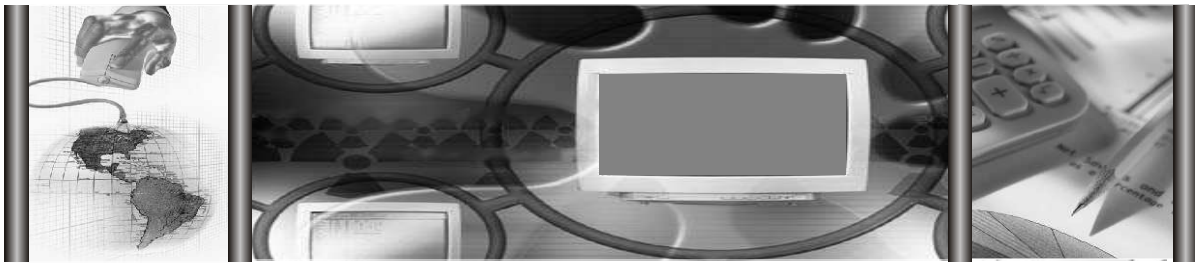


# ELEVENTH ANNUAL REPORT 2009-10



**ISE Securities & Services Limited**

(Wholly-owned subsidiary of ISE)

# CONTENTS

| Particulars  | Page No.  |
|--|-----------|
| <b>Corporate Information</b>   | <b>3</b>  |
| <b>Performance at a Glance</b>   | <b>5</b>  |
| <b>Directors' Report</b>   | <b>6</b>  |
| <b>Auditors' Report</b><br>(for the period April 1, 2009 to March 31, 2010)                      | <b>15</b> |
| <b>Balance Sheet</b><br>(as at March 31, 2010)   | <b>18</b> |
| <b>Profit &amp; Loss Account</b><br>(for the period April 1, 2009 to March 31, 2010)             | <b>19</b> |
| <b>Schedule forming part of the Accounts</b><br>(for the period April 1, 2009 to March 31, 2010) | <b>20</b> |
| <b>Abstract</b>  | <b>34</b> |

**content**

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### PUBLIC REPRESENTATIVE DIRECTORS

Shri Wahidul Hasan  
Shri Manubhai K. Parekh  
Shri George Joseph

### SHAREHOLDER REPRESENTATIVE DIRECTORS

Shri Cyriac Thomas  
Shri C. A. Venkatesan

### NOMINEE DIRECTOR OF ISE

Shri P. J. Mathew

### AUDIT COMMITTEE

#### Shri Manubhai K. Parekh

Public Representative Director, Chairman of the committee

#### Shri Wahidul Hasan,

Public Representative Director

#### Shri George Joseph,

Public Representative Director

#### Shri C. A. Venkatesan,

Shareholder Representative Director

#### Shri P. J. Mathew,

Designated Director

(Nominee of Inter-connected Stock Exchange of India Limited)

### CEO & WHOLE TIME DIRECTOR

Shri Sivaraman K. M.

### SECRETARIAL AND LEGAL

Smt. Manisha Thakur  
Company Secretary & Compliance Officer

### STATUTORY AUDITORS

M/s. A. J. Shah & Co.,  
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  
Vijaya Bank  
Citibank N.A.  
South Indian Bank Limited

### REGISTERED OFFICE

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





# PERFORMANCE AT A GLANCE

(all figures in ₹ lakh)

| Particulars                               | Financial Performance |               |               |               |               |
|---|-----------------------|---------------|---------------|---------------|---------------|
|   | 09-10                 | 08-09         | 07-08         | 06-07         | 05-06         |
| <b>Income</b>                             |                       |               |               |               |               |
| Net Operational Income                    | 368.98                | 294.41        | 462.25        | 355.47        | 333.08        |
| Interest                                  | 496.95                | 431.41        | 309.96        | 187.66        | 169.97        |
| Interest on Income Tax Refund             | -                     | -             | -             | -             | 0.43          |
| Networking Recoveries                     | 86.15                 | 91.20         | 91.48         | 121.55        | 101.09        |
| Annual Fees                               | 24.45                 | 22.40         | 24.90         | 15.89         | 21.14         |
| Other Income                              | 83.11                 | 79.80         | 74.01         | 57.66         | 58.91         |
| <b>Total Income</b>                       | <b>1059.66</b>        | <b>919.22</b> | <b>962.60</b> | <b>738.24</b> | <b>684.62</b> |
| <b>Expenditure</b>                        |                       |               |               |               |               |
| Administration & Operations Cost          | 315.42                | 361.62        | 344.15        | 281.16        | 240.71        |
| Networking Cost                           | 146.22                | 162.12        | 148.86        | 137.28        | 138.74        |
| Employee Cost                             | 162.12                | 155.04        | 176.55        | 143.61        | 89.70         |
| Finance Cost                              | 3.54                  | 11.18         | 15.26         | 18.98         | 7.24          |
| Rent to ISE                               | -                     | -             | -             | -             | -             |
| Re-imbursment of Exps for ISE assets used | -                     | -             | -             | -             | -             |
| Others                                    | 1.92                  | -             | 1.10          | 0.38          | 0.11          |
| Depreciation / Amortisation               | 152.25                | 62.91         | 80.63         | 83.63         | 94.19         |
| Preliminary Expenses written-off          | -                     | -             | -             | -             | -             |
| Expenses on Proposed Projects             | -                     | -             | -             | -             | -             |
| Contingency Expenses                      | -                     | -             | -             | -             | -             |
| <b>Total Expenditure</b>                  | <b>781.49</b>         | <b>752.88</b> | <b>766.55</b> | <b>665.06</b> | <b>570.69</b> |
| Profit / (Loss) before Taxation           | 278.16                | 166.34        | 196.04        | 73.19         | 113.93        |
| Provision for : Current Tax               | (130.00)              | (87.00)       | (101.06)      | (28.50)       | (2.79)        |
| : Deferred Tax Expenses)/Savings          | 33.12                 | 22.32         | 30.43         | 0.01          | (35.17)       |
| <b>Net Profit / (Loss) after Taxation</b> | <b>181.29</b>         | <b>101.66</b> | <b>125.42</b> | <b>44.70</b>  | <b>75.97</b>  |
| <b>Capital Structure</b>                  |                       |               |               |               |               |
| Share Capital                             | 550.00                | 550.00        | 550.00        | 550.00        | 550.00        |
| Reserves & Surplus                        | 486.09                | 349.84        | 280.34        | 193.54        | 196.52        |
| Net Fixed Assets                          | 148.77                | 251.81        | 297.93        | 347.52        | 352.27        |
| Investments                               | 67.10                 | 67.10         | 67.10         | 67.10         | 67.10         |
| Net Current Assets                        | 808.79                | 602.62        | 643.97        | 970.22        | 462.05        |
| <b>Networth</b>                           | <b>1036.09</b>        | <b>921.53</b> | <b>830.34</b> | <b>743.54</b> | <b>746.52</b> |
| <b>Earning per share (Rupees)</b>         | <b>3.30</b>           | <b>1.85</b>   | <b>2.25</b>   | <b>0.81</b>   | <b>1.38</b>   |

## Director's Report 2009-10

The Board of Directors of ISE Securities & Services Limited (ISS) are pleased to present the Eleventh Annual Report for the year ended March 31, 2010, together with the Auditors' Report and Audited Accounts for the Financial Year 200910.

### FINANCIAL PERFORMANCE

In the Financial year 2009-10 the Company has posted net profit of Rs.181.29 Lakhs. The company earned a total income of Rs.1059.66 lakhs during the year, compared to Rs. 919.22 lakhs during the previous year. Expenditure before depreciation, interest and tax during the year 2009-10 stood at Rs. 625.69 lakhs, compared to Rs. 678.78 lakhs during the preceding year. The other income earned during the year 2009-10 was Rs.83.11 lakhs, compared to Rs. 79.80 lakhs for the previous year. After considering interest, finance charges and depreciation, the increase of income over expenditure for the year 2009-10 was Rs.278.16 lakhs as compared to Rs. 166.34 lakhs for the previous year.

During the Financial year 2009-10 Rs.10 Lakhs is transferred to Reserves (Previous Year Rs.40 Lakhs).

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

While income increased, the expenditure also reduced from Rs 678.78 lakhs to Rs.625.69 lakhs. The profit increased from Rs. 166.34 lakh to Rs. 278.16 lakh.

| Comparative Financial Performance                   |               |               |               |               | (₹ in lakh)    |
|---|---------------|---------------|---------------|---------------|----------------|
| Particulars   | 2009-10       | 2008-09       | 2007-08       | 2006-07       | 2005-06        |
| Brokerage   | 368.98        | 294.41        | 462.25        | 355.48        | 333.08         |
| Other Income  | 690.67        | 624.81        | 500.35        | 382.76        | 351.53         |
| Expenditure before Depreciation, Interest and Tax   | 625.69        | 678.78        | 670.66        | 562.45        | 469.25         |
| <b>Profit before Depreciation, Interest and Tax</b> | <b>433.96</b> | <b>240.43</b> | <b>291.94</b> | <b>175.79</b> | <b>215.36</b>  |
| Interest and Finance Charges                        | 3.54          | 11.18         | 15.26         | 18.98         | 7.24           |
| Depreciation  | 152.25        | 62.91         | 80.63         | 83.62         | 94.19          |
| <b>Profit/(Loss) before Tax</b>                     | <b>278.16</b> | <b>166.34</b> | <b>196.05</b> | <b>73.19</b>  | <b>113.93</b>  |
| Provision for Tax                                   | (130.00)      | (87.00)       | (101.06)      | (28.50)       | (2.79)         |
| <b>: Deferred Tax Expenses)/Savings</b>             | <b>33.12</b>  | <b>22.32</b>  | <b>30.43</b>  | <b>0.01</b>   | <b>(35.17)</b> |
| <b>Profit/(Loss) after Tax</b>                      | <b>181.29</b> | <b>101.66</b> | <b>125.42</b> | <b>44.70</b>  | <b>75.97</b>   |
| Interim Dividend                                    | -             | 22.00         | -             | -             | -              |
| <b>Proposed Dividend</b>                            | <b>38.50</b>  | <b>5.50</b>   | <b>33.00</b>  | -             | <b>27.50</b>   |

## DIVIDEND

The Board of Directors at their meeting held on 6th August, 2010 recommended payment of dividend, for the year ended March 31, 2010, of 7% on 55,00,000 equity shares of Rs. 10/- each subject to approval of the shareholders.

