

MCX-SX Clearing Corporation Limited

Financial statements together with Directors' Report and Auditors' Report

for the period 7 November 2008 to 31 March 2009

MCX-SX Clearing Corporation Limited

Report of Directors

To
The Members,

Your Directors are pleased to present their First Report on the business and operations of your Company together with the Audited Statement of Accounts and the Auditors' Report for the financial year ended March 31, 2009.

1. FINANCIAL RESULTS

	(Rs.)
	Period ended March 31, 2009
Total Income	1,58,26,458
Less: Expenditure	1,43,79,624
Profit Before Tax	14,46,834
Less: Provision For Tax	4,175
Profit After Tax	14,42,659

As these are the first financial results of the Company, prior year comparatives are not available.

2. PERFORMANCE

The Company was promoted by MCX Stock Exchange Ltd. (MCX-SX), Multi Commodity Exchange of India Ltd. (MCX) and Financial Technologies (India) Ltd. (FTIL) and incorporated on November 7, 2008. The Company has been incorporated with a view to operate as a clearing corporation as envisaged in section 8A of the Securities Contracts (Regulation) Act, 1956. It presently functions as an independent clearing corporation for clearing and settling the trades taking place in the Currency Derivatives Segment of MCX Stock Exchange Ltd., pursuant to a permission granted by SEBI to MCX-SX by SEBI. It acts as a central counterparty to such trades and provides full novation in respect of such trades.

The Company has been authorized by RBI to undertake the clearing and settlement functions in respect of trades done on Currency Futures Segment of MCX-SX under section 10 of the Foreign Exchange Management Act, 1999. The Company commenced its operations on February 16, 2009.

The Company guarantees settlement of all transactions done in MCX-SX, which enhances safety by eliminating counterparty risk. It has state of art risk management system which uses SPAN based value at risk margining model apart from various other online and offline risk management tools.

MCX-SX CCL has 55 clearing members clearing for 392 trading members of MCX-SX. Eight clearing banks have been empanelled as clearing banks of the Clearing Corporation. During May 2009, the average daily MTM settlement was Rs. 2.93 crores, against the daily average margin of Rs. 55.14 crores.

3. DIVIDEND AND RESERVES

In view of the fact that the Company is in its first year of operations and may require funds for its expansion, the Board of Directors is not recommending any dividend on the equity shares of the Company. For the same reason, no amounts are proposed to be carried to the reserves.

4. OUTLOOK FOR THE CURRENT YEAR

The Currency Derivatives segment of MCX Stock Exchange Ltd. and consequently of the Company have been seeing significant volume growth since the launch. The average daily volume of the exchange is expected to go up from USD 700 Million to USD 1250 Million.

5. SHARE CAPITAL

Your Company was incorporated with a paid up capital of Rs. 5 crores. The Company is a subsidiary of MCX-SX, which holds 51% of its paid up equity capital. MCX holding 26% and FTIL holding 23%, were the other initial shareholders of the Company. The Authorised Share Capital of the Company is Rs. 25,00,00,000/- (Rupees Twenty five Crores only) divided into 2,50,00,000 (Two Crore Fifty lakh only) Equity Shares of Rs. 10/- (Rupees Ten only) each. Subsequent to commencement of operations, the promoters of the Company infused further capital of Rs. 20 crore at par by subscribing to 2,00,00,000 equity shares of Rs. 10/- each in the same proportion of their initial holding. These shares were allotted on April 28, 2009.

6. DIRECTORS

The first Directors of the Company are Mr. Joseph Massey, Mr. V. Hariharan and Mr. Paras Ajmera. They shall retire by rotation at the first AGM of the Company as per sections 254 to 256 of the Companies Act, 1956. They are eligible for re-appointment and offer themselves for reappointment.

In pursuance of Section 260 of the Companies Act, 1956, Mr. Prakash Apte, Mr. P. R. Barpande, Mr. U. Venkataraman and Prof. (Mrs.) Ashima Goyal were appointed as Additional Directors on the Board of the Company, with effect from April 17, 2009 and hold office till the first AGM of the Company. Mr. U.Venkataraman has been designated as the Chief Executive Officer and Whole-time Director of the Company, drawing nil remuneration.

The Company has received notices in writing from Members under Section 257 of the Companies Act, 1956 proposing candidature of all the above persons for the office of Directors of the Company liable to retire by rotation. Your Directors recommend their appointment as Directors of the Company.

7. MANAGEMENT

The Management of the Company is headed by Mr. U. Venkataraman, the CEO and Whole-time Director of the Clearing Corporation. The operations of the Clearing Corporation are led by Mr. Tapas Das, the Company's Chief Operating Officer.

