account, fixed deposit with bank (including lien deposits) Refer Note 13
- 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/-
Sivaraman K M
Whole Time Director
& CEO

sd/-
P J Mathew
Designated Director

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

sd/-
Mayank Mehta
Company Secretary

Place: Kochi
Date: May 31, 2013

Place: Kochi
Date: May 31, 2013

ISE Securities & Services Limited

NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31st MARCH, 2013.

Significant Accounting Policies and Notes forming part of the Accounts as at March 31, 2013

● 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, 2013, 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.
- vi) Furniture & fixture at leasehold premises amortized in accordance with the lease agreement period or 5 years whichever is less.

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, 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.

No provision is recognized 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.

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".

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

ISE Securities & Services Limited

NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

2 SHARE CAPITAL

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Authorised Capital (6,000,000 Equity shares of ₹10/- each)	60,000,000	60,000,000
Issued, Subscribed and Paid Up Capital (55,00,000 Equity shares of ₹10/- each fully paid up)	55,000,000	55,000,000
Total	55,000,000	55,000,000

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

2.2 Details of shares held by Holding Company

Particulars	As at March 31, 2013	As at March 31, 2012
Equity Shares held by Interconnected Stock Exchange of India Ltd , the holding company	5,500,000	5,500,000

2.3 Reconciliation of number of shares outstanding

Particulars	As at March 31, 2013	As at March 31, 2012
55,00,000 Equity Shares Of Rs. 10 Each	55,000,000	55,000,000
Number of Shares at the beginning	5,500,000	5,500,000
Number of Shares issued	-	-
Number of Shares bought back	-	-
Other Adjustments	-	-
Number of Shares at the end	5,500,000	5,500,000

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

Particulars	As at March 31, 2013	As at March 31, 2012
Equity Shares held by		
Interconnected Stock Exchange of India Ltd, the holding company		
No of Shares	5,500,000	5,500,000
% Holding	100	100

3 RESERVES & SURPLUS

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
RESERVES & SURPLUS		
General Reserves		
Opening Balance as on 01.04.2012	27,310,000	26,500,000
Add: Transfer from Profit & loss A/c	1,425,000	810,000
Closing Balance in Genral Reserves Account	28,735,000	27,310,000

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Free Reserves		
Surplus in P&L as per last Balance Sheet		
Surplus - Opening balance as on 01.04.2012	43,577,015	37,867,364
Add: Net profit after tax transferred from statement of profit and loss	18,774,330	16,107,946
Profit available for Appropriation	62,351,345	53,975,310
(+) Excess Provision of Dividend Tax write back	-	61
(-) Tax on Interim Dividends	(1,650,640)	(1,338,356)
(-) Interim Dividends	(10,175,000)	(8,250,000)
(-) Transfer to General Reserves	(1,425,000)	(810,000)
Closing Balance in Profit & Loss Account	49,100,705	43,577,015
Total of : RESERVES & SURPLUS	77,835,705	70,887,015

4 LONG TERM PROVISIONS

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Gratuity - Benefits	606,122	368,883
Unavailed leave	1,449,266	1,013,942
Total	2,055,388	1,382,825

5 Trade Payables

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Exchange Liability	1,330,819	1,388,447
Settlement Obligations to Sub-Brokers/Clients/Authorised person	628,062,920	321,586,353
Sub Brokers Margin-BSE	48,691,624	51,064,821
Sub Brokers Margin-NSE	71,194,849	88,972,798
Outstanding Dues of Micro and Small Enterprises (Refer Note 27)	NIL	NIL
Total	749,280,212	463,012,419

6 OTHER CURRENT LIABILITIES

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Clients Unpaid Dividend	54,788	2,183,460
Statutory Liability (Refer Note 6.1)	3,659,735	6,529,024
Other Liability	13,702,140	5,902,995
Expenses Payable (other than Micro and Small Enterprises)	6,191,100	4,007,947
Outstanding Dues of Micro and Small Enterprises (Refer Note 27)	NIL	NIL
Total	23,607,763	18,623,427