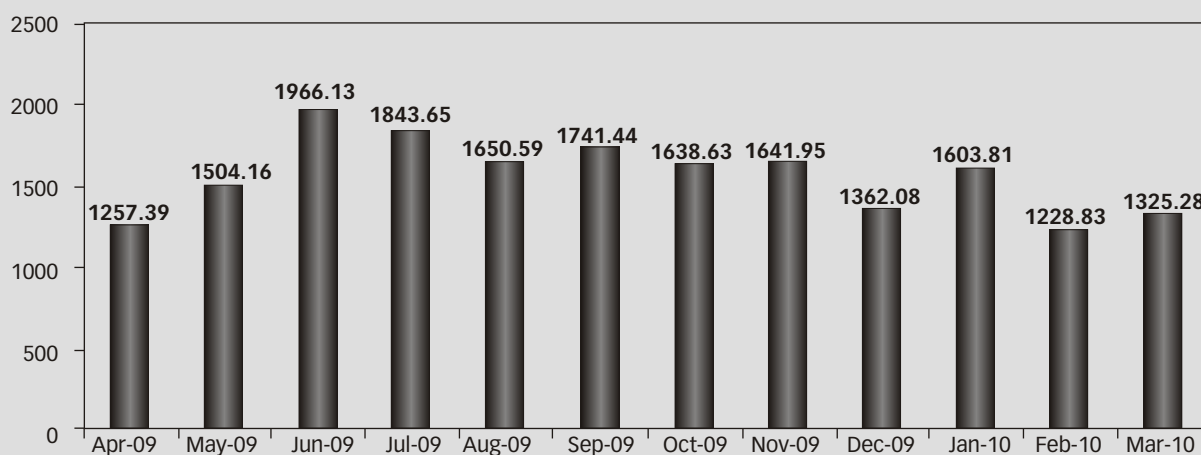
## OPERATIONAL HIGHLIGHTS

During the year 2009-10, the Company recorded a turnover of Rs. 18,763 crores in the NSE capital market (CM) segment and Rs. 18,935 crores in the NSE futures & options (F&O) segment, aggregating to Rs. 37,698 crores. The corresponding figures for the preceding year were Rs. 14,234 crores in the CM segment and Rs. 15,738 crores in the F&O segment, i.e. a total of Rs. 29,972 crores. During the year 2009-10, turnover of Rs. 8,026 crores was recorded in BSE Equities segment. The corresponding figure for the preceding year was Rs. 5,222 crores. The turnover of NSE CM segment, NSE F&O segment and BSE Equities segment taken together was recorded at Rs.45,725 crores during the year 2009-10. The corresponding figure for the preceding year was Rs. 35,195 crores.

The month-wise statistics of the Company for the financial year in the Capital Market and Equity Derivatives (F&O) segments of NSE and Equities Segment of BSE are given below and the same are also represented below diagrammatically:

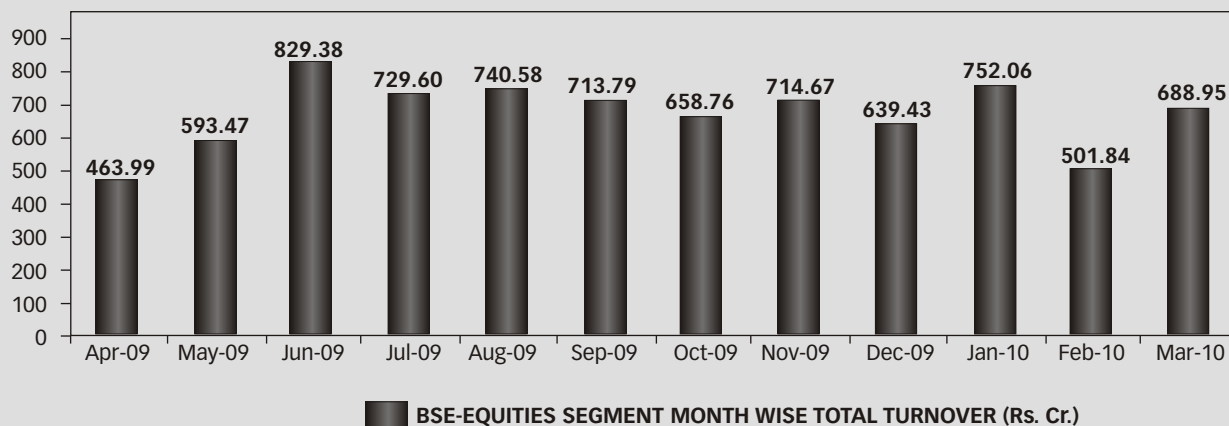
| Month                | NSE Capital Market, Futures & Options segments and BSE Equities segment |                |                       |                 |                       |              |                       |
|----------------------|---|----------------|-----------------------|-----------------|-----------------------|--------------|-----------------------|
|                      | Total Turnover (Rs. Cr.)  |                |                       |                 | Active Intermediaries |              |                       |
|                      | NSE Capital Market  | BSE Equities   | NSE Futures & Options | Total           | NSE Capital Market    | BSE Equities | NSE Futures & Options |
| April-2009           | 1257.39   | 463.99         | 1033.91               | 2755.29         | 204                   | 186          | 93                    |
| May                  | 1504.16   | 593.47         | 1430.59               | 3528.22         | 205                   | 194          | 92                    |
| June                 | 1966.13   | 829.38         | 1761.61               | 4557.12         | 205                   | 195          | 99                    |
| July                 | 1843.65   | 729.60         | 1392.99               | 3966.24         | 211                   | 191          | 99                    |
| August               | 1650.59   | 740.58         | 1552.72               | 3943.89         | 210                   | 194          | 96                    |
| September            | 1741.44   | 713.79         | 1883.27               | 4338.50         | 206                   | 226          | 97                    |
| October              | 1638.63   | 658.76         | 1908.85               | 4206.24         | 210                   | 196          | 105                   |
| November             | 1641.95   | 714.67         | 1638.94               | 3995.56         | 209                   | 193          | 104                   |
| December             | 1362.08   | 639.43         | 1802.45               | 3803.96         | 216                   | 192          | 103                   |
| January -2010        | 1603.81   | 752.06         | 2183.82               | 4539.69         | 217                   | 188          | 104                   |
| February             | 1228.83   | 501.84         | 1356.44               | 3087.11         | 213                   | 185          | 101                   |
| March                | 1325.28   | 688.95         | 989.94                | 3004.17         | 215                   | 187          | 101                   |
| <b>Total 2009-10</b> | <b>18763.94</b>   | <b>8026.52</b> | <b>18935.53</b>       | <b>45725.99</b> |                       |              |                       |
| Total 2008-09        | 14234.57  | 5222.98        | 15738.12              | 35195.67        |                       |              |                       |
| Total 2007-08        | 20332.64  | 7923.24        | 27726.24              | 55982.12        |                       |              |                       |

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

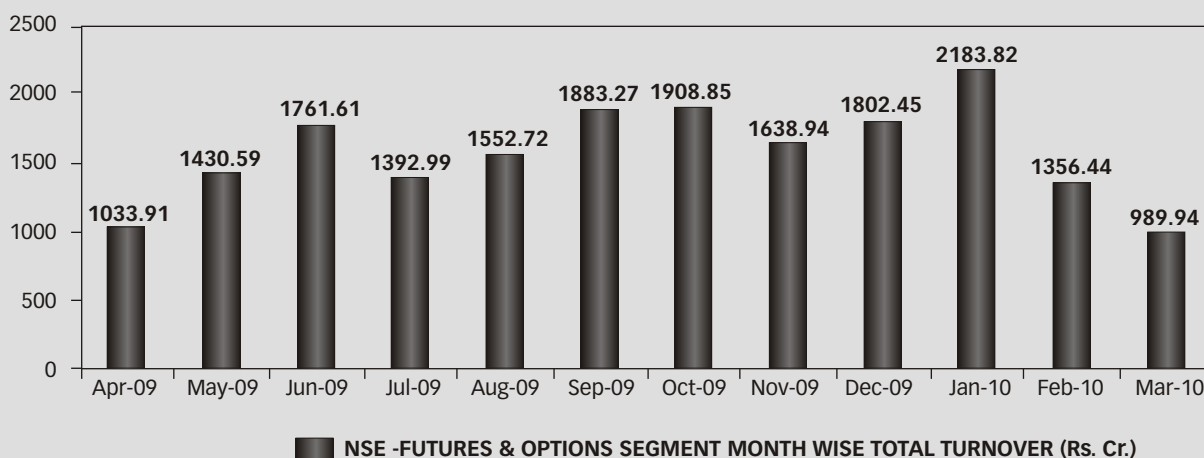


■ NSE-CAPITAL MARKET SEGMENT MONTH WISE TOTAL TURNOVER (Rs. Cr.)

### ISS Turnover on BSE (Equities Segment)



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



## TECHNOLOGY AND SYSTEMS

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

The Company uses cutting edge networking technologies, which has helped us to improve the efficiency of the network and is cost effective. The Company uses Fort iGATE firewall, which is the latest technology in network security system. All web-based servers and network are secured from external attacks through this firewall. Centralized anti-virus and anti-spam has been installed during the year. The Company has purchased and installed high end IBM servers for providing smooth functioning of the Back-office software and the Trading System. We have implemented PSEC-VPN for providing faster broadcast to Sub-brokers.

In order to provide reliable and speedy connectivity to intermediaries, the Company has decentralized its trading activities at Coimbatore and Kolkata.

The Company has introduced Internet trading facility for both, clients as well as sub-brokers using the software provided by BSE and NSE called "FASTRADE" and "NOW".

The Company endeavors to constantly upgrade its software and hardware to provide better services to the clients.

## NEW LAUNCHES IN 2009-10

The Company has registered itself in Currency Derivatives segment of NSE and MCX-SX and operations under these segments will begin shortly. Company has also registered with AMFI (Association of Mutual Funds in India) as Mutual Fund Advisor and very soon will undertake the activity of distributing mutual fund schemes through Stock Exchange trading platform of BSE and NSE. Documentation for



obtaining trading membership of Currency Derivatives segment of United Stock Exchange of India Ltd. (USE) is under process.

## OPERATIONS OF THE COMPANY

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

| PARTICULARS   | NSE | BSE |
|---|-----|-----|
| No. of sub-brokers registered in ISS as on 31.03.2009.<br>(includes Resignation of previous year) | 502 | 307 |
| Fresh Registrations   | 15  | 22  |
| Resignations upto 31.03.2010  | 25  | 12  |
| Position as on 31.03.2010   | 492 | 317 |
| Change (+/-)  | -10 | 10  |

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-broker registration as on July 24, 2010

| Sr. No. | Particulars   | No. of applications pending        |                           |                        |
|---------|---|------------------------------------|---------------------------|------------------------|
|         |   | NSE<br>(Capital Market<br>Segment) | BSE (Equities<br>Segment) | NSE<br>(F & O Segment) |
| 1.      | Documents pending from sub-broker applicants          | NIL                                | 01                        | 04                     |
| 2.      | Applications under process by ISS (received recently) | NIL                                | NIL                       | NIL                    |
| 3.      | Applications pending at NSE                           | 03                                 | -                         | NIL                    |
| 4.      | Applications pending at BSE                           | -                                  | 06                        | -                      |
| 5.      | Applications pending at SEBI                          | 04                                 | 03                        | -                      |
|         | Total   | 07                                 | 10                        | 04                     |

The distribution of intermediaries across the different geographical regions of the country as on March 31, 2010 is as given below.

| Geographical distribution of Registered Intermediaries |         |  |                 |            |                                 |
|--|---------|--|-----------------|------------|---------------------------------|
| Sr. No.  | Region  | States   | Trading Members |            | Authorised Persons<br>(NSE F&O) |
|  |         |  | NSE             | BSE        |                                 |
| 1.   | West    | Goa, Gujarat, Maharashtra  | 196             | 115        | 84                              |
| 2.   | North   | Haryana, Jammu & Kashmir, Delhi, Punjab, Rajasthan, Uttaranchal and Uttarpradesh | 82              | 54         | 25                              |
| 3.   | East    | Assam, Bihar, Jharkhand, Orissa and West Bengal                                  | 144             | 110        | 49                              |
| 4.   | South   | Andhra Pradesh, Karnataka, Kerala and Tamilnadu                                  | 50              | 24         | 24                              |
| 5.   | Central | Chattisgarh and Madhya Pradesh   | 20              | 14         | 9                               |
|  |         | <b>TOTAL</b>   | <b>492</b>      | <b>317</b> | <b>191</b>                      |

## OUTLOOK FOR THE YEAR 2010-11

The outlook for the future is promising. The current back-office software will be shortly replaced by new software named "SPARC", developed by Geojit Technologies Pvt. Ltd., in order to provide better services and access to its clients and sub-brokers and to improve internal controls.

