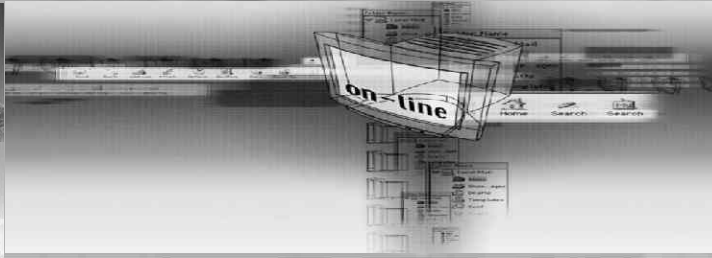


# TENTH ANNUAL REPORT 2008-09



**ISE Securities & Services Limited**

(Wholly-owned subsidiary of ISE)

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### PUBLIC REPRESENTATIVE DIRECTORS

Shri Manubhai K. Parekh  
Shri Wahidul Hasan  
Shri George Joseph

### SHAREHOLDER REPRESENTATIVE DIRECTOR

Shri Vivekananda Pattanayak  
Shi Cyriac Thomas

### DESIGNATED DIRECTOR

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

### 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 Cyriac Thomas,**  
Shareholder Representative Director

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

### SECRETARIAL AND LEGAL

Smt. Manisha Thakur  
Company Secretary & Compliance Officer

### STATUTORY AUDITORS

M/s. A. J. Shah & Co.,  
Chartered Accountants

### INTERNAL AUDITORS

M/s. M. P. Chitale & 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.

### 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 Rs. lakh)

Particulars	Financial Performance				
	08-09	07-08	06-07	05-06	04-05
<b>Income</b>					
Net Operational Income	294.41	462.25	355.47	333.08	254.50
Interest	431.41	309.96	187.66	169.97	167.76
Interest on Income Tax Refund	-	-	-	0.43	2.97
Networking Recoveries	91.20	91.48	121.55	101.09	115.08
Annual Fees	22.40	24.90	15.89	21.14	18.60
Other Income	80.81	74.01	57.66	58.91	58.99
<b>Total Income</b>	<b>920.23</b>	<b>962.60</b>	<b>738.24</b>	<b>684.62</b>	<b>617.90</b>
<b>Expenditure</b>					
Administration & Operations Cost	359.51	344.15	281.16	240.71	164.85
Networking Cost	162.12	148.86	137.28	138.74	110.65
Employee Cost	158.16	176.55	143.61	89.70	74.34
Finance Cost	11.18	15.26	18.98	7.24	7.37
Rent to ISE	-	-	-	-	-
Re-imburement of Exps for ISE assets used	-	-	-	-	-
Others	-	1.10	0.38	0.11	-
Depreciation / Amortisation	62.91	80.63	83.63	94.19	108.12
Preliminary Expenses written-off	-	-	-	-	2.04
Expenses on Proposed Projects	-	-	-	-	-
Contingency Expenses	-	-	-	-	-
<b>Total Expenditure</b>	<b>753.89</b>	<b>766.55</b>	<b>665.06</b>	<b>570.69</b>	<b>467.37</b>
<b>Profit / (Loss) before Taxation</b>	<b>166.34</b>	<b>196.04</b>	<b>73.19</b>	<b>113.93</b>	<b>150.53</b>
<b>Provision for : Current Tax</b>	(87.00)	(101.06)	(28.50)	(2.79)	(46.00)
<b>: (Deferred Tax Expenses)/Savings</b>	22.32	30.43	0.01	(35.17)	4.50
<b>Net Profit / (Loss) after Taxation</b>	<b>101.66</b>	<b>125.42</b>	<b>44.70</b>	<b>75.97</b>	<b>113.53</b>
<b>Capital Structure</b>					
Share Capital	550.00	550.00	550.00	550.00	550.00
Reserves & Surplus	349.84	280.34	193.54	196.52	151.92
Net Fixed Assets	251.81	297.93	347.52	352.27	142.10
Investments	67.10	67.10	67.10	67.10	67.00
Net Current Assets	602.62	643.97	970.22	462.05	509.56
<b>Networth</b>	<b>899.84</b>	<b>830.34</b>	<b>743.54</b>	<b>746.52</b>	<b>701.91</b>
<b>Earning per share (Rupees)</b>	<b>1.85</b>	<b>2.25</b>	<b>0.81</b>	<b>1.38</b>	<b>2.03</b>

# DIRECTORS' REPORT: 2008 - 09

The Board of Directors of ISE Securities & Services Limited (ISS) are pleased to present the Tenth Annual Report for the year ended March 31, 2009, together with the Auditors' Report and Audited Accounts for the Financial Year 2008 - 09.

## FINANCIAL PERFORMANCE

In the Financial year 2008-09 the Company has posted net profit of Rs.101.66 Lakhs. Despite adverse market conditions, the company earned a total income of Rs.920.23 lakhs during the year, compared to Rs. 962.60 lakhs during the previous year. Expenditure before depreciation, interest and tax during the year under review stood at Rs. 679.80 lakhs, compared to Rs. 670.66 lakhs during the preceding year. The other income earned during the year 2008-09 was Rs.80.81 lakhs, compared to Rs. 74.01 lakhs for the previous year. After considering interest, finance charges and depreciation, the excess of income over expenditure for the year 2008-09 was Rs. 166.34 lakhs as compared to Rs. 196.05 lakhs for the previous year.

During the Financial year 2008-09 Rs. 40 Lakhs is transferred to Reserves (Previous Year Rs.65 Lakhs).

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

(all figures in Rs. lakh)					
Particulars	2008-09	2007-08	2006-07	2005-06	2004-05
Brokerage	294.41	462.25	355.48	333.08	254.50
Other Income	625.82	500.35	382.76	351.53	363.41
Expenditure before Depreciation, Interest and Tax	679.80	670.66	562.45	469.25	351.89
<b>Profit before Depreciation, Interest and Tax</b>	<b>240.43</b>	<b>291.94</b>	<b>175.79</b>	<b>215.36</b>	<b>266.02</b>
Interest and Finance Charges	11.18	15.26	18.98	7.24	7.37
Depreciation	62.91	80.63	83.62	94.19	108.12
<b>Profit/(Loss) before Tax</b>	<b>166.34</b>	<b>196.05</b>	<b>73.19</b>	<b>113.93</b>	<b>150.53</b>
Provision for Tax	(87.00)	(101.06)	(28.50)	(2.79)	(41.50)
: (Deferred Tax Expenses)/Savings	22.32	30.43	0.01	(35.17)	4.50
<b>Profit/(Loss) after Tax</b>	<b>101.66</b>	<b>125.42</b>	<b>44.70</b>	<b>75.97</b>	<b>113.53</b>
<b>Interim Dividend</b>	<b>22.00</b>	-	-	-	-
<b>Proposed Dividend</b>	<b>5.50</b>	<b>33.00</b>	-	<b>27.50</b>	-

While income decreased, the expenditure also increased to Rs 679.80 lakhs from Rs.670.66 lakhs. The profit decreased from Rs. 196.05 lakh to Rs. 166.34 lakh.

## DIVIDEND

The Board of Directors at their meeting held on March 23, 2009 declared an interim dividend of 4% on 55,00,000 equity shares of Rs. 10/- each for the Financial Year 2008-2009. In addition to this keeping in view the overall performance during the year, the Directors recommend payment of final dividend for the year ended March 31, 2009 of 1% on equity shares of Rs. 10/- each. Subject to approval of the shareholders the total dividend declared shall be 5% on 55,00,000 equity shares of Rs. 10/- each.