8. HUMAN RESOURCES

During the period under review, emphasis was given to Human Resource Planning with the objective of optimum utilization of existing manpower. To leverage the strengths of the group, a total of 6 personnel were deputed from the group companies. The total strength of employees as on March 31, 2009 was 14.

9. AUDITORS

The retiring auditors, M/s V. Sankar Aiyar & Co., Chartered Accountants have given a letter confirming that if re-appointed, they will be in compliance with the limits provided in section 224(1B) of the Companies Act, 1956. Your Directors recommend their reappointment.

10. AUDIT COMMITTEE

As per section 292A of the Companies Act, 1956, the Company has constituted an Audit Committee of the Board comprising of three directors of which two are independent, non-executive directors. The composition of the Audit Committee is as follows:

1. Mr. P.R. Barpande – Chairman
2. Prof. (Mrs.) Ashima Goyal – Member
3. Mr. Joseph Massey - Member

11. DEPOSITS

The Company has not accepted any Public deposits during the last financial year.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In view of the nature of activities which are being carried out on by the Company, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorption, respectively, are not applicable to the Company.

There were no foreign exchange earnings or expenditure during the period under review. The Company does not directly contribute to export growth. However, by offering clearing and settlement services in currency futures contracts, it facilitates corporates, exporters and importers to hedge their currency risk and indirectly encourages foreign trade.

13. PARTICULARS OF EMPLOYEES

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the period ended March 31, 2009, is given as an Annexure to this Report.

14. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:-

- i. in the preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures;
- ii. they have, in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii. they have taken proper and sufficient care, to the best of their knowledge and ability, 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 frauds and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis.

15. BUY-BACK OF SHARES

As during the last financial year your Company did not have any scheme of buyback of shares, the requirements specified in section 217(2B) read with section 77A of the Companies Act, 1956 are not applicable to the Company.

16. ACKNOWLEDGEMENTS

The Directors wish to convey their appreciation to all the Company's employees for their enormous personal efforts as well as their collective contribution to enable the Company to meet the challenges set before it. The Directors would also like to place on record their gratitude for the valuable guidance and support received from Securities and Exchange Board of India, Reserve Bank of India and clearing members, banks, clearing banks, technology providers and all other business associates for the continuous support given by them to the Company and their confidence in its Management.

On behalf of the Board of Directors

**Joseph Massey
Chairman**

Mumbai, June 18, 2009

**AUDITOR'S REPORT TO THE SHAREHOLDERS OF MCX-SX CLEARING CORPORATION
LIMITED**

1. We have audited the attached Balance Sheet of MCX-SX CLEARING CORPORATION LIMITED as at 31st March, 2009 and also the Profit and Loss Account and Cash Flow Statement of the Company for the period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 and read together with the Companies (Auditor's Report) Amendment Order, 2004 (hereinafter referred to as the Order) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 purposes 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 Company's Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
 - (v) On the basis of written representations received from the Directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st 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) In our opinion and to the best of our information and according to the explanations given to us, the said accounts and read with the Significant Accounting Policies and other notes thereon, 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 the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009,
 - (b) In the case of the Profit and Loss Account, of the profit for the period ended on that date, and
 - (c) In the case of the Cash Flow Statement of the cash flows for the period ended on that date.

**For V. Sankar Aiyar & Co.,
Chartered Accountants**

Place: Mumbai

Dated: 18th June, 2009

**[G. SANKAR]
Partner
Membership No. 46050**

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDITOR'S REPORT TO THE SHAREHOLDERS OF MCX-SX CLEARING CORPORATION LIMITED ON THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH 2009.

1. The company has not granted or taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
2. In our opinion, there is adequate internal procedure commensurate with the size of the company and nature of its business for rendering of services.
3. Based on the audit procedures applied by us, to the best of our knowledge and belief and according to the information and explanations given to us, particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956, have been entered in the register required to be maintained under that Section. According to the information and explanations given to us, where the transactions made in pursuance of such contracts or arrangements during the year are in excess of Rs. 5 lacs, they have been made at prices, which are, prima facie, reasonable having regard to the prevailing market prices at the relevant time, except that in respect of certain services, no comparison of price could be made as the management informed us that these transactions are of a special nature for which suitable alternative sources do not exist for obtaining comparative quotations.
4. The company has not accepted any deposits from the public within the meaning of the provisions of Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules made thereunder.
5. The Company has an internal audit system commensurate with the size and nature of the Company's business.
6. We are informed that no cost records are required to be maintained by the company under section 209(1)(d) of the Companies Act, 1956.
7. According to the records of the company, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues that are required to be deposited with authorities, have been generally deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts in respect of the aforesaid statutory dues were in arrears, as at 31st March, 2009, for a period of more than six months from the date they became payable.