The Directors of the company have emphasized the need to provide better services to the clients and sub-brokers. They are, therefore, closely monitoring the process of redressing investor grievance in order to ensure that all complaints are resolved speedily and effectively. In addition to the existing activities of securities trading, clearing and settlement, the Company proposes to exploit opportunities offered by the dynamic Indian Capital Market. The Company shall commence operations in Currency Derivatives segment of NSE and MCX-SX soon. Also it will be undertaking activity of Mutual Fund Distribution as a registered Mutual Fund Advisor through

exchange platform provided by NSE & BSE. The Company has also applied to United Stock Exchange (USE) for Trading Membership in Currency Derivatives segment.

## 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 and back office operations are carried from premises taken on rent which is located at F-102, International Infotech Park, Vashi. Apart from the Head office located at Vashi, decentralized support is provided to the intermediaries through Branch Offices located at Delhi, Kolkata, Nagpur, Coimbatore, Hyderabad, Manglore, Gauhati and Patna.

The present premises is not adequate for the operational requirements of the company hence it is proposed to purchase office premises at Navi Mumbai. The property purchase shall be partially funded through available resources and the balance would be sourced through a Bank Loan. The borrowing shall be secured by fixed and floating assets of the company, approval of the Members, in this regard, has been sought at the forthcoming AGM.

## COMPLAINTS REDRESSAL, ARBITRATION AND LEGAL CASES

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

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

## SHARE CAPITAL

The present Shareholding pattern of your company is as follows:

| Sr. No. | Shareholder's Name  | Number of shares held | Face value per share (Rs.) | 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 (Nominiee of Inter- connected Stock Exchange of India Limited) | 1                     | 10                         | 10                 | 0.000018          |
| 3       | Shri Jayakrishna Padiyar (Nominiee of Inter- connected Stock Exchange of India Limited)   | 1                     | 10                         | 10                 | 0.000018          |
| 4       | Shri Krishna Wagle (Nominiee of Inter- connected Stock Exchange of India Limited)         | 1                     | 10                         | 10                 | 0.000018          |
| 5       | Ms. Sheenamol Varghese (Nominiee of Inter- connected Stock Exchange of India Limited)     | 1                     | 10                         | 10                 | 0.000018          |
| 6       | Shri Milind Nigam (Nominiee of Inter- connected Stock Exchange of India Limited)          | 1                     | 10                         | 10                 | 0.000018          |
| 7       | Shri P. J. Mathew (Nominiee of Inter- connected Stock Exchange of India Limited)          | 3                     | 10                         | 30                 | 0.000056          |
| 8       | Shri Gopal Krishna Singh (Nominiee of Inter- connected Stock Exchange of India Limited)   | 1                     | 10                         | 10                 | 0.000018          |
| 9       | Shri K. Rajendran Nair (Nominiee of Inter- connected Stock Exchange of India Limited)     | 1                     | 10                         | 10                 | 0.000018          |
|         | <b>TOTAL</b>  | <b>55,00,000</b>      | <b>10</b>                  | <b>5,50,00,000</b> | <b>100.000000</b> |



## CHANGES IN THE BOARD OF DIRECTORS

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

| Sr. No. | Name of the Director    | Status  | Date of Appointment / Re-appointment |
|---------|-------------------------|---|--------------------------------------|
| 1.      | Shri Manubhai K. Parekh | Public Representative Director  | October 21, 2008                     |
| 2.      | Shri Wahidul Hasan      | Public Representative Director  | October 21, 2008                     |
| 3.      | Shri George Joseph      | Public Representative Director  | October 21, 2008                     |
| 4.      | Shri C. A. Venkatesan   | Shareholder Representative Director   | September 04, 2009                   |
| 5.      | Shri Cyriac Thomas      | Shareholder Representative Director   | October 21, 2008                     |
| 6.      | Shri P. J. Mathew       | Director [Nominee of Inter-connected Stock Exchange of India Limited (ISE)] | October 17, 2007                     |
| 7.      | Shri Sivaraman K. M.    | Chief Executive Officer / Whole Time Director                               | January 29, 2010                     |

Shri Vivekananda Pattanayak ceased to be a director with effect from September 04, 2009 upon completion of two consecutive terms as Shareholder Representative Director of the company. Shri Rohit Kumar Mangla, Chief Executive Officer and Director, resigned from the company with effect from July 13, 2009.

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

- Shri P.J. Mathew, Managing Director / Nominee of Parent Exchange and Shri Sivaraman K.M., Whole-time Director, are not liable to retire by rotation.
- Shri Wahidul Hasan, 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. Among the Shareholder Representative Directors, Shri Cyriac Thomas held office since October 21, 2008, while Shri C.A. Venkatesan was appointed on 4th September, 2009. Shri Cyriac Thomas held office for a longer term; hence he shall retire by rotation at the ensuing AGM.

During the period under review, the following Board Meetings were held:

| Board Meeting No. | Date               |
|-------------------|--------------------|
| 81                | April 29, 2009     |
| 82                | June 17, 2009      |
| 83                | July 10, 2009      |
| 84                | July 18, 2009      |
| 85                | September 04, 2009 |
| 86                | September 30, 2009 |
| 87                | November 20, 2009  |
| 88                | December 16, 2009  |
| 89                | January 29, 2010   |
| 90                | March 11, 2010     |
| 91                | June 23, 2010      |

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

During the period April 01, 2009 to July 24, 2010, the Board of Directors met 11 times. The attendance record of the Directors at each Board Meeting and the last Annual General Meeting held on September 04, 2009 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 10th AGM |
|---------|---|--|--------------------------------|--------------------|
| 1.      | Shri Manubhai K. Parekh<br><i>Public Representative Director</i>          | 11   | 10                             | Present            |
| 2.      | Shri Wahidul Hasan<br><i>Public Representative Director</i>               | 11   | 10                             | Present            |
| 3.      | Shri George Joseph<br><i>Public Representative Director</i>               | 11   | 10                             | Absent             |
| 4.      | Shri Vivekananda Pattanayak<br><i>Shareholder Representative Director</i> | 5  | 1                              | Present            |
| 5.      | Shri C. A. Venkatesan<br><i>Shareholder Representative Director</i>       | 7  | 7                              | N.A.               |
| 6.      | Shri Cyriac Thomas<br><i>Shareholder Representative Director</i>          | 11   | 11                             | Present            |
| 7.      | Shri P. J. Mathew<br><i>Director</i>                                      | 11   | 11                             | Present            |
| 8.      | Sivaraman K. M.,<br><i>Chief Executive Officer / Whole Time Director</i>  | 3  | 3                              | N.A.               |
| 9.      | Shri Rohit Kumar Mangla<br><i>Chief Executive Officer / Director</i>      | 3  | 3                              | N.A.               |

## GENERAL BODY MEETINGS

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

The last three Annual General Meetings i.e. 8th, 9th and 10th Meetings of the Company were held on the following dates

8th AGM: June 28, 2007 (at the Registered Office of the Company)

9th AGM: September 02, 2008 (at the Registered Office of the Company)

10th AGM: September 04, 2009 (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 appointment of Shri C. A. Venkatesan, new Shareholder Representative Director, the Audit Committee was reconstituted at 85th Board Meeting held on September 04, 2009. The present members of the Committee are Shri Manubhai K. Parekh (Chairman of the Committee), Shri Wahidul Hasan, Shri George Joseph, Shri C. A. Venkatesan and Shri P. J. Mathew. The role, powers and functions of the Audit Committee are as stated below:

- Monitor the internal controls to ensure the integrity of the financial performance reported to the shareholders.
- Provide by way of regular meetings, a line of communication between the Board and the Statutory & Internal Auditors.
- Consider the appointment of the Statutory and Internal Auditors.
- Review the interim and full year financial statements 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, 2009 to July 24, 2010, the Audit Committee met 5 times i.e. on June 17, 2009, July 17, 2009, November 20, 2009, March 11, 2010 and June 23, 2010. 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 | 5   | 5   |
| 2.      | Shri Wahidul Hasan      | 5   | 4   |
| 3.      | Shri George Joseph      | 5   | 5   |
| 4.      | Shri C. A. Venkatesan   | 3   | 3   |
| 5.      | Shri Cyriac Thomas      | 2   | 2   |
| 6.      | Shri P. J. Mathew       | 5   | 5   |

## AUDITORS

M/s. A. J. Shah & Co., Chartered Accountants, were appointed by the Members in the Tenth Annual General Meeting as Statutory Auditors to hold office from the conclusion of the Tenth Annual General Meeting till the conclusion of the forthcoming (Eleventh) Annual General Meeting.

The qualification in the Auditors' Report for the year ended March 31, 2010 is as follows:

*As stated in para 15 in Schedule 16 Significant Accounting Policies and the Other Notes forming parts of accounts, Sundry Debtors balances, unadjusted items in bank reconciliation, 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 view of that the effect is not ascertainable, we are unable to comment on the effect of the same on the present financial statements.*

The Board of Directors took note of all the observations of the Auditor in their Report and Annexure thereto for the year ended March 31, 2010. Their directions in this regard are given below:

1. As on date reconciliation is being carried out daily through a partially automated process. Reconciliation is expected to be automated during the year though the new back-office software "SPARC". As on the date of the Annual Report, all Sundry Debtors balances, unadjusted items in bank reconciliation, Client Obligations and balance in the Dividend Client Account, Deposits have been reconciled. The unadjusted items in the Bank Reconciliation will be posted before September 30, 2010.
2. The Board of Directors shall closely monitor the progress with regard to the observations of the Auditor and shall ensure that the company further strengthens its Internal Controls.