## BACKGROUND

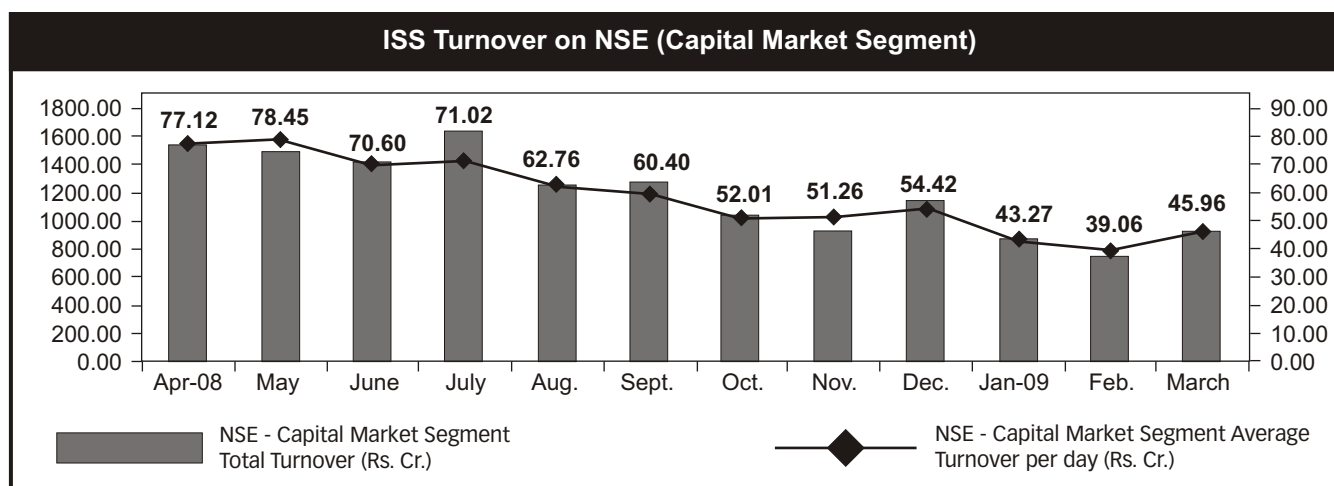
Market volumes, which had reached record levels in F. Y. 2007-2008, have corrected sharply in F. Y. 2008 - 2009. Volumes matched the market sentiment. Gaining market share and improving the volume of business done is crucial in order to grow in prevailing market conditions. The company plans to improve its performance by focusing on providing better services to its Registered Intermediaries and Clients. The company also envisages an increase in expenditure in order to adopt better technology to serve our Registered Intermediaries and Clients better.

## OPERATIONAL HIGHLIGHTS

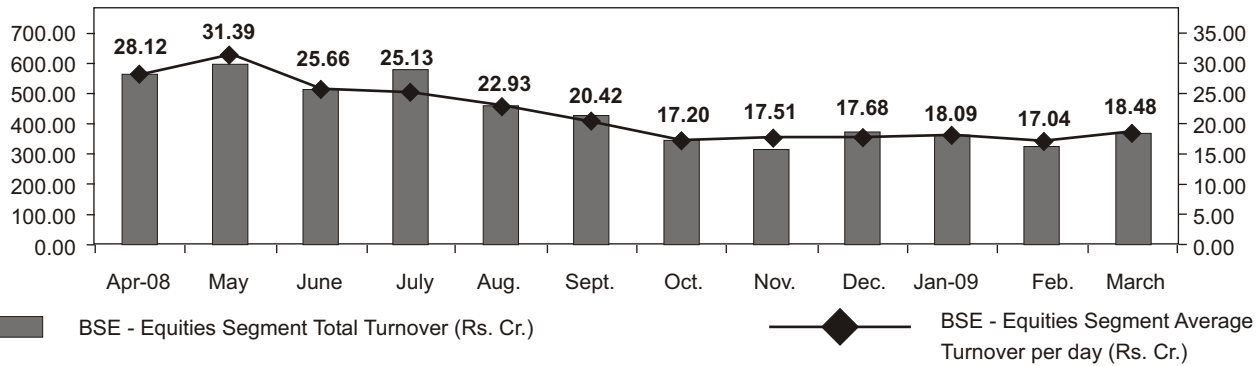
During the year 2008-09, the Company recorded a turnover of Rs. 14,234 crores in the NSE capital market (CM) segment and Rs. 15,738 crores in the NSE futures & options (F&O) segment, aggregating to Rs. 29,972 crores. The corresponding figures for the preceding year were Rs. 20,332 crores in the CM segment and Rs. 27,726 crores in the F&O segment, i.e. a total of Rs. 48,058 crores. During the year 2008-09, turnover of Rs. 5,222 crores was recorded in BSE Equities segment. The corresponding figure for the preceding year was Rs. 7,923 crores. The turnover of NSE CM segment, NSE F&O segment and BSE Equities segment taken together was recorded at Rs.35,194 crores during the year 2008-09. The corresponding figure for the preceding year was Rs.55,981 crores.

The month-wise statistics of the Company for the financial year in the Capital Market / Equities Segment of NSE and BSE are given below and the same are also represented below diagrammatically:

Month	Capital Market / Equities Segment								
	Total Turnover (Rs. Cr.)			No. of Days	Average Turnover per day (Rs. Cr.)			Active Intermediaries	
	NSE	BSE	Total		NSE	BSE	Total	NSE	BSE
April -08	1542.38	562.43	2104.81	20	77.12	28.12	105.24	206	189
May	1490.63	596.50	2087.13	19	78.45	31.39	109.85	206	187
June	1411.90	513.16	1925.07	20	70.60	25.66	96.25	209	184
July	1633.54	577.99	2211.53	23	71.02	25.13	96.15	211	187
August	1255.24	458.55	1713.78	20	62.76	22.93	85.69	214	184
September	1268.34	428.77	1697.11	21	60.40	20.42	80.81	214	184
October	1040.29	343.97	1384.26	20	52.01	17.20	69.21	206	184
November	922.68	315.14	1237.83	18	51.26	17.51	68.77	202	178
December	1142.80	371.29	1514.09	21	54.42	17.68	72.10	202	182
January-09	865.42	361.89	1227.31	20	43.27	18.09	61.37	208	183
February	742.11	323.68	1065.79	19	39.06	17.04	56.09	211	185
March	919.23	369.60	1288.83	20	45.96	18.48	64.44	206	184
<b>Total 08-09</b>	<b>14234.57</b>	<b>5222.98</b>	<b>19457.54</b>	<b>241</b>	<b>59.06</b>	<b>21.67</b>	<b>80.74</b>		
Total 07-08	20332.64	7923.24	28255.88	250	81.33	31.69	113.02		
Total 06-07	17736.49	4408.01	22144.49	246	72.10	17.92	90.02		



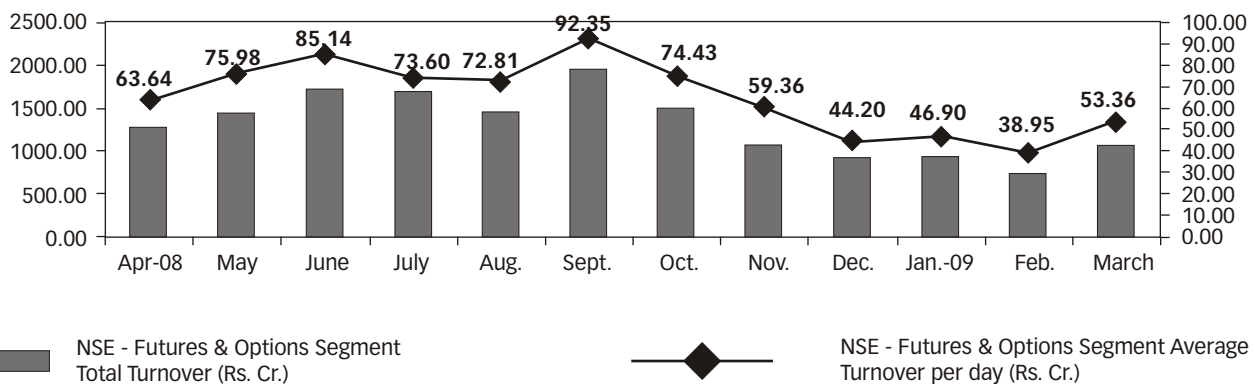
### ISS Turnover on BSE (Equities Segment)



The month-wise statistics of the Company for the financial year under review in the Futures & Options Segment of NSE are given below and the same are also represented below diagrammatically:

Month	NSE - Futures & Options Segment			
	Total Turnover (Rs. Cr.)	No. of Days	Average Turnover per day (Rs. Cr.)	Active Intermediaries
April - 08	1272.78	20	63.64	92
May	1443.60	19	75.98	95
June	1702.76	20	85.14	101
July	1692.81	23	73.60	103
August	1456.18	20	72.81	97
September	1939.43	21	92.35	105
October	1488.66	20	74.43	103
November	1068.43	18	59.36	96
December	928.30	21	44.20	99
January - 09	937.92	20	46.90	99
February	740.00	19	38.95	101
March	1067.26	20	53.36	98
<b>Total 2008-09</b>	<b>15738.12</b>	<b>241</b>	<b>65.30</b>	
Total 2007-08	27726.24	250	110.90	
Total 2006-07	16917.69	246	68.77	

### 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 is exploring option to upgrade the software in order to have better speed, strong internal controls, and integrated risk management across segments.