According to the information and explanations given to us and the records of the company, there are no dues of sales tax / income tax / customs duty / wealth tax / service tax / excise duty / cess which have not been deposited on account of disputes.

8. The company does not have any accumulated losses at the end of the financial year. The company has not incurred any cash losses during the financial year covered by our audit.

9. The company has not taken any loan from banks or Financial Institutions and the company has not issued any debentures.
10. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. The company has not dealt or traded in shares, securities, debentures or other investments.
12. According to the information and explanations given to us, the Company has not given any guarantee for any loans taken by others from any bank or financial institution.
13. The company has not obtained any term loans from banks or financial institutions.
14. According to the information and explanations given to us, based on an overall examination of the balance sheet of the Company, related information made available to us and as represented to us by the Management, funds raised on short term basis, prima facie, have not been used during the period for long term investment.
15. The Company has not made any preferential allotment of shares during the period to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
16. The Company has not issued any debentures during the year and therefore the question of creating security or charge in respect thereof does not arise.
17. The Company has not made any public issue of any securities during the period and therefore the question of disclosing the end-use of money raised by any public issue does not arise.
18. Based on the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.
19. Clauses (i), (ii), and (xiii) of paragraph 4 and 5 of the Order are not applicable to the company and hence the same are not reported upon.

**For V. Sankar Aiyar & Co.,
Chartered Accountants**

Place: Mumbai
Dated: 18th June, 2009

**[G. SANKAR]
Partner
Membership No. 46050**

MCX-SX Clearing Corporation Limited

BALANCE SHEET AS AT MARCH, 31, 2009

	Schedule No.	Rupees	As at 31-03-09 Rupees
<u>I. SOURCES OF FUNDS</u>			
(1) Shareholder's Funds			
(a) Share Capital	1	50,000,000	
(b) Reserves and Surplus	2	1,442,659	51,442,659
	TOTAL		51,442,659
<u>II. APPLICATION OF FUNDS</u>			
(1) Investments	3		236,767,524
(2) Current Assets, Loans and Advances			
(a) Cash and Bank Balances	4	21,427,185	
(b) Sundry Debtors	5	10,681,599	
(c) Loans and Advances	6	196,050,886	
	(a)	228,159,670	
Less: Current Liabilities and Provisions :			
(a) Current Liabilities	7	413,071,210	
(b) Provisions	8	413,325	
	(b)	413,484,535	
Net Current Assets	(a)-(b)		(185,324,865)
	TOTAL		51,442,659

Significant accounting policies 12
Notes to the accounts

The schedules referred to above form an integral part of this balance sheet.

As per our attached report of even date

For **V. Sankar Aiyar & Co.,**
Chartered Accountants

For and on behalf of the Board
MCX-SX Clearing Corporation Ltd.

G. Sankar
Partner

Joseph Massey **U.Venkataraman**
Director Director

Place : Mumbai
Date : June 18, 2009

Place : Mumbai
Date : June 18, 2009

MCX-SX Clearing Corporation Limited
PROFIT AND LOSS ACCOUNT FOR THE PERIOD NOVEMBER, 07, 2008 TO MARCH, 31, 2009

	Schedule No.	Year ended 31.03.09 Rupees
INCOME		
Operational Income	9	10,889,528
Other Income	10	4,936,930
	TOTAL	15,826,458
EXPENDITURE		
Operating and Other Expenses	11	14,379,624
	TOTAL	14,379,624
Profit Before Tax		1,446,834
Less : Provision for Taxation		
- Fringe Benefit Tax		4,175
Profit After Tax Carried forward to Balance Sheet		1,442,659
Earnings Per Share		
Number of Equity Shares		5,000,000
Basic		0.29
Diluted		0.29
Face Value per Share		10/-

Significant accounting policies
Notes to the accounts

12

The schedules referred to above form an integral part of this balance sheet.

As per our attached report of even date

For **V. Sankar Aiyar & Co.,**
Chartered Accountants

For and on behalf of the Board
MCX-SX Clearing Corporation Ltd.