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

## INTERNAL CONTROL SYSTEMS AND ADEQUACIES

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

## 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.

The disclosure specified under Schedule XIII of the Companies Act, 1956 regarding the remuneration and perquisites payable to Shri Sivaraman K. M. are given below:

Amount in Rs.

| CTC Calculations of remuneration for Shri. Sivaraman K. M. |  |                    |
|--|--|--------------------|
| (Scale: Rs.75,000/- - Rs.6,000/- - Rs.1,05,000/-)          |  |                    |
| Basic  |  | 87,000/-           |
| House Rent Allowance                                       | @ 20% of the Basic Salary per month                            | 17,400/-           |
| Transportation Allowance                                   | @ 4.17% of the Basic Salary per month                          | 3,625/-            |
| Medical Re-imbusement                                      | @ 4.17% of the Basic Salary per month                          | 3,625/-            |
| <b>Gross Monthly</b>                                       |  | <b>1,11,650/-</b>  |
| <b>Gross Yearly</b>  |  | <b>13,39,800/-</b> |
| Provident Fund   | @ 12% of the Basic Salary                                      | 1,25,280/-         |
| Gratuity / Ex-gratia                                       | @ half months' Basic Salary for each completed year of service | 43,500/-           |
| <b>CTC</b>   |  | <b>15,08,580/-</b> |
| Variable salary:   |  |                    |
| Fixed Performance Linked Bonus (payable half yearly)       |  | 3,41,420/-         |
|  |  | <b>18,50,000/-</b> |

#### 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, 2010 and Profit & Loss Account for the year ended March 31, 2010;
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.

#### 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 and BSE for their unstinted support at all times.

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

The Board wishes to place on record its appreciation for the excellent services rendered by Shri Vivekananda Pattanayak who served as Shareholder Representative Director of the company from April 26, 2007 till September 04, 2009.

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:** August 06, 2010  
**Place:** Vashi, Navi Mumbai

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

Sd/-  
**Sivaraman K. M**  
Chief Executive Officer/Director



# AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of ISE Securities and Services Limited as at 31st March 2010 and also the Profit and Loss Account and the Cash Flow Statement for the period ended 31st March 2010. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, (here in after referred to as "the Order") issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. *As stated in para 15 in Schedule 16 Significant Accounting Policies and the Other Notes forming parts of accounts, Sundry Debtors balances, unadjusted items in bank reconciliation, 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 view of the fact that the effect is not ascertainable, we are unable to comment on the effect of the same on the present financial statements.*
5. Further to our comments in the annexure referred to above, 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 and Profit and Loss Account 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, 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi. **Subject to Para 4 stated above**, in our opinion and to the best of our information and according to the explanations given to us, the said accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
    - a. In the case of Balance Sheet of the state of affairs of the company as at 31st March 2010;
    - b. In the case of Profit and Loss Account of the profit for the year ended on that date; and
    - c. In the case of Cash Flow Statement, of the Cash flows for the period ended on that date.

**For A. J. SHAH & COMPANY,**  
Chartered Accountants  
**FRN 109476W**

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

**PLACE:** Mumbai  
**DATE:** August 06, 2010



## Annexure to the Auditors' Report

**With reference to the Annexure referred to in paragraph 3 of the report of the Auditors' to the Members of ISE Securities & Services Ltd. on the accounts for the year ended 31st March 2010, we report that:**

- (i) (a) *The Company has not maintained proper records showing full particulars including quantitative details and situation of its fixed assets.*
  - (b) *During the year the Management has not verified the Fixed Assets.*
  - (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. However in our opinion internal control system for the operation of the company needs to be strengthened.*
- (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 2010, 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 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             |
|---|---------------------------------------|--|---|
| Rs.8.04 Lacs  | Income tax Appellate Tribunal. (ITAT) | Recognition of Income and Expenses       | Financial Year 2003-04 (Assessment Year 2004-05).   |
| Rs. 6.7 Lacs (Net of Rs 13.04 Refund of A.Y 2006-07). | Income tax Appellate Tribunal. (ITAT) | Recognition of Income and Expenses       | Financial Year 2004-2005 (Assessment Year 2005-06). |
| Rs.42.62 Lacs   | Commissioner of Income Tax (Appeal)   | Recognition of Income and Expenses       | Financial Year 2007-08 (Assessment Year 2008-09).   |
| Rs.77.20 Lacs   | Commissioner of Service Tax           | Service Tax                              | October 2004 to September 2009                      |

- (x) The company does not have accumulated losses as at 31st March 2010 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) Clause 4(xiii) of the Order is not applicable to the Company as the Company is not a chit fund company or Nidhi /mutual benefit fund / society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. In respect of securities devolved on the company, adequate records have been maintained on a timely basis by the company. The securities are held in the name of the company.
- (xv) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanation given to us and based on our audit procedures, the Company has not raised any term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- (xix) According to the information and explanations given to us and based on our audit procedures, the Company has not issued any debentures. Accordingly, clause 4 (xix) of the order is not applicable.
- (xx) According to the information and explanations given to us, the Company has not raised any money by public issues during the year.
- (xxi) To the best our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year, although there are instances where sub-brokers / clients accounts have become doubtful of recovery consequent upon erroneous credit / fraudulent activity.

**For A. J. SHAH & COMPANY,**  
Chartered Accountants  
**FRN 109476W**

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

**PLACE:** Mumbai  
**DATE:** August 06, 2010



# ISE Securities & Services Limited

## BALANCE SHEET AS AT MARCH 31, 2010

| Particulars   | Schedule | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|---|----------|-------------------------------------|-------------------------------------|
| <b>Sources of funds</b>   |          |                                     |                                     |
| <b>Shareholders' funds</b>  |          |                                     |                                     |
| Share Capital   | 1        | 55,000,000                          | 55,000,000                          |
| Reserves & Surplus  | 2        | 48,609,146                          | 34,984,079                          |
| <b>Loan Funds</b>   |          |                                     |                                     |
| Secured Loans   | 3        | -                                   | -                                   |
| Deferred Tax Liability (Net)  | 6        | -                                   | 2,169,016                           |
| <b>Total</b>  |          | <b>103,609,146</b>                  | <b>92,153,095</b>                   |
| <b>Applications of fund</b>   |          |                                     |                                     |
| <b>Fixed assets (at cost)</b>   |          |                                     |                                     |
| Gross block   | 4        | 67,004,443                          | 63,161,059                          |
| Less: Accumulated Depreciation / Amortisation                                     |          | 53,451,344                          | 38,366,315                          |
| <b>Net block</b>  |          | <b>13,553,099</b>                   | <b>24,794,744</b>                   |
| Capital Work in Progress  |          | 1,323,600                           | 386,168                             |
|   |          | <b>14,876,699</b>                   | <b>25,180,912</b>                   |
| Investments (at cost)   | 5        | 6,710,005                           | 6,710,005                           |
| Deferred Tax Asset (Net)  | 6        | 1,143,433                           | -                                   |
| <b>Current Assets, Loans and Advances</b>   |          |                                     |                                     |
| <b>Current Assets</b>   |          |                                     |                                     |
| Sundry Debtors  | 7        | 156,154,975                         | 56,370,571                          |
| Cash and Bank Balances  | 8        | 613,577,935                         | 455,235,310                         |
| Loans and Advances  | 9        | 101,052,484                         | 122,541,388                         |
| Securities in Hand<br>(Refer note 4 of Schedule 16 part C)                        |          | 859,400                             | -                                   |
|   |          | 871,644,794                         | 634,147,269                         |
| Less: Current Liabilities and Provisions  | 10       |                                     |                                     |
| Current Liabilities   |          | 761,462,111                         | 562,276,644                         |
| Provisions  |          | 29,303,674                          | 11,608,447                          |
| <b>Net Current Assets</b>   |          | <b>80,879,009</b>                   | <b>60,262,178</b>                   |
| <b>Total</b>  |          | <b>103,609,146</b>                  | <b>92,153,095</b>                   |
| <b>Significant Accounting Policies<br/>and Notes forming part of the Accounts</b> | 16       |                                     |                                     |

As per our attached Report of even date

For and on behalf of the Board of Directors

For A. J. Shah & Co.,  
Chartered Accountants

Sd/-  
P J Mathew  
Director

Sd/-  
Sivaraman K M  
CEO & Whole Time Director

s/d  
(Hiren Shah)  
Partner  
Membership No. 100052

Sd/-  
Manisha Thakur  
Company Secretary

Place: Mumbai  
Date: August 06, 2010

Place: Vashi, Mumbai  
Date: August 06, 2010



# ISE Securities & Services Limited

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

| Particulars   | Schedule | Year ended<br>March 31, 2010<br>(Rupees) | Year ended<br>March 31, 2010<br>(Rupees) | Year ended<br>March 31, 2009<br>(Rupees) |
|---|----------|--|--|--|
| <b>Income</b>   |          |  |  |  |
| Brokerage   |          | 325,242,367                              |  | 187,821,125                              |
| Less: Commission to Subbrokers/ Authorised Persons  |          | 288,343,461                              |  | 158,379,673                              |
| Interest on FDR<br>(Tax deducted at source: Rs. 54,51,019, Previous Year 84,59,766/-)                                       |          |  | 36,898,906<br>49,695,792                 | 29,441,452<br>43,140,829                 |
| Networking recoveries   |          |  | 8,615,690                                | 9,120,156                                |
| Annual fees   |          |  | 2,445,000                                | 2,240,000                                |
| Other income  | 11       |  | 8,311,035                                | 7,980,343                                |
| <b>Total</b>  |          |  | <b>105,966,423</b>                       | <b>91,922,780</b>                        |
| <b>Expenditure</b>  |          |  |  |  |
| Employee Cost   | 12       |  | 16,212,557                               | 15,504,051                               |
| Communication & Networking Expenses   | 13       |  | 14,622,137                               | 16,211,629                               |
| Administration and Operational Expenses   | 14       |  | 31,542,385                               | 36,162,333                               |
| Finance Costs   | 15       |  | 354,085                                  | 1,118,470                                |
| Reduction in the value of securities in hand  |          |  | 192,504                                  | -  |
| Depreciation / Amortisation on Fixed Assets   |          |  | 15,225,829                               | 6,291,761                                |
| <b>Total</b>  |          |  | <b>78,149,497</b>                        | <b>75,288,244</b>                        |
| <b>Profit / (Loss) before Taxation</b>  |          |  | <b>27,816,926</b>                        | <b>16,634,536</b>                        |
| <b>Prior period income/expense (net)</b>  |          |  | -  | -  |
| Provision for: Current Tax  |          |  | (13,000,000)                             | (8,500,000)                              |
| Deferred Tax (Expense)/Savings  |          |  | 3,312,449                                | 2,231,977                                |
| Fringe Benefit Tax  |          |  |  | (200,000)                                |
| <b>Net Profit / (Loss) after Taxation</b>   |          |  | <b>18,129,375</b>                        | <b>10,166,513</b>                        |
| <b>Balance brought forward from previous year</b>   |          |  | 9,484,079                                | 6,534,929                                |
| <b>Surplus in profit and loss account available for appropriation</b>   |          |  | <b>27,613,454</b>                        | <b>16,701,442</b>                        |
| Less: Interim Dividend  |          |  |  | 2,200,000                                |
| Less: Tax on Interim Dividend   |          |  |  | 373,890                                  |
| Less: Proposed Dividend   |          |  | 3,850,000                                | 550,000                                  |
| Less: Tax on Proposed Dividend  |          |  | 654,308                                  | 93,473                                   |
| Less: Transfer to General Reserve   |          |  | 1,000,000                                | 4,000,000                                |
| <b>Surplus in Profit and Loss Account carried to Balance Sheet</b>  |          |  | <b>22,109,146</b>                        | <b>9,484,079</b>                         |
| <b>Basic &amp; Diluted Earnings Per Share of Rs. 10/- each (In Rupees)</b><br>(Refer Pt. 14 of Part C of Notes to Accounts) |          |  | <b>3.30</b>                              | <b>1.85</b>                              |
| <b>Significant Accounting Policies and Notes forming part of the Accounts</b>   | 16       |  |  |  |