The Company uses cutting edge networking technologies which have helped us to improve the efficiency of the network and are much more cost effective than the earlier technologies. The SCPC VSATs have been phased out, since they had outlived their utility. The Company has the latest technologies in network security using the Netscreen firewall. All web-based servers are secure from external attacks because of this firewall. Centralized anti-virus and anti-spamware was also implemented during the year. In order to provide reliable and speedy connectivity to intermediaries located in a specific region with the Exchanges, the Company has decided to decentralize its trading activities and accordingly the trading activities at Coimbatore and Kolkatta center have been decentralized.

The Company has introduced internet trading facility for both clients as well as sub-brokers using the TradeAnywhere. The product for the client has been christened as "net profit" and that for the sub-broker "net branch". The Company endeavors to constantly upgrade the software, in order to provide better services to the clients.

## NEW LAUNCHES IN 2008-09

The Company has registered itself in Currency Derivatives segment of NSE and operations under this segment will begin very soon. The company is also awaiting registration as trading member in Currency Derivatives segment of MCX Stock Exchange Limited.

## OPERATIONS OF THE COMPANY

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

PARTICULARS	NSE	BSE
No. of sub-brokers registered in ISS as on 31.03.2008 (includes Resignation of previous year)*	518	297
Fresh Registration	42	29
Resignation upto 31.03.2009**	58	19 ***
Position as on 31.03.2009	502	307
Change (+/-)	-16	10

\* includes the Resignation of previous years which is not cancelled by SEBI

\*\* Resignation cases pending in NSE & SEBI are also carried forward (Cr. yr Resignation: 23 & Pending Resignation of Pr. Yr: 25)

Resignation cases pending in BSE & SEBI are also carried forward (Cr. yr Resignation: 13 & Pending Resignation of Pr. Yr: 3)

\*\*\* In BSE cancellation one affiliation change is also included

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 June 30, 2009				
Sr. No.	Particulars	No. of applications pending		
		NSE (Capital Market Segment)	BSE (Equities Segment)	NSE (F & O Segment)
1.	Documents pending from sub-broker applicants	04	NIL	NIL
2.	Applications under process by ISS (received recently)	NIL	NIL	NIL
3.	Applications pending at NSE	NIL	-	NIL
4.	Applications pending at BSE	-	NIL	-
5.	Applications pending at SEBI	06	08	-
<b>Total</b>		<b>10</b>	<b>08</b>	<b>NIL</b>

The distribution of intermediaries across the different geographical regions of the country as on March 31, 2009 is as given below.

Geographical distribution of Registered Intermediaries						
Sr. No.	Region	States	Trading Members		Authorised Persons (NSE F&O)	Remisiers (BSE)
			NSE	BSE		
1.	West	Goa, Gujarat, Maharashtra	198	112	81	14
2.	North	Haryana, Jammu & Kashmir, Delhi, Punjab, Rajasthan, Uttaranchal and Uttarpradesh	89	48	27	6
3.	East	Assam, Bihar, Jharkhand, Orissa and West Bengal	147	109	49	9
4.	South	Andhra Pradesh, Karnataka, Kerala and Tamilnadu	48	24	22	1
5.	Central	Chattisgarh and Madhya Pradesh	20	14	9	0
		<b>TOTAL</b>	<b>502</b>	<b>307</b>	<b>188</b>	<b>30</b>

### OUTLOOK FOR THE YEAR 2009-10

The outlook for the future is promising. The Company proposes to change the back-office software in order to provide better services and access to its clients and sub-brokers and 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 is also proposing to foray into new areas of securities trading and distribution, currency derivatives, securities lending and borrowing and registration with BSE in derivatives segment, subject to approval by competent authorities.

### OFFICE INFRASTRUCTURE

The registered office of the company is located at International Infotech Park, Tower No. 7, 5<sup>th</sup> Floor, Sector 30, Vashi, Navi Mumbai 400 703 and the back-office operations are carried out from F-102, which is also located at International Infotech Park, Vashi. Apart from central office located at Vashi, decentralized support is also provided to the intermediaries through the Co-ordination and System Offices located at Delhi, Kolkata, Nagpur, Coimbatore, Hyderabad, Manglore, Guwahati, Patna and the Participating Exchange centers.

### COMPLAINTS REDRESSAL, ARBITRATION AND LEGAL CASES

The client's / sub-broker's grievance handling mechanism has been further streamlined as follows:

- all complaints received are entered in excel by Relationship Managers (RM)
- a token number is generated for every complaint
- it is the duty of the RM to resolve the complaints with in 48 hours
- If complaint does not get resolved, RM shall approach the concerned HOD who has to resolve it within 2 days
- If HOD is not able to resolve the complaint, RM will approach CEO of ISS who will solve it within 2 days else the complaint is escalated to the MD of ISE, Parent Company.

ISS strictly follows this route to resolve complaints. The complaints received are also categorized to identify the root cause. Wherever any policy change is required it is brought to the notice of the management.

### SHARE CAPITAL

The present Shareholding pattern of the 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 (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
3	Shri Hiren Kothari (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
4	Shri Krishna Wagle (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
5	Shri Prasanna Dharmadhikari (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
6	Shri Milind Nigam (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
7	Shri P. J. Mathew (Nominee of Inter- connected Stock Exchange of India Limited)	3	10	30	0.000056
8	Shri Gopal Krishna Singh (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
9	Shri K. Rajendran Nair (Nominee of Inter- connected Stock Exchange of India Limited)	1	10	10	0.000018
	<b>TOTAL</b>	<b>55,00,000</b>	<b>10</b>	<b>5,50,00,000</b>	<b>100.00</b>

Apart from transfer of shares among the nominees of the Parent Exchange (Inter-connected Stock Exchange of India Limited), there was no change in shareholding pattern during the year.

#### CHANGES IN THE BOARD OF DIRECTORS

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

Sr. No.	Name of the Director	Status	Date of Appointment / Re-appointment
1.	Shri Vivekananda Pattanayak	Shareholder Representative Director	April 26, 2007
2.	Shri Cyriac Thomas	Shareholder Representative Director	October 21, 2008
3.	Shri Manubhai K. Parekh	Public Representative Director	October 21, 2008
4.	Shri Wahidul Hasan	Public Representative Director	October 21, 2008
5.	Shri George Joseph	Public Representative Director	October 21, 2008
6.	Shri P. J. Mathew	Designated Director [Nominee of Inter-connected Stock Exchange of India Limited (ISE)]	October 17, 2007
7.	Shri Rohit Kumar Mangla	Chief Executive Officer / Director	April 15, 2009

Shri R. Sadanandam and Shri R. M. Joshi demitted the office with effect from October 21, 2008 upon completion of two consecutive terms as Public Representative Directors of the company. Shri Vinay Vaidya, Chief Executive Officer and Director, resigned from office with effect from August 21, 2008.

Shri Cyriac Thomas, Shri Manubhai K. Parekh, Shri Wahidul Hasan and Shri George Joseph were appointed as Additional Directors at the 76<sup>th</sup> Board Meeting held on October 21, 2008. In terms of SEBI Regulations Shri Manubhai K. Parekh, Shri Wahidul Hasan and Shri George Joseph are not liable to retire by rotation. Shri Cyriac Thomas shall hold office till conclusion of the 10<sup>th</sup> Annual General Meeting and upon receipt of a member's recommendation to his candidature and subject to Shareholders' approval he will be appointed as a Director of the Company. Shri Rohit Kumar Mangla was appointed as Chief Executive Officer and Director at 80<sup>th</sup> Board Meeting held on March 23, 2009. He has resigned from office with effect from July 13, 2009

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

Board Meeting No.	Date
73	June 18, 2008
74	July 21, 2008
75	September 02, 2008
76	October 21, 2008
77	December 04, 2008
78	January 05, 2009
79	February 06, 2009
80	March 23, 2009
81	April 29, 2009
82	June 17, 2009
83	July 10, 2009
84	July 18, 2009

### BOARD PROCEDURES

After approval of the Shri P. J. Mathew, Director, the Company Secretary prepares the agenda and the detailed notes for the Board Meetings, which are circulated to all the directors and special invitees.