6.1 Statutory Liability towards

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Provident Fund - under PF	221,550	207,498
TDS under Income Tax	3,340,393	6,290,611
Profession Tax Payable	9,725	9,900
Service Tax	88,067	-
NMMC - Cess Tax (Local Taxes)	-	21,015
	3,659,735	6,529,024

7 SHORT TERM PROVISIONS

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Provision for employee benefits		
Unavailed leave - current	162,405	119,973
Employee's Leave Travel Allowance (LTA)	178,000	273,000
Provision for		
Dividend Distribution Tax	1,650,640	1,338,356
Performance Linked Bonus	3,000,000	3,500,000
Total	4,991,045	5,231,329

NOTES FORMING PART OF FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

Note no 8 Fixed Assets as on 31st March, 2013

Particulars	Gross Block (At Cost)			Depreciation/Amortisation			Net Block		
	As at 01-4-2012	Additions	Deductions	As at 31-03-2013	Upto 31-3-2012	For the Period 2012 - 13	Deductions	As at 31-03-2013	As at 31-03-2012
Tangible Assets :									
Plant & Machinery	1,218,811	-	598,500	620,311	283,152	29,465.00	185,838	493,532	935,659
Furniture & Fixtures	1,208,440	13,875	-	1,222,315	101,160	344,361.00	-	776,794	1,107,280
Office Equipment	3,053,689	494,324	1,851,293	1,696,720	712,703	164,183.00	564,761	1,384,595	2,340,986
Computers Equipment	21,222,489	785,270	16,971,413	5,036,346	20,298,272	1,194,854.00	16,971,413	514,632	924,216
Networking Equipment	12,244,780	-	11,388,000	856,780	12,015,318	138,884.00	11,388,000	90,578	229,462
Power Equipment	1,019,053	-	345,038	674,015	316,423	32,016.00	107,137	432,713	702,630
Mobile phones	238,767	21,748	184,388	76,127	238,767	21,748.00	184,388	-	-
Central Equipment	9,521,408	-	9,521,408	-	9,521,408	-	9,521,408	-	-
Total - A	49,727,437	1,315,217	40,860,040	10,182,613	43,487,203	1,925,511	38,922,945	3,692,844	6,240,234
Intangible Assets Computer Software	25,733,640	1,397,882	9,467,957	17,663,565	24,278,647	1,790,536	9,467,957	1,062,339	1,454,993
Total - B	25,733,640	1,397,882	9,467,957	17,663,565	24,278,647	1,790,536	9,467,957	1,062,339	1,454,993
Total - A+B	75,461,077	2,713,099	50,327,997	27,846,178	67,765,850	3,716,047	48,390,902	4,755,183	7,695,227
Previous Year Figures	74,021,786	1,563,554	124,263	75,461,077	62,978,246	4,808,302	20,698	-	7,695,227

- 8.1 During the year company has decided to amortize Furniture & fixture purchased at new leasehold premises in the year 2011-12 (Belapur) in accordance with the lease agreement period or 5 years which ever is lower which was earlier year depreciated @ 6.33%. Due to the change in depreciation policy the amount of depreciation that additionally need to be written off for the earlier year 2011-12 is ₹ 1,53,861 and the same has been written off during the current year.
- 8.2 During the course of Fixed Assets verification the company has identified certain fixed assets which are not in existence, accumulating Gross Block of ₹ 50,327,997 Accumulated Depreciation of ₹ 48,390,902 and Net Block of ₹ 19,37,035 has been written off.

9 NON CURRENT INVESTMENTS

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
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 1,20,000 shares are received as bonus shares during the year 2008-09.	6,710,005	6,710,005
Total	6,710,005	6,710,005

9.1 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 10,000 shares of face value ₹ 1/- each under the Corporatization and Demutualization of BSE. During the year 2008-09 the company has been allotted 1,20,000 bonus shares in the ratio 12:1. 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.