As per our attached Report of even date

For and on behalf of the Board of Directors

For A. J. Shah & Co.,  
Chartered Accountants

Sd/-  
**P J Mathew**  
Director

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

s/d  
**(Hiren Shah)**  
Partner  
Membership No. 100052

Sd/-  
**Manisha Thakur**  
Company Secretary

Place: Mumbai  
Date: August 06, 2010

Place: Vashi, Mumbai  
Date: August 06, 2010



# ISE Securities & Services Limited

## Schedules forming part of the Balance Sheet

### Schedule 1 : Share Capital

| Particulars  | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|--|-------------------------------------|-------------------------------------|
| <b>Authorised</b><br>60,00,000 Equity Shares of Rs. 10/- each  | 60,000,000                          | 60,000,000                          |
| <b>Issued, Subscribed and Fully paid-up</b><br>55,00,000 Equity Shares of Rs.10/- each fully paid-up in cash<br>(100% held by Inter-connected Stock Exchange of India Ltd<br>and its nominees) | 55,000,000                          | 55,000,000                          |
| <b>Total</b>   | <b>55,000,000</b>                   | <b>55,000,000</b>                   |

### Schedule 2 : Reserves & Surplus

| Particulars   | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|---|-------------------------------------|-------------------------------------|
| <b>General Reserves:</b><br>As Per Last Balance Sheet | 25,500,000                          | 21,500,000                          |
| Add: Transfer from Profit and Loss Accounts           | 1,000,000                           | 4,000,000                           |
|   | 26,500,000                          | 25,500,000                          |
| Surplus in Profit & Loss Account                      | 22,109,146                          | 9,484,079                           |
| <b>Total</b>  | <b>48,609,146</b>                   | <b>34,984,079</b>                   |

### Schedule 3 : Secured Loans

| Particulars   | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|---|-------------------------------------|-------------------------------------|
| <b>From Banks</b><br>(Overdraft facility secured by bank fixed deposit receipts.)<br>Refer Note 8 of Schedule 16 Part C | -                                   | -                                   |
| <b>Total</b>  | <b>-</b>                            | <b>-</b>                            |

### Schedule 4 : Fixed Assets

(In Rupees)

| Particulars                                   | Gross Block (At Cost) |                  |                |                     | Depreciation/Amortisation |                   |                |                     | Net Block           |                     |
|---|-----------------------|------------------|----------------|---------------------|---------------------------|-------------------|----------------|---------------------|---------------------|---------------------|
|   | As at<br>01-04-2009   | Additions        | Deductions     | As at<br>31-03-2010 | Upto<br>31-3-2009         | For the Year      | Deductions     | As at<br>31-03-2010 | As at<br>31-03-2010 | As at<br>31-03-2009 |
| <b>Tangible Assets :</b>                      |                       |                  |                |                     |                           |                   |                |                     |                     |                     |
| Computers                                     | 17,041,836            | 1,558,807        | 140,800        | 18,459,843          | 9,728,543                 | 7,658,768         | 140,800        | 17,246,511          | 1,213,332           | 7,313,293           |
| Mobile phones                                 | 159,398               | 24,990           |                | 184,388             | 79,793                    | 104,595           |                | 184,388             | -                   | 79,605              |
| Office Equipment                              | 2,234,654             | 11,715           |                | 2,246,369           | 347,754                   | 117,861           |                | 465,615             | 1,780,754           | 1,886,900           |
| Networking Equipment                          | 12,188,279            | 56,500           |                | 12,244,779          | 6,740,462                 | 1,979,584         |                | 8,720,046           | 3,524,733           | 5,447,817           |
| Central Equipment                             | 9,521,408             |                  |                | 9,521,408           | 1,599,662                 | 3,960,873         |                | 5,560,535           | 3,960,873           | 7,921,746           |
| Plant & Machinery                             | 810,642               | 408,169          |                | 1,218,811           | 111,118                   | 56,246            |                | 167,364             | 1,051,447           | 699,524             |
| Power Equipment                               | 1,019,053             |                  |                | 1,019,053           | 171,208                   | 48,405            |                | 219,613             | 799,440             | 847,845             |
| Furniture & Fixtures                          | 207,434               | 121,444          |                | 328,878             | 6,106                     | 49,976            |                | 56,082              | 272,796             | 201,328             |
| <b>Intangible Assets</b>                      |                       |                  |                |                     |                           |                   |                |                     |                     |                     |
| Computer Software                             | 19,957,354            | 1,802,559        |                | 21,759,913          | 19,581,669                | 1,228,520         |                | 20,810,189          | 949,724             | 375,685             |
| Assets Retired from<br>Active use - computers | 21,001                |                  |                | 21,001              | -                         | 21,001            |                | 21,001              | -                   | 21,001              |
| <b>Total</b>                                  | <b>63,161,059</b>     | <b>3,984,184</b> | <b>140,800</b> | <b>67,004,443</b>   | <b>38,366,315</b>         | <b>15,225,829</b> | <b>140,800</b> | <b>53,451,344</b>   | <b>13,553,099</b>   | <b>24,794,744</b>   |
| Capital Work-in-Progress                      |                       |                  |                |                     |                           |                   |                |                     | 1,323,600           | 386,168             |
| <b>Total</b>                                  |                       |                  |                |                     |                           |                   |                |                     | <b>14,876,699</b>   | <b>25,180,912</b>   |



# ISE Securities & Services Limited

## Schedules forming part of the Balance Sheet

### Schedule 5 : Investments

| Particulars   | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|---|-------------------------------------|-------------------------------------|
| <b>Long term trade investments (unquoted, at cost) -</b>  |                                     |                                     |
| 130,000 Equity shares of Face value Re.1/- Fully paid of Bombay Stock Exchange Ltd - BSE(previous year 10000 equity shares). Out of this 120,000 shares are received as bonus shares during the year 2008-09<br><i>(Refer Note 5 of Schedule 16 Part C)</i> | 6,710,005                           | 6,710,005                           |
| <b>Total</b>  | <b>6,710,005</b>                    | <b>6,710,005</b>                    |

### Schedule 6 : Deferred Tax Liability

| Particulars  | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|--|-------------------------------------|-------------------------------------|
| Deferred Tax Asset   | 3,555,641                           | 4,257,572                           |
| Less : Deferred Tax Liability  | 2,412,208                           | 6,426,588                           |
| <b>Net Deferred Tax Assets (Refer Note 15 of Schedule 16 Part C)</b> | <b>1,143,433</b>                    | <b>(2,169,016)</b>                  |

### Schedule 7 : Sundry Debtors

| Particulars   | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|---|-------------------------------------|-------------------------------------|
| Debts outstanding for a period exceeding six months |                                     |                                     |
| Considered good                                     | 968,992                             | -                                   |
| Considered doubtful                                 | 5,790,830                           | 8,575,125                           |
| Other Debts   |                                     |                                     |
| Considered doubtful                                 | 1,621,746                           | 3,921,285                           |
| Considered good                                     | 155,185,983                         | 56,370,571                          |
|   | <b>163,567,551</b>                  | <b>68,866,981</b>                   |
| Less : Provision for Doubtful Debts                 | 7,412,576                           | 12,496,410                          |
| <i>(Refer note 7 of Schedule 16 Part C)</i>         |                                     |                                     |
| <b>Total</b>  | <b>156,154,975</b>                  | <b>56,370,571</b>                   |

### Schedule 8 : Cash and Bank balances

| Particulars   | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|---|-------------------------------------|-------------------------------------|
| <b>Cash-on-hand</b>   | -                                   | -                                   |
| <b>Balances with Scheduled Banks</b>  |                                     |                                     |
| - in Current Accounts   |                                     |                                     |
| Client Designated   | 55,057,300                          | 68,530,020                          |
| Others  | 6,338,142                           | 1,246,224                           |
| - in Deposit Accounts   | 552,182,493                         | 385,459,066                         |
| <i>(Refer note 11, 12, 13 of Schedule 16 Part C)</i>  |                                     |                                     |
| Fixed deposit includes Rs. 31,65,171/- where bank has marked lien<br><i>(Previous Year Rs. 30,00,000/-)</i> |                                     |                                     |
| <b>Total</b>  | <b>613,577,935</b>                  | <b>455,235,310</b>                  |

# ISE Securities & Services Limited

## Schedules forming part of the Balance Sheet

### Schedule 9 : Loans & Advances (Unsecured and considered good)

| Particulars  | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|--|-------------------------------------|-------------------------------------|
| Advances recoverable in cash or kind for value to be received  | 8,783,341                           | 8,206,356                           |
| Advance to employees   | 81,289                              | 153,922                             |
| Income tax refund receivable/Advance tax/Fringe Benefit Tax paid<br>(net of provision for taxation)        | 26,477,930                          | 14,717,888                          |
| <b>Other Current Assets</b>  |                                     |                                     |
| Interest Accrued on Fixed Deposit with bank  | 12,205,898                          | 16,995,562                          |
| Deposits/ Advances with Stock Exchanges/Clearing House   | 48,447,411                          | 77,175,213                          |
| <b>Other Deposits</b><br>(including Rs.25,00,000/- to ISE, Holding Company,previous year<br>Rs. 25,00,000) | 5,056,615                           | 5,292,447                           |
|  | <b>101,052,484</b>                  | <b>122,541,388</b>                  |