The Board also approves by circular resolutions, important items of business which are permitted by the Companies Act, 1956 and which cannot be postponed till the next board meeting.

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

During the period April 01, 2008 to July 18, 2009, the Board of Directors met 12 times. The attendance record of the Directors at each Board Meeting and the last Annual General Meeting held on September 02, 2008 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 9 <sup>th</sup> AGM
1.	Shri R. Sadanandam Public Representative Director	4	4	Present
2.	Shri R. M. Joshi Public Representative Director	4	3	Present
3.	Shri Manubhai K. Parekh Public Representative Director	9	9	N.A.
4.	Shri Wahidul Hasan Public Representative Director	9	9	N.A.
5.	Shri George Joseph Public Representative Director	9	9	N.A.
6.	Shri Vivekananda Pattanayak Shareholder Representative Director	12	5	Absent
7.	Shri Cyriac Thomas Shareholder Representative Director	9	9	N.A.
8.	Shri P. J. Mathew Director	12	12	Present
9.	Shri Vinay Vaidya Chief Executive Officer / Director	2	2	N.A.
10.	Shri Rohit Kumar Mangla Chief Executive Officer / Director	3	3	N.A.

## **GENERAL BODY MEETINGS**

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

The last three Annual General Meetings i.e. 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> Annual General Meetings of the Company were held on the following dates

- 7<sup>th</sup> AGM: August 02, 2006 (at the Registered Office of the Company)
- 8<sup>th</sup> AGM: June 28, 2007 (at the Registered Office of the Company)
- 9<sup>th</sup> AGM: September 02, 2008 (at the Registered Office of the Company)

### **2. 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 demitting of office by Shri R. Sadanandam and Shri R. M. Joshi, Public Representative Directors and appointment of new Public Representative Directors and a Shareholder Representative Director, the Audit Committee was reconstituted at 76<sup>th</sup> Board Meeting held on October 21, 2008. The present members of the Committee are Shri Manubhai K. Parekh (Chairman of the Committee), Shri Wahidul Hasan, Shri George Joseph, Shri Cyriac Thomas 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 meeting, a line of communication between the Board and the Statutory & Internal Auditors.
- Consider the appointment of the Statutory and Internal Auditors.
- Review the interim and full year financial statement before recommending them to the Board.
- Review reports of the Internal Auditors and management's responses thereto.
- Review the Company's financial control systems, in particular, the procedures for identifying business risks (including financial risks) and controlling their financial impact on the Company.
- Review the Company's policies for ensuring compliance with the relevant regulatory / legal requirements and the operational effectiveness of the policies and procedures.

During the period April 01, 2008 to July 18, 2009, the Audit Committee met 5 times i.e. on July 21, 2008, December 04, 2008, March 23, 2009, June 17, 2009 and July 17, 2009. The attendance record of the members of the Audit Committee is given below:

<b>Sr. No.</b>	<b>Name of the Member</b>	<b>No. of Meetings of Audit Committee held during their tenure</b>	<b>No. of Meetings of Audit Committee attended</b>
1.	Shri. R. Sadanandam, former Chairman	1	1
2.	Shri R. M. Joshi	1	0
3.	Shri Vivekananda Pattanayak	1	0
4.	Shri Manubhai K. Parekh, Chairman	4	4
5.	Shri Wahidul Hasan	4	4
6.	Shri George Joseph	4	4
7.	Shri Cyriac Thomas	4	4
8.	Shri P. J. Mathew	4	4

## AUDITORS

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

The qualifications in the Accounts for the financial year ended March 31, 2009 are given below:

1. 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.
2. The Company has not maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
3. During the year the Management has not verified the Fixed Assets.
4. 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 its fixed assets and rendering of services. However in our opinion internal control system for the operation of the company needs to be strengthened.

The Board of Directors have taken note of the Auditors' observations for compliance and have issued following directions for corrective actions:

1. Reconciliation should be automated, till such time; it should be carried out manually or even outsourced if required.
2. Fixed Assets should be verified with the help of Systems Personnel and proper records be maintained within a months time.

The Board of Directors shall closely monitor the progress with regard to the above actions.

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

## INTERNAL CONTROL SYSTEMS AND ADEQUACIES

The 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. The Company is also being guided by the internal auditors and the Audit Committee in constantly upgrading the control procedures and systems. The Audit Committee also reviews the adequacy of the internal control procedures

## HUMAN RESOURCES AND PARTICULARS OF EMPLOYEES

There are in all **72** persons working for the Company, out of which **47** are on rolls and the remaining **25** are on contract basis. Further, the Company follows a policy of outsourcing certain labour-intensive activities to external agencies. The particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not applicable to the Company.

## STATUTORY DISCLOSURE OF PARTICULARS

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

## CORPORATE GOVERNANCE

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

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, based on the representations received from the Operating Management, 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, 2009 and Profit & Loss Account for the year ended March 31, 2009;
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

The 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.

The 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 guidance and direction given by Shri R. Sadanandam and Shri R. M. Joshi, Public Representative Directors of the company.

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

**By order of the Board of Directors**

**Date:** July 18, 2009  
**Place:** Vashi, Navi Mumbai

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

Sd/-  
**Manubhai Parekh**  
Public Representative 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 31<sup>st</sup> March 2009 and also the Profit and Loss Account and the Cash Flow Statement for the period ended 31<sup>st</sup> March 2009. 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 31<sup>st</sup> March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March 2009 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 31<sup>st</sup> March 2009;
    - 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

Sd/-  
Hiren Shah  
Partner  
Membership No. 100052.

**PLACE:** Mumbai  
**DATE:** 18th July, 2009



## 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 31<sup>st</sup> March 2009, 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) As per the information furnished, the Company has taken of Rs. 5,00,00,000/- unsecured loan from Interconnected Stock Exchange Ltd (Holding Company) and the same has been repaid during the year.
- (c) In our opinion, the rate of interest and other terms and conditions of unsecured loans are prima-facie not prejudicial to the interest of the company.
- (d) According to the information and explanation given to us, the company is regular in repayment of principal and interest on the above mentioned Unsecured loan.
- (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 31<sup>st</sup> March 2009, 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 liability for which details is given as under:

Amount	Forum against matter is disputed	Matter for which disputed by the Company	Year for which Dispute pending
Rs. 12.62 Lacs	Income tax Appellate Tribunal. (ITAT)	Recognition of Income and Expenses	Financial Year 2002-03 & 2003-04 (Assessment Year 2003-04 & 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. 34.84 Lacs	Deputy commissioner of Income Tax. (DCIT)	Credit for TDS On Interest on Fixed Deposits.	Financial Year 2006-07 (Assessment Year 2007-08).

The company does not have accumulated losses as at 31<sup>st</sup> March 2009 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. Accordingly, the provision of clause 4(xiv) of the order is not applicable to 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 has been one instance of sub broker debts becoming doubtful of recovery consequent upon alleged fraudulent activity by sub broker.

**For A. J. SHAH & COMPANY,**  
Chartered Accountants

Sd/-

**(Hiren Shah)**

Partner

Membership No. 100052.