10 DEFERRED TAX ASSETS

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

Particulars	As at March 31, 2012 ₹	Adjustment during the period ₹	As at March 31, 2013 ₹
Deferred Tax Assets			
Provision for doubtful debts	2,838,642	(633,690)	2,204,952
Provision for doubtful debts - Other Advances	376,712	(136,758)	239,954
Provision for compensated absences, gratuity and other employee benefits	1,623,158	110,063	1,733,221
Total	4,838,512	(660,385)	4,178,127
Deferred Tax Liabilities			
On difference between book balance and tax balance of fixed assets	(318,302)	922,315	604,013
Total	(318,302)	922,315	604,013
Net Deferred Tax (Liability) /Asset	4,520,210	261,930	4,782,140

10.1 Pursuant to Accounting Standard 22 "Accounting for Taxes on Income" the Company has recorded a net deferred tax adjustment of ₹. 2,61,930/- (Previous Year ₹. 11,08,465 /-) adjusted from the profits and loss account.

11 OTHER NON CURRENT ASSETS

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Unsecured Considered Good, unless otherwise stated		
Deposit with Exchanges	52,925,000	48,425,000
Advance Tax/ Income Tax Refund (Net of Taxation & Provisions)	6,740,460	8,720,757
Security Deposits	2,832,055	3,177,467
Capital Advance - Computer Systems	-	340,000
Total	62,497,515	60,663,224

12 TRADE RECEIVABLES

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Debts outstanding for a period exceeding six months		
- Considered Good	-	-
- Considered Doubtful	6,517,550	7,660,816
Other Debts		
- Considered Doubtful	120,373	1,088,273
- Considered Good	90,923,872	102,578,166
	97,561,795	111,327,255
Less : Provision for Doubtful Debts	(6,637,923)	(8,749,089)
Total	90,923,872	102,578,166

12.1 Trade Receivable represents 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, 2013. 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 trade receivables of ₹ 9,75,61,795 the company has classified an amount of ₹ 66,37,923/- as doubtful and provision has been made against the same.

12.2 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.

13 CASH & BANK BALANCES

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
A) Cash & Cash Equivalents		
In Current Accounts	116,625,889	39,419,090
Bank Deposit having Maturity <3 Months (Refer note 13.1 & 13.2 below)	356,120,823	126,553,948
Cash on hand	-	-
B) Other Bank Deposit		
In deposit accounts (Refer note 13.1 & 13.2 below)		
Bank Deposit having Maturity > 3 Months but <12 Months	206,057,320	30,957,221
Bank Deposit having Maturity >12 Months	32,300,000	214,378,338
	711,104,032	411,308,597

13.1 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, 2013 is as follows: (As certified by the management)

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
NSE Cash Segment	50,100,000	60,200,000
BSE Cash Segment	65,000,100	55,000,100
NSE F&O Segment	309,620,823	170,353,949
NSE Currency	800,000	800,000
ILFS (Clearing Member)	1,000,000	1,000,000
Against Overdraft Facility (Refer Note 13.2)	107,000,000	69,000,000
Free Fixed Deposit	60,957,221	15,535,458
	594,478,144	371,889,507

13.2 The Company has obtained bank overdraft facilities as follows:

The maximum overdraft facility availed by company in current year is ₹ 54,16,448/- from HDFC Bank which is taken against the collateral of fixed deposits of ₹ 10,70,00,000/-.

14 SHORT TERM LOANS & ADVANCES

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Unsecured Considered Good, unless otherwise stated		
Staff Advances	190,176	103,902
Total	190,176	103,902

15 OTHER CURRENT ASSETS

Particulars	As at March 31, 2013 ₹	As at March 31, 2012 ₹
Unsecured Considered Good, unless otherwise stated		
Advances recoverable in cash or kind or for value to be received		
Considered good	558,748	1,857,704
Considered doubtful	722,372	1,161,080
Less Provisions for Bad & Doubtful Advances (Refer Note 15.1)	(722,372)	(1,161,080)
	558,748	1,857,704
Interest Accrued on Fixed Deposit with bank	6,553,511	6,140,125
Prepaid Expenses	1,639,888	2,183,661
Settlement Obligation to/from Clearing House	18,819,844	7,248,459
Security Deposit (with Holding Company)	-	2,500,000
Service Tax credit receivable	4,235,198	627,738
Total	31,807,190	20,557,686

15.1 As a matter of Prudence, a provision of ₹4,18,788/- has been made towards the Sebi Registration Fees recoverable, ₹1,19,433 for Exchange Dues Creditors A/c and ₹1,84,151 for Insurance Claim Recoverable.