### Schedule 10 : Current Liabilities & Provisions

| Particulars   | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|---|-------------------------------------|-------------------------------------|
| Total Outstanding dues to micro, small and medium enterprises<br>(Refer note 19 of Schedule 16 part C)                          | -                                   | -                                   |
| <b>Others :</b>   |                                     |                                     |
| <b>Settlement Obligations</b>   |                                     |                                     |
| Settlement Obligations to Sub-Brokers/Clients/Authorised person   | 532,214,354                         | 383,244,697                         |
| <b>Margin, Base and Additional Capital Deposits</b>   |                                     |                                     |
| Margin Deposits - Cash Segment deposits   | 208,856,830                         | 159,829,988                         |
| VSAT deposit  | 1,278,562                           | 1,278,562                           |
| Creditors for Expenses  | 10,900,918                          | 11,895,143                          |
| Other Liabilities (includes Rs. 20,66,379/-<br>(Previous Year Rs. 10,37,208/-) payable to<br>InterConnected Stock Exchange Ltd) | 8,211,447                           | 6,028,254                           |
| <b>Total (A)</b>  | <b>761,462,111</b>                  | <b>562,276,644</b>                  |
| <b>Provisions</b>   |                                     |                                     |
| Provision for Employee Benefits   | 3,299,366                           | 2,091,084                           |
| Proposed Dividend   | 3,850,000                           | 550,000                             |
| Tax on Proposed Dividend  | 654,308                             | 93,473                              |
| Tax on Interim Dividend   | -                                   | 373,890                             |
| Provision for Taxation  | 21,500,000                          | 8,500,000                           |
| <b>Total (B)</b>  | <b>29,303,674</b>                   | <b>11,608,447</b>                   |
| <b>Total (A + B)</b>  | <b>790,765,785</b>                  | <b>573,885,091</b>                  |

# ISE Securities & Services Limited

## Schedules forming part of the Balance Sheet

### Schedule 11 : Other Income

| Particulars                        | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|------------------------------------|-------------------------------------|-------------------------------------|
| Technology Fees for F&O segment    | 250,000                             | 400,000                             |
| Admission Fees for F&O segment     | 100,000                             | 160,000                             |
| Mini Admin Charges                 | 75,000                              | 225,000                             |
| Penalty for delayed payin          | 1,757,507                           | 1,976,099                           |
| Recovery of DP Charges (NET)       | 1,314,762                           | 1,127,423                           |
| Sundry balances write back         | 580,283                             | 2,506,754                           |
| Miscellaneous Income               | 2,285,965                           | 440,001                             |
| Excess Provision Written Back      | 820,321                             | -                                   |
| Income from sale of CRD Form (Net) | 607,197                             | 845,066                             |
| Dividend Received.                 | 520,000                             | 300,000                             |
| <b>Total</b>                       | <b>8,311,035</b>                    | <b>7,980,343</b>                    |

### Schedule 12 : Employee Cost

| Particulars  | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|--|-------------------------------------|-------------------------------------|
| Salary & Other Allowances ( inclusive of Staff Deputation Cost<br>- ISE - Rs. 11,86,487/-, Previous Year - Rs.17,15,766/-) | 15,147,322                          | 14,899,036                          |
| Leave Encashment (Previous year figure after adjusting<br>write back of Rs. 29,544)  | 904,697                             | 245,313                             |
| Gratuity (Previous year figure after adjusting write<br>back of Rs.1,86,742/-)   | 160,538                             | 359,702                             |
| <b>Total</b>   | <b>16,212,557</b>                   | <b>15,504,051</b>                   |

### Schedule 13 : Communication & Networking Expenses

| Particulars   | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|---|-------------------------------------|-------------------------------------|
| VSAT, VPN and other Communication expenses          | 10,751,596                          | 10,704,111                          |
| Annual Maintenance Charges for Networking Equipment | 3,552,131                           | 4,930,303                           |
| Telephone Expenses                                  | 318,410                             | 577,215                             |
| <b>Total</b>  | <b>14,622,137</b>                   | <b>16,211,630</b>                   |

### Schedule 14 : Administration and Operational Expenses

| Particulars   | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|---|-------------------------------------|-------------------------------------|
| Annual Maintenance charges  | 1,379,669                           | 1,024,934                           |
| Board Meeting Expenses  | 597,576                             | 332,915                             |
| Brokerage for the rented premises   | 20,000                              | 647,907                             |
| Sitting Fees  | 283,500                             | 191,000                             |
| Reimbursement of actual Expenses<br>(Refer Note 10 of Schedule 16 Part C) | 3,474,115                           | 4,297,250                           |
| Management Fees to ISE  | 3,000,000                           | 3,000,000                           |
| Electricity Charges   | 640,518                             | 265,086                             |
| Security Charges  | 643,203                             | 376,614                             |
| Bad Debts   | 9,227,364                           |                                     |
| Less :- Earlier Provision written back                                    | (9,227,364)                         |                                     |

# ISE Securities & Services Limited

## Schedules forming part of the Balance Sheet

### Schedule 14 : Administration and Operational Expenses

| Particulars   | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|---|-------------------------------------|-------------------------------------|
| Provision for Doubtful Debts (Refer Note 7 of Schedule 16 Part C)             | 4,143,531                           | 4,087,311                           |
| Courier Charges   | 241,075                             | 674,391                             |
| Custody Charges   | 11,613                              | 18,777                              |
| Insurance   | 488,677                             | 838,656                             |
| Legal, Professional Charges and Contract charges                              | 6,176,290                           | 3,758,644                           |
| Miscellaneous Expenses  | 1,187,047                           | 1,257,691                           |
| MemberShip charges  | 379,166                             | 231,476                             |
| Printing & Stationery   | 406,095                             | 552,707                             |
| Rates & Taxes   | 8,220                               | 2,500                               |
| Remuneration to Auditors (Refer Note 3 of Schedule 16 Part C)                 | 547,782                             | 635,652                             |
| Rent (includes Rs. 18,00,000/- paid to ISE<br>(Previous Year Rs. 28,14,200/-) | 5,732,694                           | 5,584,329                           |
| Repairs & Maintenance-Others  | 275,753                             | 286,890                             |
| Travelling charges  | 235,636                             | 206,903                             |
| Fines & Penalties to Stock Exchanges  | 569,769                             | 557,393                             |
| License Fees  | 19,356                              | 15,644                              |
| Advertisement   | 93,280                              | 224,640                             |
| Interest on delayed Service Tax payment                                       | -                                   | 480,226                             |
| Sebi Turnover Fees  | -                                   | 2,796,319                           |
| Sundry Balances write off   | 987,820                             | 2,888,001                           |
| Service tax   | -                                   | 928,477                             |
| <b>Total</b>  | <b>31,542,385</b>                   | <b>36,162,330</b>                   |

### Schedule 15 : Finance Costs

| Particulars                       | As at<br>March 31, 2010<br>(Rupees) | As at<br>March 31, 2009<br>(Rupees) |
|-----------------------------------|-------------------------------------|-------------------------------------|
| Bank Charges                      | 164,797                             | 745,707                             |
| Interest - Other than Fixed Loans | 189,288                             | 372,763                             |
| <b>Total</b>                      | <b>354,085</b>                      | <b>1,118,470</b>                    |

### Schedule 16

Notes to the Balance Sheet as at March 31, 2010 and Profit and Loss Account for the year ended on that date.

#### A. 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 authorised persons, who are required to be stock brokers of the parent stock exchange (ISE). As at March 31, 2010, 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 to Accounts

#### B. 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 issued by the Institute of Chartered Accountants of India (ICAI) 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 recognised for all settlements completed during the year, with respect to funds pay-in and pay-out. Brokerage income includes net transaction charges received from sub-brokers, net of service tax and stamp duty.
- (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 Rs. 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 recently decided to amortize these equipments on a straight line basis over a period of three years, two years and one year respectively from the year of acquisition or installation.
- v) Intangible assets, comprising of computer software, are being amortized on a straight-line method over a period of three years from the year of acquisition or installation.

**f) Investments**

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

**g) Securities in hand**

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

**h) Taxes on Income**

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

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

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

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

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 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 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 retirement or resignation for the unutilized accrued compensated absences. Such compensated absences are treated as Long term benefit to employees. The net present value of company's obligation towards such Long term compensated absences to employees is actuarially determined based on the projected unit credit method. Actuarial gains and losses are immediately recognized in the Profit & Loss Account.

### k) Cash Flow Statement:

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

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

## C. Notes to Accounts

1. 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.
2. **Capital Commitment and Contingent Liability not provided for :**
  - i) The company has received demands from the Income Tax Department for an amount of Rs. 70,40,567/- (previous year :- Rs. 32,36,471/-) relating to the various assessment years which have been disputed by the Company and for which the company has filed an appeals before higher authorities against the orders. In view of the management this demands are not tenable & accordingly no provision has been made.
  - ii) Claim against the company not acknowledged as debts amounting to Rs. 7,53,581/ (Estimated) (Previous year Rs. 8,30,391/-)
  - iii) The company has received a show cause notice from the Service tax department in which service tax is demanded to the extent Rs. 77,20,062/-. As per the legal opinion taken by the company, no provision is required for the same.
  - iv) Bank guarantee issued by bank on behalf of the company Rs.30,00,000/- (Previous year Rs. 30,00,000/-).
  - v) Estimated amount of contract remaining unexecuted on capital account and not provided for is Rs. 30,00,000/-. Advance given Rs. 13,23,600/- against this contract
3. **I) Managerial Remuneration: (Paid to Director & Officiating Director)**

| Particulars                                    | Year ended 31-3-2010 (Rs.) | Year ended 31-3-2009(Rs.) |
|--|----------------------------|---------------------------|
| Salaries & Allowances                          | 5,81,810                   | 6,93,094                  |
| Contribution to Provident Fund and other Funds | 54,401                     | 48,443                    |
| Monetary Value of Perquisites                  | NIL                        | NIL                       |
| Commission                                     | NIL                        | NIL                       |
| <b>Total</b>                                   | <b>6,36,211*</b>           | <b>7,41,537</b>           |

\* (Shri. Rohit Kumar Mangla was CEO from 15th April 2009 to 13th July 2009, Shri. Sivaraman K M is CEO & Whole Time Director from 22nd January 2010)



**ii) Remuneration to Auditors (exclusive of Services tax as applicable):**

| Particulars                       | Year ended 31-3-2010 (Rs.) | Year ended 31-3-2009(Rs.) |
|-----------------------------------|----------------------------|---------------------------|
| Audit fees                        | 3,20,000                   | 2,85,000                  |
| For tax audit                     | 60,000                     | 60,000                    |
| For other services in respect of: |                            |                           |
| - Management Services/Others      | 25,500                     | 88,500                    |
| Reimbursement of expenses         | 3,834                      | 5,881                     |
| To Associate Firm                 |                            |                           |
| Taxation related services         | 1,38,448                   | 1,96,271                  |
| <b>Total</b>                      | <b>5,47,782</b>            | <b>6,35,652</b>           |

4. The value of securities in hand as on March, 31, 2010 is Rs. 8,59,400/- (Previous year . NIL) which is at original cost or market price, whichever is less

**5. Long Term Investments**

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 10000 shares of face value Re 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 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.

**6. Fixed Assets**

During the year company has changed its accounting policy relating to depreciation on Central Equipment, Computer Equipments & Mobile Phone. It has been decided to amortize Central Equipment in 2 years, Computer Equipments in 3 years and Mobile Phones in the year of acquisition instead of presently being done at rates as prescribed under Companies Act, 1956 Schedule XIV on Straight Line Method. Due to change in accounting policy profit for the year is lower by Rs. 80,96,418/- and the net block of fixed assets is also lower to that extent.