**PLACE:** Mumbai

**DATE:** 18th July,2009

# ISE Securities & Services Limited

Balance Sheet as at March 31, 2009

Particulars	Schedule	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
<b>Sources of funds</b>			
<b>Shareholders' funds</b>			
Share Capital	1	55,000,000	55,000,000
Reserves & Surplus	2	34,984,079	28,034,930
<b>Loan Funds</b>			
Secured Loans	3	-	13,464,637
Deferred Tax Liability (Net)	4	2,169,016	4,400,993
<b>Total</b>		<b>92,153,095</b>	<b>100,900,560</b>
<b>Applications of fund</b>			
<b>Fixed assets (at cost)</b>			
Gross block	5	63,161,059	61,871,105
Less: Accumulated Depreciation / Amortisation		38,366,315	32,078,054
<b>Net block</b>		<b>24,794,744</b>	<b>29,793,051</b>
Capital Work in Progress		386,168	-
		<b>25,180,912</b>	<b>29,793,051</b>
<b>Investments (at cost)</b>	6	6,710,005	6,710,005
<b>Current Assets, Loans and Advances</b>			
<b>Current Assets</b>			
Sundry Debtors	7	56,370,571	152,971,992
Cash and Bank Balances	8	453,164,262	637,256,966
Loans and Advances	9	132,241,032	134,623,407
Securities in Hand (Refer note 4 of Schedule 16 part C)			281,604
		641,775,865	925,133,969
<b>Less: Current Liabilities and Provisions</b>	10		
Current Liabilities		561,340,324	846,419,631
Provisions		20,173,363	14,316,835
<b>Net Current Assets</b>		<b>60,262,178</b>	<b>64,397,503</b>
<b>Total</b>		<b>92,153,095</b>	<b>100,900,560</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/-  
**Manubhai Parekh**  
Public Representative Director

Sd/-  
**P J Mathew**  
Director

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

Sd/-  
**Manisha Thakur**  
Company Secretary

Place: Mumbai  
Date: July 18, 2009

Place: Vashi, Mumbai  
Date: July 18, 2009

# ISE Securities & Services Limited

## Profit & Loss Account For The Year Ended March 31, 2009

Particulars	Schedule	Year ended March 31, 2009 (Rupees)	Year ended March 31, 2009 (Rupees)	Year ended March 31, 2008 (Rupees)
<b>Income</b>				
Brokerage		187,821,125		375,285,832
Less: Commission to Subbrokers/ Authorised Persons		158,379,673		329,060,563
Interest on FDR (Tax deducted at source: 84,59,766/-, Previous Year 64,65,760/-)			29,441,452 43,140,829	46,225,270 30,995,731
Networking recoveries			9,120,156	9,148,013
Annual fees			2,240,000	2,490,072
Other income	11		8,081,252	7,400,863
<b>Total</b>			<b>92,023,689</b>	<b>96,259,949</b>
<b>Expenditure</b>				
Employee Cost	12		15,816,331	17,655,053
Communication & Networking Expenses	13		16,211,629	14,885,654
Administration and Operational Expenses	14		35,950,962	34,415,226
Finance Costs	15		1,118,470	1,526,329
Reduction in the value of securities in hand			-	110,065
Depreciation / Amortisation on Fixed Assets			6,291,761	8,063,257
<b>Total</b>			<b>75,389,153</b>	<b>76,655,584</b>
<b>Profit / (Loss) before Taxation</b>			<b>16,634,536</b>	<b>19,604,365</b>
<b>Prior period income/expense (net)</b>			-	-
Provision for: Current Tax			(8,500,000)	(9,756,000)
Deferred Tax (Expense)/Savings			2,231,977	3,043,495
Fringe Benefit Tax			(200,000)	(350,000)
<b>Net Profit / (Loss) after Taxation</b>			<b>10,166,513</b>	<b>12,541,860</b>
<b>Balance brought forward from previous year</b>			6,534,929	4,353,904
<b>Surplus in profit and loss account available for appropriation</b>			<b>16,701,442</b>	<b>16,895,764</b>
Less: Interim Dividend			2,200,000	-
Less: Tax on Interim Dividend			373,890	-
Less: Proposed Dividend			550,000	3,300,000
Less: Tax on Proposed Dividend			93,473	560,835
Less: Transfer to General Reserve			4,000,000	6,500,000
<b>Surplus in Profit and Loss Account carried to Balance Sheet</b>			<b>9,484,079</b>	<b>6,534,929</b>
<b>Basic &amp; Diluted Earnings Per Share of Rs. 10/- each (In Rupees) (Refer Pt. 13 of Part C of Notes to Accounts)</b>			<b>1.85</b>	<b>2.28</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

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

Place: Mumbai  
Date: July 18, 2009

Sd/-  
Manubhai Parekh  
Public Representative Director

Sd/-  
P J Mathew  
Director

Sd/-  
Manisha Thakur  
Company Secretary

Place: Vashi, Mumbai  
Date: July 18, 2009

# ISE Securities & Services Limited

## Schedules forming part of the Balance Sheet

### SCHEDULE 1 : SHARE CAPITAL

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
<b>Authorised</b> 60,00,000 Equity Shares of Rs. 10/- each	60,000,000	60,000,000
<b>Issued, Subscribed and Fully paid-up</b> 55,00,000 Equity Shares of Rs.10/- each fully paid-up in cash (100% held by Inter-connected Stock Exchange of India Ltd., the holding company 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 March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
<b>General Reserves:</b>		
As Per Last Balance Sheet	21,500,000	15,000,000
Add: Transfer from Profit and Loss Accounts	4,000,000	6,500,000
	25,500,000	21,500,000
Surplus in Profit & Loss Account	9,484,079	6,534,930
<b>Total</b>	<b>34,984,079</b>	<b>28,034,930</b>

### SCHEDULE 3 : SECURED LOANS

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
From Banks (Overdraft facility secured by bank fixed deposit receipts.) Refer Note 7 of Schedule 16 Part C	-	13,464,637
<b>Total</b>	<b>-</b>	<b>13,464,637</b>

### SCHEDULE 4 : DEFERRED TAX LIABILITY

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
Deferred Tax Liability	6,426,588	7,259,246
Less: Deferred Tax Asset	4,257,572	2,858,253
Net Deferred Tax Assets (Refer Note 14 of Schedule 16 Part C)	2,169,016	4,400,993

## SCHEDULE 5 : FIXED ASSETS

Particulars	Gross Block (At Cost)				Depreciation/Amortisation				Net Block	
	As at 01-04-2008	Additions	Deductions	As at 31-03-2008	Upto 31-3-2008	For the Year	Deductions	As at 31-03-2009	As at 31-03-2009	As at 31-03-2008
<b>Tangible Assets :</b>										
Computers	16,522,956	522,380	3,500	17,041,836	6,991,026	2,741,017	3,500	9,728,543	7,313,293	9,531,930
Mobile phones	140,069	19,329		159,398	59,122	20,671		79,793	79,605	80,947
Office Equipment	2,163,564	71,090		2,234,654	235,733	112,021		347,754	1,886,900	1,927,831
Networking Equipment	12,120,679	67,600		12,188,279	4,769,370	1,971,092		6,740,462	5,447,817	7,351,309
Central Equipment	9,521,408			9,521,408	1,147,395	452,267		1,599,662	7,921,746	8,374,013
Plant & Machinery	653,091	157,551		810,642	78,702	32,416		111,118	699,524	574,389
Power Equipment	1,019,053			1,019,053	122,803	48,405		171,208	847,845	896,250
Assets Retired from										
Active use - computers	21,001			21,001	-			-	21,001	21,001
Furniture & Fixtures	-	207,434		207,434		6,106		6,106	201,328	
<b>Intangible Assets</b>										
Computer Software	19,709,284	248,070		19,957,354	18,673,903	907,766		19,581,669	375,685	1,035,381
<b>Total</b>	<b>61,871,105</b>	<b>1,293,454</b>	<b>3,500</b>	<b>63,161,059</b>	<b>32,078,054</b>	<b>6,291,761</b>	<b>3,500</b>	<b>38,366,315</b>	<b>24,794,744</b>	<b>29,793,051</b>
<b>2007-08</b>	<b>58,766,358</b>	<b>3,104,749</b>		<b>61,871,105</b>	<b>24,014,796</b>	<b>8,063,257</b>		<b>32,078,054</b>	<b>29,793,051</b>	

## SCHEDULE 6 : INVESTMENTS

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (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	6,710,005	6,710,005
<i>(Refer Note 5 of Schedule 16 Part C)</i>		
<b>Total</b>	<b>6,710,005</b>	<b>6,710,005</b>

## SCHEDULE 7 : SUNDRY DEBTORS

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
Debts outstanding for a period exceeding six months		
Considered good	-	1,124,791
Considered doubtful	8,575,125	1,938,313
Other Debts		
Considered doubtful	3,921,285	6,470,786
Considered good	56,370,571	151,847,201
	<b>68,866,981</b>	<b>161,381,091</b>
Less : Provision for Doubtful Debts	12,496,410	8,409,099
<i>(Refer note 6 of Schedule 16 Part C)</i>		
<b>Total</b>	<b>56,370,571</b>	<b>152,971,992</b>

**SCHEDULE 8 : CASH AND BANK BALANCES**

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
Cash-on-hand	-	-
<b>Balances with Scheduled Banks</b>		
- in Current Accounts		
Client Designated	66,458,972	74,426,659
Others	1,246,224	14,334,723
- in Deposit Accounts (Refer note 10,11,12 of Schedule 16 Part C)	385,459,066	548,495,584
<b>Total</b>	<b>453,164,262</b>	<b>637,256,966</b>