16 Other Operating Revenues

Particulars	Year ended March 31, 2013 ₹	Year ended March 31, 2012 ₹
Networking Recoveries	5,656,850	6,843,495
Annual Fees	2,345,000	2,085,000
Penalty for delayed payin	4,399,612	3,210,312
Excess Recovery Of Transaction Charges	509,607	722,074
Fines Collected from Clients	2,000	26,000
Other Charges Recovery related to operations	867,322	1,068,302
Total	13,780,391	13,955,184

17 Other Income

Particular	Year ended March 31, 2013 ₹	Year ended March 31, 2012 ₹
Interest Income from Banks on Fixed Deposits including Short Term and Long Term Fixed Deposit	54,595,097	51,709,603
Recovery of DP Charges (NET)	539,391	461,467
Liability No Longer Required to pay (Refer Note 17.1)	5,123,698	-
Excess Provision Written Back	1,395,272	199,222
Dividend Income from Long Term Investment	780,000	520,000
Total	62,433,457	52,890,292

17.1 Liability No Longer Required to pay includes liability for unidentified credit balances lying with company's bank account of ₹34,18,930 and Unclaimed dividend of ₹17,04,768.

18 Employee Cost

Particular	Year ended March 31, 2013 ₹	Year ended March 31, 2012 ₹
Salary & Other Allowances	24,847,319	24,613,430
Providend Fund - Employer Contribution	1,425,925	1,292,307
Gratuity	562,249	345,027
Staff Welfare expenses	756,405	362,099
Total	27,591,898	26,612,863

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

Amount To Be Recognized In Balance Sheet	Year ended 31 March 2013	Year ended 31 March 2012
Present Value of Funded Obligations	2,231,443	1,571,896
Fair Value of Plan Assets	(1,625,321)	(1,203,013)
Present Value of Unfunded Obligations	-	-
Unrecognized Past Service Cost	-	-
Net Liability	606,122	368,883
Amount in Balance Sheet		
Liability	606,122	368,883
Assets	-	-
Net Liability is bifurcated as follows:		
Current	-	-
Non Current	606,122	368,883
Net Liability	606,122	368,883

Amount To Be Recognised In Profit & Loss Accounts	Year ended 31 March 2013	Year ended 31 March 2012
Current Service Cost	343,205	329,150
Interest on Defined Benefit Obligation	163,132	122,707
Expected Return on Plan Assets	(114,288)	(83,949)
Net Actuarial Losses / (Gains) Recognized in Year	136,793	(53,464)
Total, Included in "Employee Benefit Expense"	528,842	314,444
Actual Return on Plan Assets	130,705	96,903

Reconciliation Of Benefit Obligation & Plan Assets For The Year	Year ended 31 March 2013	Year ended 31 March 2012
Change in Defined Benefit Obligation		
Opening Defined Benefit Obligation	1,571,896	1,160,549
Current Service Cost	343,205	329,150
Interest Cost	163,132	122,707
Actuarial Losses / (Gain)	153,210	(40,510)
Past Service Cost		
Closing Defined Benefit Obligation	2,231,443	1,571,896
Change in Fair Value of Assets		
Opening Fair Value of Plan Assets	1,203,013	789,474
Expected Return on Plan Assets	114,288	83,949
Actuarial Gain/ (Losses)	16,417	12,954
Contributions by Employer	291,603	316,636
Closing Fair Value of Plan Assets	1,625,321	1,203,013
Expected Employer Contribution next year	800,000	700,000