**7. Sundry Debtors**

i) Sundry debtors represent settlement dues, dues recoverable on account of erroneous payment of funds/ securities and other charges receivable from Sub-brokers/ Authorized Persons and the end clients as at March 31, 2010. The debtors are secured by way of base and additional trading deposits, bank guarantees, fixed deposits and securities withheld. On the basis of the same Sundry Debtors has been classified as good debts and doubtful debts. Out of Total Sundry debtors of Rs. 16,35,67,551/- the company has classified an amount of Rs.74,12,576/- as doubtful and provision has been made against the same.

ii) The company has written off the balances of four Sub- brokers amounting to Rs. 92,27,364/- as at March 31, 2010 namely:

- Rs. 59,00,294/- due 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.
- Rs. 33,27,070/- due on account of erroneous funds / securities payments to sub-brokers.

8. The Company has obtained bank overdraft facilities as follows:

The maximum overdraft facility availed by company in current year is Rs. 4,05,23,718/- from HDFC Bank is taken against the collateral of fixed deposits of Rs.13,46,99,136/-.

9. The Company has obtained bank guarantees favoring NSE and BSE for an amount of Rs. 1,38,00,000/- [Previous year Rs. 1,99,00,000/-] towards base capital and margin requirements as of March 31, 2010. These bank guarantees are obtained against the collaterals received from sub-brokers favoring the Company towards the same: Rs. 1,38,00,000/- [Previous year: Rs. 1,99,00,000/-].

10. The Company and its holding company, ISE, have an agreement, under which the actual expenses incurred by the holding company for supporting the operations of the Company are reimbursed by the Company. Reimbursement of actual expenses by the Company to the Holding Company excluding service tax for the period was Rs. 50,44,986/- [Previous year: Rs. 66,68,629/-]. The detailed breakup for the same is as follows:

| Particulars  | 2009-10          | 2008-09          |
|--|------------------|------------------|
| Annual Maintenance                                   | 2,07,266         | 4,10,040         |
| Cidco Maintenance                                    | 1,51,547         | 1,65,324         |
| Cleaning Charges                                     | 85,239           | 81781            |
| Conveyance   | 24,218           | 25,171           |
| Courier & Postage                                    | 93,836           | -                |
| Electricity Expenses                                 | 10,75,245        | 13,19,589        |
| Meeting Travelling Expenses                          | 64,048           | -                |
| Miscellaneous Expenses                               | 20,016           | 15,699           |
| Recruitment Charges                                  | -                | 1,40,450         |
| Newspaper Charges                                    | -                | 6,165            |
| Office Refreshment Expenses                          | 65,354           | 91,571           |
| Office Stationery                                    | 28,661           | 41,661           |
| Photocopy Charges                                    | 5,059            | 6,154            |
| Professional Fees                                    | 1,29,885         | 1,94,487         |
| Rent   | 9,84,206         | 10,19,407        |
| Repair & Maintenance                                 | 49,189           | 97,101           |
| Retainers  | 2,08,245         | 3,12,280         |
| Security Charges                                     | -                | 91,983           |
| Stamp duty   | 8,300            | -                |
| Telephone & Fax Expenses                             | 2,06,388         | 220149.00        |
| Travelling Expenses                                  | 485              | 1,874            |
| Water Consumption Charges                            | 66,958           | 56,364           |
| <b>Total Reimbursement of Expenses (Schedule 14)</b> | <b>34,74,145</b> | <b>42,97,250</b> |
| <b>Other Reimbursements</b>                          |                  |                  |
| Salary   | 8,89,952         | 1715766          |
| Reimbursement To Employees                           | 2,96,535         | -                |
| Accident Insurance Premium                           | 6,119            | 12,905           |
| Medicclaim Insurance Premium                         | 3,15,524         | 5,75,122         |
| Performance Link Bonus                               | 62,711           | 67,586           |
| <b>Total</b>   | <b>15,70,841</b> | <b>23,71,379</b> |
| <b>Grand Total</b>                                   | <b>50,44,986</b> | <b>66,68,629</b> |

11. The Bank fixed deposits and bank guarantees of the Company and of sub brokers amounting to **Rs. 10,15,00,000/-** [Previous year: **Rs. 4,38,00,000/-**] are utilized as collaterals for various trading facilities at NSE as follows:

|  | Amount in Rupees    |
|--|---------------------|
| (i) Fixed deposits discharged and deposited with NSE towards additional base capital (excluding interest accrued). | 9,97,00,000         |
| (ii) Collaterals for bank guarantees issued to NSE for margin adjustable base capital (Refer Note 8 above)         | 18,00,000           |
| <b>Total</b>   | <b>10,15,00,000</b> |

12. The Bank fixed deposits and bank guarantees of the Company and of sub brokers amounting to **Rs. 10,22,00,000/-** [Previous year: **Rs. 6,08,00,000/-**], are utilized as collaterals for various trading facilities at BSE as follows:

|  | Amount in Rupees    |
|--|---------------------|
| (i) Fixed deposits discharged and deposited with BSE towards additional base capital                       | 9,51,00,000         |
| (ii) Collaterals for bank guarantees issued to BSE for margin adjustable base capital (Refer Note 8 above) | 71,00,000           |
| <b>Total</b>   | <b>10,22,00,000</b> |

13. The Bank fixed deposits and bank guarantees of the Company and of sub brokers amounting to **Rs. 15,49,00,000/-** [Previous year: **Rs. 9,96,00,000/-**] are utilized as collaterals for various trading facilities at NSE F&O as follows:

|  | Amount in Rupees    |
|--|---------------------|
| (i) Fixed deposits discharged and deposited with NSE towards additional base capital (excluding interest accrued). | 15,00,00,000        |
| (ii) Collaterals for bank guarantees issued to NSE for margin adjustable base capital (Refer Note 8 above)         | 49,00,000           |
| <b>Total</b>   | <b>15,49,00,000</b> |

**14. Earnings per share:**

| Particulars  | Year ended 31-3-2010 | Year ended 31-3-2009 |
|--|----------------------|----------------------|
| Net Profit/(Loss) after taxation attributable to equity shareholders                 | 1,81,29,375          | 1,01,66,513          |
| 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 Rs. 10/- each                                  | 3.30                 | 1.85                 |

**15. Deferred Taxation :**

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

|   | (Amount in Rs.)  |                          |                    |
|---|------------------|--------------------------|--------------------|
| Deferred Tax Assets                       | As at 31-03-2009 | Adjustment during period | As at 31-3-2010    |
| Provision for doubtful debts              | 42,47,530        | (17,27,995)              | 25,19,535          |
| Provision for Employee Benefits           | 10,042           | 10,26,064                | 10,36,106          |
| <b>Total</b>                              | <b>42,57,572</b> | <b>(7,01,931)</b>        | <b>35,55,641</b>   |
| <b>Deferred Tax Liabilities</b>           |                  |                          |                    |
| Depreciation                              | 64,26,588        | (40,14,380)              | 24,12,208          |
| <b>Total</b>                              | <b>64,26,588</b> | <b>(40,14,380)</b>       | <b>24,12,208</b>   |
| <b>Net Deferred Tax Liability/(Asset)</b> | <b>21,69,016</b> | <b>(33,12,449)</b>       | <b>(11,43,433)</b> |

16. Sundry Debtors balances, unadjusted items in bank reconciliation, 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.
17. 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
18. 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, 2010 with the Exchanges as follows: (As certified by the management)

| Particulars      | Rs.          |
|------------------|--------------|
| NSE Cash Segment | 10,31,85,437 |
| BSE Cash Segment | 7,53,60,826  |
| NSE F&O Segment  | 11,56,65,246 |

19. The company has not been able to compile the details of vendors 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.

**20. Accounting Standard AS15 (Revised) Employee Benefits**

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

(Amount Rs.)

| Particulars                           | Period ended 31 March 2010 | Period ended 31 March 2009 |
|---------------------------------------|----------------------------|----------------------------|
| Present Value of Funded Obligations   | 752,376                    | 504,591                    |
| Fair Value of Plan Assets             | (606,175)                  | (556,124)                  |
| Present Value of Unfunded Obligations | 0                          | 0                          |
| Unrecognized Past Service Cost        | 0                          | 0                          |
| Net Liability                         | 146,201                    | (51,533)                   |
| Amount in Balance Sheet               |                            |                            |
| Liability                             | 146,201                    |                            |
| Assets                                |                            | 51,533                     |
| Net Liability                         | 146,201                    | (51,533)                   |

(Amount Rs.)

| Particulars                                       | Period ended 31 March 2010 | Period ended 31 March 2009 |
|---|----------------------------|----------------------------|
| Current Service Cost                              | 178,095                    | 504,591                    |
| Interest on Defined Benefit Obligation            | 53,861                     | 0                          |
| Expected Return on Plan Assets                    | (45,071)                   | (13,162)                   |
| Net Actuarial Losses / (Gains) Recognized in Year | (7,612)                    | (14,221)                   |
| Past Service Cost                                 | 18,461                     | 0                          |
| Total, Included in "Employee Benefit Expense"     | 197,734                    | 477,208                    |
| Actual Return on Plan Assets                      | 50,051                     | 27,383                     |

| Particulars                                 | Period ended 31 March 2010 | Period ended 31 March 2009 |
|---|----------------------------|----------------------------|
| <b>Change in Defined Benefit Obligation</b> |                            |                            |
| Opening Defined Benefit Obligation          | 504,591                    | 0                          |
| Current Service Cost                        | 178,095                    | 0                          |
| Interest Cost                               | 53,861                     | 0                          |
| Actuarial Losses / (Gain)                   | (2,632)                    | 0                          |
| Past Service Cost                           | 18,461                     | 0                          |
| Closing Defined Benefit Obligation          | 7,52,376                   | 504,591                    |
| <b>Change in Fair Value of Assets</b>       |                            |                            |
| Opening Fair Value of Plan Assets           | 556,124                    | 0                          |
| Expected Return on Plan Assets              | 45,071                     | 0                          |
| Actuarial Gain/ (Losses)                    | 4,980                      | 0                          |
| Closing Fair Value of Plan Assets           | 606,175                    | 556,124                    |

| Category of Asssts (% Allocation) | (Amount Rs.)               | Per cent                   | Per cent                   |
|-----------------------------------|----------------------------|----------------------------|----------------------------|
|                                   | Period ended 31 March 2010 | Period ended 31 March 2010 | Period ended 31 March 2009 |
| 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             | 606,175                    | 100%                       | 100%                       |
| Others                            | 0                          | 0%                         | 0%                         |
| Grand Total                       | 606,175                    | 100%                       | 100%                       |

| Particulars                              | Period ended 31 March 2010 | Period ended 31 March 2009 |
|--|----------------------------|----------------------------|
| Discount Rate (p.a.)                     | 8.30%                      | 7.95%                      |
| Expected Rate of Return on Assets (p.a.) | 7.50%                      | 7.50%                      |
| Salary Escalation Rate (p.a.)            | 7.00%                      | 7.00%                      |



- (ii) Other Long term Employee Benefits: Amount of Rs. 8,40,101/- (Previous Year :- Rs. 3,57,006/-) is recognized as an expense towards Other Long term Employee Benefits- Compensated Absences (Leave Encashment) included under the Schedule-12: 'Employee Cost' in profit and loss account.