**SCHEDULE 9 : LOANS & ADVANCES (UNSECURED AND CONSIDERED GOOD)**

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
Advances recoverable in cash or kind for value to be received	25,091,494	14,987,006
Advance to employees	153,922	392,093
Income tax refund receivable/Advance tax/Fringe Benefit Tax paid (net of provision for taxation)	23,627,956	13,552,715
Deposits with Stock Exchanges/Clearing House	78,075,213	100,918,061
Other Deposits (including Rs.25,00,000/- to ISE, Holding Company,previous year Rs. 44,00,000)	5,292,447	4,773,532
	<b>132,241,032</b>	<b>134,623,407</b>

**SCHEDULE 10 : CURRENT LIABILITIES & PROVISIONS**

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
Total Outstanding dues to micro, small and medium enterprises (Refer note 19 of Schedule 16 part C)	-	-
<b>Others :</b>		
<b>Settlement Obligations</b>		
Settlement Obligations to Sub-Brokers/Clients/Authorised person	383,244,697	603,361,775
<b>Margin, Base and Additional Capital Deposits</b>		
Margin deposits :-		
- Cash Segment deposits	159,829,988	215,432,462
- F & O Segment deposits		
VSAT deposit	1,278,562	1,278,562
Inter-connected Stock Exchange of India Limited (Due to Holding Company)	1,037,208	4,236,135
Creditors for Expenses	14,276,100	21,077,280
Other Liabilities	1,673,769	1,033,418
<b>Total (A)</b>	<b>561,340,324</b>	<b>846,419,631</b>
<b>Provisions</b>		
Proposed Dividend	550,000	3,300,000
Tax on Proposed Dividend	93,473	560,835
Provision for Intrim Dividend	-	-
Tax on Interim Dividend	373,890	-
Provision for Taxation	18,256,000	9,756,000
Provision for FBT	900,000	700,000
<b>Total (B)</b>	<b>20,173,363</b>	<b>14,316,835</b>
<b>Total (A + B)</b>	<b>581,513,687</b>	<b>860,736,466</b>

**SCHEDULE 11 : OTHER INCOME**

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
Fines & Penalties collected	98,773	573,350
Technology Fees for F&O segment	400,000	250,000
Admission Fees for F&O segment	160,000	100,000
Mini Admin Charges	225,000	-
Penalty for delayed payin	1,976,099	2,276,447
Profit on DP Charges	1,127,423	2,155,645
Sundry balances write back	2,506,754	930,045
Miscellaneous Income	442,137	746,206
Income from sale of CRD Form (Net)	845,066	244,170
Dividend Received.	300,000	125,000
<b>Total</b>	<b>8,081,252</b>	<b>7,400,863</b>

**SCHEDULE 12 : EMPLOYEE COST**

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
Salary & Other Allowances( inclusive of Staff Deputation Cost - ISE - Rs. 17,15,766/-, Previous Year - Rs.1,15,18,025/-)	15,211,316	17,405,778
Leave Encashment (net of write back)	245,313	221,587
Gratuity (net of write back)	359,702	27,688
<b>Total</b>	<b>15,816,331</b>	<b>17,655,053</b>

**SCHEDULE 13 : COMMUNICATION & NETWORKING EXPENSES**

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
VSAT, VPN and other Communication expenses	10,704,111	9,011,158
Annual Maintenance Charges for Networking Equipment	4,930,303	5,281,482
Telephone Expenses	577,215	593,014
<b>Total</b>	<b>16,211,629</b>	<b>14,885,655</b>

**SCHEDULE 14 : ADMINISTRATION AND OPERATIONAL EXPENSES**

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
Annual Maintenance charges	1,024,934	328,896
Board Meeting Expenses	332,915	108,129
Brokerage for the rented premises	647,907	-
Sitting Fees	191,000	101,000
Reimbursement of actual Expenses (Refer Note 9 of Schedule 16 Part C)	3,984,970	7,005,506
Management Fees to ISE	3,000,000	3,000,000
Electricity Charges	265,086	-
Security Charges	376,614	-
Provision for Doubtful Debts (Refer Note 6 of Schedule 16 Part C)	4,087,311	8,394,099
Courier Charges	674,391	958,648
Custody Charges	18,777	433,197
Insurance	838,656	593,106
Legal, Professional Charges and Contract charges	3,954,915	2,851,961



**SCHEDULE 14 : ADMINISTRATION AND OPERATIONAL EXPENSES**

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
Miscellaneous Expenses	1,259,827	1,116,860
MemberShip charges	231,476	269,663
Printing & Stationery	552,707	705,540
Rates & Taxes	2,500	4,693
Remuneration to Auditors (Refer Note 3 of Schedule 16 Part C)	439,381	478,673
Rent	5,584,329	4,842,600
Repairs & Maintenance-Others	286,890	100,900
Travelling charges	206,903	307,100
Fines & Penalties to Stock Exchanges	656,166	990,461
License Fees	15,644	19,250
Advertisement	224,640	333,580
Interest on delayed Service Tax payment	480,226	461,364
Sebi Turnover Fees	2,796,319	-
Sundry Balances write off	2,888,001	-
Service tax	928,477	-
Contribution to Trade Guarantee Fund of BSE Ltd	-	1,010,000
<b>Total</b>	<b>35,950,962</b>	<b>34,415,223</b>

**SCHEDULE 15 : FINANCE COSTS**

Particulars	As at March 31, 2009 (Rupees)	As at March 31, 2008 (Rupees)
Bank Charges	745,707	912,670
Interest - Other than Fixed Loans	372,763	613,659
<b>Total</b>	<b>1,118,470</b>	<b>1,526,329</b>

**SCHEDULE 16**

**Notes to the Balance Sheet as at March 31, 2009 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, 2009, 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.

### 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.

### e) Fixed/Intangible Assets and Depreciation/Amortisation

- 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. 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) Intangible assets, comprising of computer software, are being amortised 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 recognised 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 recognised and carried forward only to the extent that the same can be realised.

### 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 recognises 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 recognised for any possible obligation that arises from past events and the existence of which will be confirmed only by that occurrence or non- occurrence of one or more uncertain future events, not wholly within the

control of the Company.

**j) Employees Benefits :**

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

b. **Gratuity:**

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

c. **Compensated Absences:** The employees of the company are entitled to compensated absences. The employee can carry forward unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or resignation for the unutilised accrued compensated absences. Such compensated absences are treated as Long term benefit to employees. The net present value of company's obligation towards such Long term compensated absences to employees is actuarially determined of India unit credit method. Actuarial gains and losses are immediately recognised 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. Contingent Liability not provided for :**

i) The company has received demands from the Income Tax Department for an amount of Rs. 32,36,471/- (previous year :- Rs. 80,68,064/-) 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. The Income Tax department has adjusted refund for the assessment year 2006-07 amounting to Rs. 13,03,640/- against the demand for the assessment year 2005-06. For the year Previous Year 2006-07 Assessment year 2007-08, the advance tax is Rs. 38,24,579/- out of which credit for TDS amounting to Rs. 34,83,731/- is not given. Application for rectification of the same is filed.

ii) Claim against the company not acknowledge as debts amounting to Rs. 8,30,391/- (Estimated)

3. i) Managerial Remuneration: ( Paid to Director & Officiating Director )

Particulars	Year ended 31-3-2009 ( Rs.)	Year ended 31-3-2008 ( Rs.)
Salaries & Allowances	6,93,094	9,50,118
Contribution to Provident Fund and other Funds	48,443	52,362
Monetary Value of Perquisites	NIL	NIL
Commission	NIL	NIL
<b>Total</b>	<b>7,41,537*</b>	<b>10,02,480</b>

\* Shri. Vinay Vaidya was CEO from 1<sup>st</sup> May 2008 to 6<sup>th</sup> August 2008. Shri. Gajendranath Mudaliar was Officiating CEO from 7<sup>th</sup> August 2008 to 31<sup>st</sup> January 2009.