Category of Assets (% Allocation)	(Amount in `)	%	%
	Year ended 31 March 2013	Year ended 31 March 2013	Year ended 31 March 2012
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	1,625,321	100%	100%
Others	0	0%	0%
Grand Total	1,625,321	100%	100%

(Amount in ₹)

Experience Adjustment	March 31, 2009	March 31, 2010	March 31, 2011
Defined Benefit Obligation	504,591	752,376	1,160,549
Plan Assets	556,124	606,175	789,474
Surplus/(Deficit)	51,533	(146,201)	(371,075)
Exp.Adj on plan Liabilities	-	36,894	91,726
Exp.Adj on plan Assets	14,221	4,980	8,504

Experience Adjustment	March 31, 2012	March 31, 2013
Defined Benefit Obligation	1,571,896	2,231,443
Plan Assets	1,203,013	1,625,321
Surplus/(Deficit)	(368,883)	(606,122)
Exp.Adj on plan Liabilities	24,190	(12,413)
Exp.Adj on plan Assets	12,954	16,417

Financial Assumptions As The Valuation Date	Year ended 31 March 2013	Year ended 31 March 2012
Discount Rate (p.a.)	8.05%	8.65%
Expected Rate of Return on Assets (p.a.)	7.50%	7.50%
Salary Escalation Rate (p.a.)	7.00%	7.00%

18.2 Long term Employee Benefits : Amount of ₹14,49,266/- (Previous Year ₹10,13,942/-) & Short term Employee Benefits : Amount of ₹1,62,405/- (Previous Year ₹1,19,973/-) is recognized as an expense towards Employee Benefits-Compensated Absences (Leave Encashment) included under the Note-18: 'Employee Benefit Expenses' in profit and loss account.

19	Finance Costs	Year ended March 31, 2013 ₹	Year ended March 31, 2012 ₹
	Interest - Other than Fixed Loans	3,334	26,991
	Total	3,334	26,991

20	Other Expenses	Year ended March 31, 2013 ₹	Year ended March 31, 2012 ₹
	VSAT, VPN and other Communication expenses	5,156,130	8,178,375
	Annual Maintenance Charges for Networking Equipment	3,646,780	3,152,882
	Annual Maintenance charges	295,223	397,555
	Board Meeting Expenses	505,251	720,238
	Brokerage for the rented premises	-	429,000
	Director Sitting Fees	260,000	340,000
	Reimbursement of actual Expenses (Refer Note 20.1 & 28)	2,332,832	7,438,838
	Management Fees to ISE (Refer Note 28)	6,000,000	6,000,000
	Business Development Expenses - ISE (Refer Note 28)	1,000,000	-
	Electricity Charges	2,395,533	750,284
	Telephone Expenses	445,610	708,622
	Security Charges	576,192	578,274
	Bad Debts/ Advances Written off Rs 22,29,147.88	-	-
	Less :-Provision written back Rs(22,29,147.88)	-	-
	Provision for Doubtful Debts - Expenses others	318,372	572,283
	Courier Charges	216,892	265,451
	Insurance	82,169	110,664
	Legal, Professional Charges and Contract charges	4,365,607	5,722,737
	Miscellaneous Expenses	1,643,385	2,412,405
	Membership charges	310,879	223,766
	Printing & Stationery	256,178	330,933
	Remuneration to Auditor (Refer Note 20.2)	535,019	493,965
	Rent	5,843,668	8,009,990
	Admission Fees - MCX-SX	1,000,000	-
	Fixed Assets Written off	1,937,095	103,565
	Sundry Balances Written off	978,591	9,820
	Repairs & Maintenance	762,824	307,806
	Total	40,864,229	47,257,451

20.1 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 Year was ₹44,75,611/- (Previous year ₹1,02,75,611/-). The detailed breakup for the same is as follows:

Particulars	31-3-2013 (₹)	31-3-2012 (₹)
Rent - ISE	938,182	914,927
Electricity Expenses - ISE	232,578	3,462,651
PLB - ISE	220,055	296,669
Retainers - ISE	192,731	141,386
Telephone & fax - ISE	158,237	179,214
Professional fees others - ISE	131,698	130,452
Courier & postage - ISE	111,397	107,419
Office refreshment - ISE	72,604	75,070
Repairs & maint/cleaning - ISE	43,322	281,670
Kra Service Charges (CDCLI Venture) - ISE	46,192	-
Conveyance - ISE	34,373	27,652
Employees Leave Travelling Allowances- ISE	22,215	-
Cleaning- ISE	22,159	104,817
Office stationary - ISE	20,775	33,302
Photocopy charges - ISE	23,079	10,671
Computer consumable - ISE	12,522	4,368
Pooja Expenses - ISE	12,487	3,321
Gift & publicity - ISE	11,546	11,255
Newspaper charges - ISE	6,674	3,273
Annual maintainance chs - ISE	6,884	43,569
Rates & Taxes - ISE	5,178	-
Training Expenses - ISE	3,057	500
Printing Charges - ISE	2,975	-
Stampduty ISE	900	2,410
Hiring Charges - ISE	375	-
Travelling Expenses - ISE	352	1,808
Diesel Consumption - ISE	250	-
Bank Charges- ISE	37	-
Brokerage - ISE	-	11,250
Lodging & boarding Expenses - ISE	-	818
Miscellaneous Expenses - ISE	-	24,010
Research employee cost - ISE	-	718,450
Research Expenses - ISE	-	339,112
Security charges - ISE	-	436,168
Staff welfare- ISE	-	1,422
Water consumption charges - ISE	-	71,204
Total Reimbursement of Expenses	2,332,832	7,438,838
Other Reimbursements		
Branches Salary	1,650,443	1,620,199
Mediclaime Insurance Premium	-	314,050
Service Tax	492,336	902,524
Total	2,142,779	2,836,773
Grand Total	4,475,611	10,275,611

20.2 Remuneration to Auditor (exclusive of Service tax as applicable) :

Particulars	Year ended 31-03-2013 (₹)	Year ended 31-3-2012 (₹)
Audit fees	400,000	400,000
For Tax Audit	75,000	75,000
For other services in respect of:		
Management Services/Others	58,510	12,000
Reimbursement of expenses	1,509	6,965
To Associate Firm		
Taxation related services	-	-
Total	535,019	493,965

21. 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.

22. Capital Commitment and Contingent Liability not provided for :

- i) 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.
- ii) Claim against the company not acknowledged as debts amounting to ₹17,38,972/-(Estimated) (Previous Year ₹22,99,729/-).
- iii) The company has issued perpetual indemnity in favor of Indusind Bank to the extent of ₹30,00,000/- (Previous year ₹30,00,000/-).
- iv) The company has received demands from the Income Tax Department for an amount of ₹99,38,892/- (Previous year : ₹31,80,527/-) for various disallowances of company's claim of expenditures 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.
- v) The company has received demands from the Income Tax Department regarding short payment of taxes for an amount of ₹54,14,764/- (Previous year ₹82,46,946) 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.
- vi) During the year company has received notice from Office of The Collector of Stamp, Enforcement-2, Mumbai for less payment of Stamp Duty on Transaction charges. In this regard company has submitted necessary details required by the authority and company has not received any reply from the authority.

23. Earnings per share:

Particulars	Year ended 31-3-2013	Year ended 31-3-2012
Net Profit/(Loss) after taxation attributable to equity shareholders	₹1,87,74,330	₹1,61,07,946
Weighted average outstanding number of equity shares (Face value Rs. 10/- per share)	55,00,000	55,00,000
Basic / diluted earnings per share of ₹ 10/- each	3.41	2.93

24. 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.

25. 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

26. 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, 2013 with the Exchanges as follows: (As certified by the management)

Amount in ₹

Particulars	Year ended 31-3-2013	Year ended 31-3-2012
NSE Cash Segment	7,06,50,438	7,68,42,535
BSE Cash Segment	2,93,20,458	4,32,00,469
NSE F&O Segment	12,41,71,245	7,94,08,727

27. 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.