## 21. 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. Rohit Kumar Mangla - Chief Executive Officer<br>(period from 15th April 2009 to 13th July 2009) | Key Managerial Personnel |         |
| 3.      | Mr. Sivaraman K M- Chief Executive Officer &<br>Whole Time Director (from 22nd January 2010)        | Key Managerial Personnel |         |

Transactions with related parties during the period:

(Amount in Rupees)

| Sr. No. | Nature of Transactions   | Holding Company | Key Management Personnel | Total as on March 31, 2010 | Total as on March 31, 2009 |
|---------|--|-----------------|--------------------------|----------------------------|----------------------------|
| 1       | Rendering of Services (net of Service Tax)                               | 30,00,000       | -                        | 30,00,000                  | 30,00,000                  |
| 2       | Reimbursement of Expenses (net of service tax) –<br>Refer Note 10        | 50,44,986       | -                        | 50,44,986                  | 66,68,629                  |
| 3       | DP Charges (inclusive of Service tax)                                    | 60,72,768       | -                        | 60,72,768                  | 54,21,785                  |
| 4       | Rent ( net of service tax )  | 18,00,000       | -                        | 18,00,000                  | 28,14,200                  |
| 5       | Finance (Including loans and equity contributions<br>in cash or in kind) |                 |                          |                            |                            |
|         | - Loans (incl. interest)   | Nil             | -                        | Nil                        | Nil                        |
|         | - Investment in Equity   | Nil             | -                        | Nil                        | Nil                        |
|         | - Provision for diminution in value of Investment                        | Nil             | -                        | Nil                        | Nil                        |
| 6       | Interest Expense   | -               | -                        | -                          | 1,57,808                   |
| 7       | Managerial Remuneration  | -               | 6,36,211                 | 6,36,211                   | 7,41,537                   |
| 8       | Amt Outstanding as at March 31, 2010                                     |                 |                          |                            |                            |
|         | Loans (incl. interest)   | Nil             | -                        | Nil                        | Nil                        |
|         | (Maximum outstanding during the year)                                    | Nil             | -                        | Nil                        | 5,00,00,000                |
|         | Investment in Equity   | 5,50,00,000     | -                        | 5,50,00,000                | 5,50,00,000                |
|         | Managerial Remuneration  |                 | Nil                      | Nil                        | Nil                        |
|         | Reimbursement of expenses  | 20,66,379       | -                        | 20,66,379                  | 10,37,208                  |
|         | Deposit from subsidiary  | 25,00,000       | -                        | 25,00,000                  | 25,00,000                  |

## 22. Operating Lease:

- (a) Total of minimum lease payments

(Rs in lakh)

| Particulars   | As at 31-Mar-10 | As at 31-Mar-09 |
|---|-----------------|-----------------|
| (a) Total of minimum lease payments                                 | 158.33          | 217.16          |
| The total of future minimum lease payments under non-<br>Cancelable |                 |                 |
| Operating leases for period:  |                 |                 |
| Not later than one year   | 46.09           | 39.24           |
| Later than one year and not later than five years                   | 112.24          | 177.92          |
| Later than five years   | -               | -               |

(Rs in lakh)

| Particulars  | As at 31-Mar-10 | As at 31-Mar-09 |
|--|-----------------|-----------------|
| (b) Lease payments recognised in the statement of profit & loss for the year | 39.50           | 27.87           |

(c) Details of lease Deposit

| Place             | Deposit amount | Period    |
|-------------------|----------------|-----------|
| Print & Packaging | 18,72,000/-    | 5 years   |
| CRD Godown        | 1,00,000/-     | 33 months |
| Kolkata Godown    | 20,000/-       | 3 years   |
| Guest House       | 10,000/-       | 1 year    |
| Sanpada Godown    | 1,00,000/-     | 3 year    |

(d) The general description of significant leasing arrangements: - The Company has entered into operating lease arrangements for office premises, godown & Guest house.

(e) The above lease payments are exclusive of service tax.

23. Previous year figures are regrouped and rearranged wherever necessary. The amounts in the Balance Sheet and Profit and Loss account are rounded off to the nearest Rupee.

**As per our attached report of even date**

**Signature to Schedules 1 to 16**

**For A. J. Shah & Co.,**  
Chartered Accountants

Sd/-  
**P J Mathew**  
Director

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

s/d  
**(Hiren Shah)**  
Partner  
Membership No. 100052

Sd/-  
**Manisha Thakur**  
Company Secretary

**Place:** Mumbai  
**Date:** August 06, 2010

**Place:** Vashi, Mumbai  
**Date:** August 06, 2010





# ISE Securities & Services Limited

## Cash Flow Statement for the year ended 31st March 2010

(Amount in Rs.)

| Particulars   | As at 31.03.2010 |                    | As at 31.03.2009 |                      |
|---|------------------|--------------------|------------------|----------------------|
| <b>I. Cash Flow from Operating Activities:</b>                        |                  |                    |                  |                      |
| Net profit before tax & extra ordinary items                          |                  | <b>27,816,926</b>  |                  | <b>16,634,536</b>    |
| <b>Adjustments for:</b>   |                  |                    |                  |                      |
| Depreciation  | 15,225,829       |                    | 6,291,761        |                      |
| Reduction in the value of securities                                  | 192,504          |                    | -                |                      |
| Interest paid   | 189,288          |                    | 372,763          |                      |
| Dividend received   | (520,000)        |                    | (300,000)        |                      |
| Provision for Bad & Doubtful debts                                    | 4,143,531        |                    | 4,087,311        |                      |
| Profit on sale of Fixed Assets  | (19,200)         |                    | (3,500)          |                      |
|   |                  | 19,211,952         |                  | 10,448,335           |
| Operating profit before working capital changes                       |                  | <b>47,028,878</b>  |                  | <b>27,082,871</b>    |
| <b>Adjustments for:</b>   |                  |                    |                  |                      |
| (Increase) / Decrease in Trade & Other receivable                     | (103,927,935)    |                    | 92,514,111       |                      |
| (Increase) / Decrease in Loans & Advances                             | 33,248,946       |                    | 12,457,616       |                      |
| (Increase) / Decrease in Securities in hand                           | (1,051,904)      |                    | 281,604          |                      |
| Increase / (Decrease) in Trade & Other Payable                        | 200,393,749      |                    | (283,008,260)    |                      |
|   |                  | 128,662,856        |                  | (177,754,929)        |
| Cash generated from operations before tax & extra ordinary items      |                  | <b>175,691,734</b> |                  | <b>(150,672,058)</b> |
| Less: Direct Tax Paid (net of refunds)                                |                  | (11,760,042)       |                  | (10,075,241)         |
|   |                  | <b>163,931,692</b> |                  | <b>(160,747,299)</b> |
| <b>Net Cash From Operating Activities (A)</b>                         |                  | <b>163,931,692</b> |                  | <b>(160,747,299)</b> |
| <b>II. Cash Flow From Investing Activities:</b>                       |                  |                    |                  |                      |
| Purchase of Fixed Assets  | (4,921,616)      |                    | (1,679,622)      |                      |
| Sale of Fixed Assets  | 19,200           |                    | 3,500            |                      |
| Dividend Income   | 520,000          |                    | 300,000          |                      |
|   |                  | <b>(4,382,416)</b> |                  | <b>(1,376,122)</b>   |
| <b>Net Cash (Used in) / from investing activities (B)</b>             |                  | <b>(4,382,416)</b> |                  | <b>(1,376,122)</b>   |
| <b>III. Cash Flow From Financing Activities:</b>                      |                  |                    |                  |                      |
| Proceeds / (Repayment) from bank borrowing capital finance            |                  |                    | (13,464,637)     |                      |
| Borrowing from Holding Company  | -                |                    | 50,000,000       |                      |
| (Repayment) to Holding Company  |                  |                    | (50,000,000)     |                      |
| Dividend paid   |                  |                    | (3,300,000)      |                      |
| Dividend Distribution tax Paid  | (467,363)        |                    | (560,835)        |                      |
| Final dividend Paid   | (550,000)        |                    | (2,200,000)      |                      |
| Interest Paid   | (189,288)        |                    | (372,763)        |                      |
|   |                  | <b>(1,206,651)</b> |                  | <b>(19,898,235)</b>  |
| <b>Net Cash (Used in) / from Financing activities (C)</b>             |                  | <b>(1,206,651)</b> |                  | <b>(19,898,235)</b>  |
| <b>Net Increase / decrease in cash &amp; cash equivalents (A+B+C)</b> |                  | <b>158,342,625</b> |                  | <b>(182,021,656)</b> |
| <b>Cash &amp; Cash equivalents at the beginning of the year</b>       |                  | <b>455,235,310</b> |                  | <b>637,256,966</b>   |
| <b>Cash &amp; Cash equivalents at the end of the year</b>             |                  | <b>613,577,935</b> |                  | <b>455,235,310</b>   |

### Refer Schedule - 16 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' issued by the Institute of Chartered Accountants of India
- Cash & Cash equivalents includes cash and bank balance in current account, fixed deposit with bank (including lien deposits)
- Interest received is treated as income from operating activities.

As per our attached report of even date

For and on behalf of the Board of Directors

For A. J. Shah & Co.,  
Chartered Accountants

Sd/-  
P J Mathew  
Director

Sd/-  
Sivaraman K M  
CEO & Whole Time Director

s/d  
(Hiren Shah)  
Partner  
Membership No. 100052

Sd/-  
Manisha Thakur  
Company Secretary

Place: Mumbai  
Date: August 06, 2010

Place: Vashi, Mumbai  
Date: August 06, 2010



# 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: | 3/31/2010             |            |    |

### 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 Rs. Thousands)

|                   |          |              |          |
|-------------------|----------|--------------|----------|
| Total Liabilities | 8,94,375 | Total Assets | 8,94,375 |
|-------------------|----------|--------------|----------|

#### Sources of Funds

|                 |        |                    |        |
|-----------------|--------|--------------------|--------|
| Paid up Capital | 55,000 | Reserves & Surplus | 48,609 |
| Secured Loans   | Nil    | Unsecured Loans    | -      |
| Deferred Tax    |        |                    |        |

#### Application of Funds

|                    |       |                    |        |
|--------------------|-------|--------------------|--------|
| Net Fixed Assets   | 14877 | Investments        | 6,710  |
| Deferred Tax       | 1143  | Net Current Assets | 80,879 |
| Accumulated Losses | Nil   |                    |        |

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

|                    |         |                   |        |
|--------------------|---------|-------------------|--------|
| Turnover           | 105,966 | Total expenditure | 78,149 |
| Profit before Tax  | 27,817  | Profit after Tax  | 18,129 |
| Earnings per share | 3.30    | Dividend Rate     |        |

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

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