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

Particulars	Year ended 31-3-2009 ( Rs.)	Year ended 31-3-2008 ( Rs.)
Audit fees	2,85,000	2,50,000
For tax audit	60,000	50,000
For other services in respect of: - Management Services/Others	88,500	1,77,452
Reimbursement of expenses	5,881	1,221
<b>Total</b>	<b>4,39,381</b>	<b>4,78,673</b>

4. There are no securities in hand as on March 31, 2009 (Previous year Rs. 2,81,604/- 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. 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. **Sundry Debtors**

(i) Sundry debtors represent settlement dues and other charges receivable from Sub-brokers/ Authorised Persons and the end clients as at March 31, 2009. The debtors to the Company are secured by the Company by way of base and additional trading deposits, bank guarantees, fixed deposits and securities withheld.

(ii) Sundry Debtors include balances due from four Sub- brokers amounting to Rs. 91,08,211/- (previous year Rs. 76,80,214/-) [including Rs. 58,71,464/-(Previous Year Rs. 56,75,634/-) for alleged fraudulent activity by one of sub broker] as at March 31, 2009. The Management is making all efforts for the recovery of the amount. As a result, net debts outstanding of Rs. 91,08,211/- ((previous year 64,70,786/-) including Rs. 58,71,464/- for alleged fraudulent activity by one of sub broker) is considered as doubtful and provision for the same made in the accounts.

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

The company has not availed overdraft facility in current year [Previous year Rs. 1,34,64,637/-] from HDFC Bank is taken against the collateral of fixed deposits of Rs. 13,87,74,050/- [Previous year: Rs. 5,82,86,834/-].

8. The Company has obtained bank guarantees favoring NSE and BSE for an amount of Rs. 1,99,00,000/- [Previous year Rs. 1,28,85,000/-] towards base capital and margin requirements as of March 31, 2009. These bank guarantees are obtained against the collaterals received from sub-brokers favoring the Company towards the same: Rs. 1,99,00,000/- [Previous year: Rs. 1,28,85,000/-].

9. 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 for the period was Rs. 42,08,619/- of which Rs. 2,23,649/- is grouped under Networking Charges & PL Encashment [Previous year: Rs. 70,05,505/- of which Rs. 16,86,371/- includes employee related cost & Rs. 53,19,134/-relates to administration cost].

Employee Cost of **Rs. 17,15,766/-** (Previous year Rs. **1,64,64,537** /-) represents the cost of the staff of ISS of the Company during the year.

10. The Bank fixed deposits and bank guarantees of the Company and of sub brokers amounting to **Rs. 4,38,00,000/-** [Previous year: Rs. 4,10,85,000/- ] 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).	4,00,00,000
(ii) Collaterals for bank guarantees issued to NSE for margin adjustable base capital (Refer Note 8 above)	38,00,000
<b>Total</b>	<b>4,38,00,000</b>

11. The Bank fixed deposits and bank guarantees of the Company and of sub brokers amounting to **Rs. 6,08,00,000/-** [Previous year: Rs. 7,75,00,000/-], 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	5,01,00,000
(ii) Collaterals for bank guarantees issued to BSE for margin adjustable base capital (Refer Note 8 above)	1,07,00,000
<b>Total</b>	<b>6,08,00,000</b>

12. The Bank fixed deposits and bank guarantees of the Company and of sub brokers amounting to **Rs. 9,96,00,000/-** [Previous year: Rs. 11,44,00,000/-] are utilised 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).	9,42,00,000
(ii) Collaterals for bank guarantees issued to NSE for margin adjustable base capital (Refer Note 8 above)	54,00,000
<b>Total</b>	<b>9,96,00,000</b>

### 13. Earnings per share:

Particulars	Year ended 31-3-2009 ( Rs.)	Year ended 31-3-2008 ( Rs.)
Net Profit/(Loss) after taxation attributable to equity shareholders	1,01,66,513	1,25,41,861
Weighted average outstanding number of equity shares (face value per share is Rs. 10/-)	55,00,000	55,00,000
<b>Basic / diluted earnings per share</b>	<b>1.85</b>	<b>2.28</b>

### 14. 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 31-03-08	Adjustment during period	As at 31-03-09
Provision for doubtful debts	28,58,253	13,89,277	42,47,530
Provision for Leave Encashment	0	10,042	10,042
<b>Total</b>	<b>28,58,253</b>	<b>13,99,319</b>	<b>42,57,572</b>
<b>Deferred Tax Liabilities</b>			
Depreciation	72,59,246	(8,32,657)	64,26,588
<b>Total</b>	<b>72,59,246</b>	<b>(8,32,657)</b>	<b>64,26,588</b>
<b>Net Deferred Tax Liability/(Asset)</b>	<b>44,00,993</b>	<b>22,31,977</b>	<b>21,69,016</b>

15. 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.

16. During the year Rs. 20,04,871/- unreconciled Clearing house balances (net of all exchanges) has been written off as

Sundry Balances write off.

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, 2009 with the Exchanges as follows: (As certified by the management)

Particulars	Rs.
NSE Cash Segment	3,83,34,877
BSE Cash Segment	2,79,33,588
NSE F&O Segment	5,40,26,102

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.

(Amount Rs.)

Change in Benefit Obligation:	Gratuity 2009
Liability at the beginning of the year	-
Interest Cost	-
Current Service Cost	-
Past Service Cost (Non Vested Benefit)	-
Past Service Cost (Vested Benefit)	-
Liability Transfer in	-
Liability Transfer Out	-
Benefit Paid	-
Actuarial (gain)/ loss on obligation	-
Liability at the end of the period	5,04,591/-
Fair Value of Plan Assets:	
Fair Value of Plan Assets at the beginning of the year	-
Expected Return on Plan Assets	-
Contributions	-
Transfer from other company	-
Transfer to other company	-
Benefit paid	-
Actuarial gain/ (loss) on Plan Assets	-
Fair Value of Plan Assets at the end of the period	5,56,124/-
Total Actuarial Gain/ (Loss) to be recognised	
Transitional Liability:	
Transition Liability at start	-
Transition Liability Recognised during period	-
Transition Liability at end	-
Actual Return on Plan Assets:	
Expected Return on Plan Assets	-
Actuarial gain/ (loss) on Plan Assets	-
Actual Return on Plan Assets	-
Amount Recognised in the Balance Sheet:	
Liability at the end of the period	5,04,591/-
Fair Value of Plan Assets at the end of the period	5,56,124/-
Difference	51,533/-
Unrecognised Past Service Cost	-
Unrecognised Transition Liability	-

<b>Change in Benefit Obligation:</b>	<b>Gratuity 2009</b>
Amount Recognised in the Balance Sheet	-
Expenses Recognised in the Income Statement:	
Current Service Cost	5,04,591/-
Interest Cost	-
Expected Return on Plan Assets	13,162/-
Past Service Cost (Non Vested Benefit) Recognised	-
Past Service Cost (Vested Benefit) Recognised	-
Recognition of Transition Liability	-
Actuarial Gain or Loss	14,221/-
Expense Recognised in P & L	4,77,208/-
Balance Sheet Reconciliation	
Opening Net Liability	-
Expense as above	-
Employers Contribution	-
Amount Recognised in Balance Sheet	-
Category of Assets:	
Government of India Assets	-
Corporate Bonds	-
Special Deposits Schemes	-
Equity Shares of Listed Companies	-
Property	-
Insurer Managed Funds	5,56,124/-
Other	-
Total	5,56,124/-

Principle Assumptions	Gratuity (%)
Discount Rate	7.95
Salary Escalation	7.00
Rate of Return on Plan Assets	7.50

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

In current year employees were transferred from Inter Connected Stock Exchange of India to the company hence Accounting Standard on Employee Benefits (AS 15) (Revised 2005) issued by the Institute of Chartered Accountants of India, has been adopted in current year. This being the first year for adoption of AS 15 previous years figures have not been shown. The valuations of AS 15 are conducted by independent Actuary and we have relied on the same.

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

(Amount Rs.)