28. 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:

(Amounts in ₹)

Sr. No	Nature of Transactions	Holding Company	Key Management Personnel	Total as on March 31, 2013	Total as on March 31, 2012
1	Rendering of Services (inclusive of Service Tax)	67,41,600	-	67,41,600	66,18,000
2	Reimbursement of Expenses (inclusive of service tax) –	44,75,611	-	44,75,611	1,02,75,611
3	DP Charges (inclusive of Service tax)	30,44,450	-	30,44,450	38,80,049
4	Rent (inclusive of Service tax)	NIL	-	NIL	22,50,120
5	Business Development	11,23,600	-	11,23,600	Nil
6	Dividend paid	1,01,75,000	-	1,01,75,000	82,50,000
7	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
8	Managerial Remuneration (Paid to Director & Officiating Director)	-	24,48,846	24,48,846	23,92,836
9	Reimbursement of expenses (Paid to Director & Officiating Director)	-	1,28,875	1,28,875	1,26,978
10	Amount Outstanding as at March 31, 2013				
	Loans (incl. interest) (Maximum outstanding during the year)	Nil	Nil	Nil	Nil
	Investment in Equity	5,50,00,000	Nil	5,50,00,000	5,50,00,000
	Managerial Remuneration	Nil	Nil	Nil	17,884
	Reimbursement of expenses	42,23,893	-	42,23,893	12,13,984
	Deposit with ISS	Nil	Nil	Nil	25,00,000

29. Operating Lease:

(a) Total of minimum lease payments

(Amounts in ₹)

Particulars	As at 31-Mar-13	As at 31-Mar-12
(i) Total of minimum lease payments	2,22,80,164	2,79,85,190
The total of future minimum lease payments under non-Cancelable		
Operating leases for period:		
Not later than one year	54,91,550	57,48,950
Later than one year and not later than five years	1,67,88,614	2,22,36,240
Later than five years	-	-
(b) Lease payments recognized in the statement of profit & loss for the year	58,43,668	80,09,990

(c) Details of lease Deposit

Place	Deposit (₹)	Period
Powerica Limited	25,50,000/-	5 years
Guest House	50,000/-	1 year
Godown	1,20,000/-	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.

30. Previous year amount has been re-grouped/re-classified and recast wherever necessary to confirm current year's classifications.

Signature to Notes 1 to 30

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
Designated Director

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

sd/-
Mayank Mehta
Company Secretary

Place: Kochi
Date: May 31, 2013

Place: Kochi
Date: May 31, 2013

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:	3/31/2013		

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	9,12,770	Total Assets	9,12,770
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Sources of Funds

Paid up Capital	55,000	Reserves & Surplus	77,836
Secured Loans	Nil	Unsecured Loans	Nil
Deferred Tax	Nil		

Application of Funds

Net Fixed Assets	4,755	Investments	6,710
Deferred Tax	4,782	Net Current Assets	56,146
Accumulated Losses	Nil		

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

Turnover	100,314	Total expenditure	72,176
Profit before Tax	28,138	Profit after Tax	18,774
Earnings per share	3.41	Dividend Rate	Nil

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

Item Code No.	Nil	Product Description	Nil
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INTENTIONALLY BLANK



ATTENDANCE SLIP

**Notice of the 15th Annual General Meeting of
Inter-connected Stock Exchange of India Limited to be held on
Thursday, September 26, 2013 at 11.30 am at Chandragupt Hall, 2nd Floor,
Hotel Abbott, Sector - 2, Near Meghraj Cinema Hall, Vashi, Navi Mumbai 400 703**

15th ANNUAL GENERAL MEETING

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

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

I hereby record my presence at the 15th Annual General Meeting of the company being held on **Thursday, September 26, 2013 at 11.30 am at Chandragupta 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, 5th Floor, Sector: 30, Vashi, Navi Mumbai - 400703

Regd. Folio No.	
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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 15th Annual General Meeting of the
company being held on **Thursday, September 26, 2013 at 11.30 am at Chandragupta 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 2013

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: invgrievise@iseindia.co.in