<b>Change in Benefit Obligation:</b>	<b>Gratuity 2009</b>
Liability at the beginning of the year	-
Interest Cost	-
Current Service Cost	-
Past Service Cost (Non Vested Benefit)	-
Past Service Cost (Vested Benefit)	-
Liability Transfer in	-
Liability Transfer Out	-
Benefit Paid	-
Actuarial (gain)/ loss on obligation	-
Liability at the end of the period	5,04,591/-
Fair Value of Plan Assets:	
Fair Value of Plan Assets at the beginning of the year	-

<b>Change in Benefit Obligation:</b>	<b>Gratuity 2009</b>
Expected Return on Plan Assets	-
Contributions	-
Transfer from other company	-
Transfer to other company	-
Benefit paid	
Actuarial gain/ (loss) on Plan Assets	
Fair Value of Plan Assets at the end of the period	5,56,124/-
Total Actuarial Gain/ (Loss) to be recognised	
Transitional Liability:	
Transition Liability at start	-
Transition Liability Recognised during period	-
Transition Liability at end	-
Actual Return on Plan Assets:	
Expected Return on Plan Assets	-
Actuarial gain/ (loss) on Plan Assets	-
Actual Return on Plan Assets	-
Amount Recognised in the Balance Sheet:	
Liability at the end of the period	5,04,591/-
Fair Value of Plan Assets at the end of the period	5,56,124/-
Difference	51,533/-
Unrecognised Past Service Cost	-
Unrecognised Transition Liability	-
Amount Recognised in the Balance Sheet	-
Expenses Recognised in the Income Statement:	
Current Service Cost	5,04,591/-
Interest Cost	-
Expected Return on Plan Assets	13,162/-
Past Service Cost (Non Vested Benefit) Recognised	-
Past Service Cost (Vested Benefit) Recognised	-
Recognition of Transition Liability	-
Actuarial Gain or Loss	14,221/-
Expense Recognised in P & L	4,77,208/-
Balance Sheet Reconciliation	
Opening Net Liability	-
Expense as above	-
Employers Contribution	-
Amount Recognised in Balance Sheet	-
Category of Assets:	
Government of India Assets	-
Corporate Bonds	-
Special Deposits Schemes	-
Equity Shares of Listed Companies	-
Property	-
Insurer Managed Funds	5,56,124/-
Other	-
Total	5,56,124/-



Principle Assumptions	Gratuity (%)
Discount Rate	7.95
Salary Escalation	7.00
Rate of Return on Plan Assets	7.50

- (ii) Other Long term Employee Benefits: Amount of Rs.3,57,006/- is recognised 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.

(a) Total of minimum lease payments	217.16
The total of future minimum lease payments under non-cancellable Operating leases for period:	
Not later than one year	39.24
Later than one year and not later than five years	177.92
Later than five years	-
(b) Lease payments recognised in the statement of profit & loss for the year	27.87
(c) The lease deposit of Rs. 18,72,000/- & Rs. 1,00,000/- for office premises & Godown over the agreement period of five years & three years respectively.	
(d) The general description of significant leasing arrangements: The company has entered into operating lease arrangements for office premises & godown	
(e) The above lease payments are exclusive of service tax.	
(f) Since this being the first year of lease agreement & therefore previous year figures are not shown.	

## 21. Operating Lease:

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. Vinay Vaidya - Chief Executive Officer	Key Managerial Personnel	
3	Mr. Gajendranath Mudaliar – Officiating (Chief Executive Officer)	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, 2009	Total as on March 31, 2008
1	Rendering of Services (net of Service Tax)	30,00,000	-	30,00,000	30,00,000
2	Finance (Including loans and equity contributions in cash or in kind)				
	- Loans (incl. interest)	Nil	-	Nil	Nil
	- Investment in Equity	Nil	-	Nil	Nil
	- Provision for diminution in value of Investment	Nil	-	Nil	Nil
3	Interest Expense	1,57,808	-	1,57,808	5,90,599
4	Managerial Remuneration	-	7,41,537	7,41,537	10,02,480
5	Amt Outstanding as at March 31, 2009				

(Amount in Rupees)

Sr. No	Nature of Transactions	Holding Company	Key Management Personnel	Total as on March 31, 2009	Total as on March 31, 2008
	Loans (incl. interest) (Maximum outstanding during the year)	Nil 5,00,00,000	-	Nil 5,00,00,000	Nil
	Investment in Equity	5,50,00,000	-	5,50,00,000	5,50,00,000
	Managerial Remuneration		Nil	Nil	Nil
	Reimbursement of expenses	10,37,208	-	10,37,208	42,36,135
6	Reimbursement of Expenses	Refer Para 9 above		Refer Para 9 above	Refer Para 9 above
7	Deposit to Holding Company	25,00,000	-	25,00,000	44,00,000

22. 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.

#### Signature to Schedules 1 to 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/-  
**Manubhai Parekh**  
Public Representative Director

Sd/-  
**P J Mathew**  
Director

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

Sd/-  
**Manisha Thakur**  
Company Secretary

**Place:** Mumbai  
**Date:**

**Place:** Vashi, Mumbai  
**Date:**

# ISE Securities & Services Limited

## Cash Flow Statement for the year ended 31st March 2009

(Amount in Rs.)

Particulars	As at 31.03.2009		As at 31.03.2008	
<b>I. Cash Flow from Operating Activities:</b>				
Net profit before tax & extra ordinary items		16,634,536		19,604,366
<b>Adjustments for:</b>				
Depreciation	6,291,761		8,063,257	
Reduction in the value of securities	-		110,065	
Interest paid	372,763		613,659	
Dividend received	(300,000)		(125,000)	
Provision for Bad & Doubtful debts	4,087,311		8,394,099	
Profit on sale of Fixed Assets	(3,500)		-	
		10,448,335		17,056,080
Operating profit before working capital changes		27,082,871		36,660,446
<b>Adjustments for:</b>				
(Increase) / Decrease in Trade & Other receivable	92,514,111		28,176,735	
(Increase) / Decrease in Loans & Advances	12,457,616		(35,404,694)	
(Increase) / Decrease in Securities in hand	281,604		(373,565)	
Increase / (Decrease) in Trade Payable	(285,079,307)		309,056,424	
		(179,825,976)		301,454,900
Cash generated from operations before tax & extra ordinary items		(152,743,106)		338,115,346
Less: Direct Tax Paid (net of refunds)		(10,075,241)		(7,414,006)
		(162,818,347)		330,701,340
<b>Net Cash From Operating Activities (A)</b>		(162,818,347)		330,701,340
<b>II. Cash Flow From Investing Activities:</b>				
Purchase of Fixed Assets	(1,679,622)		(3,104,749)	
Sale of Fixed Assets	3,500		-	
Dividend Income	300,000		125,000	
Sale / (Purchase) of Securities	-	(1,376,122)		(2,979,749)
<b>Net Cash (Used in) / from investing activities (B)</b>		(1,376,122)		(2,979,749)
<b>III. Cash Flow From Financing Activities:</b>				
Proceeds / (Repayment) from bank borrowing capital finance	(13,464,637)		(43,220,768)	
Borrowing from Holding Company	50,000,000		100,000,000	
(Repayment) to Holding Company	(50,000,000)		(100,000,000)	
Dividend paid	(3,300,000)		-	
Dividend Distribution tax Paid	(560,835)		-	
Interim dividend Paid	(2,200,000)		-	
Interest Paid	(372,763)		(613,659)	
<b>Net Cash (Used in) / from Financing activities (C)</b>		(19,898,235)		(43,834,427)
<b>Net Increase / decrease in cash &amp; cash equivalents (A+B+C)</b>		(184,092,704)		283,887,164
<b>Cash &amp; Cash equivalents at the beginning of the year</b>		637,256,966		353,369,802
<b>Cash &amp; Cash equivalents at the end of the year</b>		453,164,262		637,256,966

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.
- Up to two decimal rounded off nearest to the Rupees

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/-  
**Manubhai Parekh**  
Public Representative Director

Sd/-  
**P J Mathew**  
Director

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

Sd/-  
**Manisha Thakur**  
Company Secretary

Place: Mumbai  
Date: July 18, 2009

Place: Vashi, Mumbai  
Date: July 18, 2009

# ISE Securities & Services Limited

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2009

## 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: 3/31/2009

### 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 6,73,667

Total Assets 6,73,667

#### Sources of Funds

Paid up Capital 55,000

Reserves & Surplus 34,984

Secured Loans Nil

Unsecured Loans -

Deferred Tax 2,169

#### Application of Funds

Net Fixed Assets 24,795

Investments 6,710

Net Current Assets 60,262

Misc. Expenditure Nil

Accumulated Losses Nil

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

Turnover 92,024

Total expenditure 75,389

Profit before Tax 16,635

Profit after Tax 10,167

Earnings per share 1.85

Dividend Rate 5%

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

Item Code No. Nil

Product Description Nil

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