G. Sankar
Partner

Joseph Massey
 Director

U.Venkataraman
 Director

Place : Mumbai
 Date : June 18, 2009

Place : Mumbai
 Date : June 18, 2009

MCX-SX Clearing Corporation Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2009

	Period ended 31.03.2009	
	Rupees	Rupees
A. Cash Flow from Operating Activities		
Net Profit Before Tax		1,446,834
Adjustments for		
Interest Expenses	4,721	
Dividend from Investment	(4,571,428)	
Interest Income	(339,041)	
Profit on Sale of Investment (Net)	(16,608)	
Preliminary Expenses		1,908,200
Provision for Graduity and leave Encashment		409,150
		(2,605,007)
Operating profit/ (loss) before working capital changes		(1,158,173)
Adjustments for		
Loans and Advances	(206,732,485)	
Current Liabilities and Provisions	413,071,210	206,338,725
Cash from Operations		205,180,552
Less:Taxes Paid		-
Net Cash from Operating Activities		205,180,552
B. Cash Flow from Investing Activities		
Purchase of Investments		(236,767,524)
Profit on Sale of Investment		16,608
Dividend Income		4,571,428
Interest Income		339,041
Net Cash Used in Investing Activities		

	(231,840,446)
C. Cash Flow from Financing Activities	
Proceeds from issue of Equity Shares	50,000,000
Preliminary Expenses	(1,908,200)
Interest Expenses	(4,721)
Net Cash from Financing Activities	48,087,079
Net Cash Flow during the year	21,427,185
Net Increase in Cash and Cash Equivalents	21,427,185
Cash and Cash Equivalents (Opening Balance)	-
Cash and Cash Equivalents (Closing Balance)	21,427,185

Notes to Cash Flow Statement:

1. Cash and cash equivalents include cash and bank balances in current account.
2. The Cash Flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard (AS 3) "Cash Flow Statement" issued by the Institute of Chartered Accountants of India.
3. Closing Balance of Cash and Cash Equivalents consists of:

	Current Period Rupees
Cash and Cheques on Hand	6,100
<u>Bank Balances:</u>	
- In Current Accounts	21,421,085
	<u>21,427,185</u>

The schedules referred to above form an integral part of this balance sheet.

As per our attached report of even date

For **V. Sankar Aiyar & Co.,**
Chartered Accountants

For and on behalf of the Board
MCX-SX Clearing Corporation Ltd.

G. Sankar
Partner
Place : Mumbai
Date : June 18, 2009

Joseph Massey
Director
Place : Mumbai
Date : June 18, 2009

U.Venkataraman
Director

MCX-SX Clearing Corporation Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

		As at 31.03.09 Rupees
Schedule 1: Share Capital:		
Authorised:		
25,000,000 equity Shares of Re.10/- each		250,000,000
Issued, Subscribed and Paid up:		
5,000,000 equity Shares of Re 10/- each fully paid of the above :-		50,000,000
2,550,000 equity shares of Rs.10/-each are held by MCX Stock Exchange Ltd, the holding company.		
TOTAL		50,000,000
Schedule 2: Reserves and Surplus:		
Surplus in Profit and Loss Account		1,442,659
		1,442,659
Schedule 3: Investments		
Current: (Unquoted) [At Lower of Cost and Market]		
Non-trade:		
In units of mutual funds		
1	3057263.91 Units of Rs.15.29 each in Reliance Liquid Fund - TP - IP Dividend Plan	46,737,005
2	6965156.55 Units of Rs.10.05 each in DWS Insta Cash Plus Fund - IP -Daily Dividend	70,010,968
3	6376346 Units of Rs.10.98 each in LIC MF Liquid Fund Dividend Plan	70,012,917
4	49973.003 Units of Rs.10.67 each in Templeton India TMA - SIP - DDR	50,006,634
		236,767,524
TOTAL		236,767,524

Notes:			
1	Net Asset Value of the units of Mutual Funds		236,767,524
2	Purchased and sold during the year	Purchase Units	Redeemed Units
a)	Units of mutual funds:		
1	Birla Sun Life Cash Plus - Institutional Premium Plan - Daily Dividend Reinvest	26,019,393.67	26,019,393.67
2	Fortis Money Plus IP Fund - Daily Dividend	13,530,293.32	13,530,293.32
3	Fortis Overnight Fund - Insti Plus Plan - Daily Dividend	10,009,243.29	10,009,243.29
4	Fortis Overnight Fund - IP - Daily Dividend	20,496,720.51	20,496,720.51
5	LICMF Savings Plus Daily Dividend	20,057,635.19	20,057,635.19
6	Religare Liquid Fund Super Institutional Daily Dividend	20,497,549.62	20,497,549.62
7	SBNPP Money Fund Super Inst.Daily Div.Rein	36,917,454.46	36,917,454.46
8	UTI Liquid Fund - Cash Plan Institutional Plan (Daily Dividend Option) - Reinvestment	90,748.96	90,748.96
9	UTI Treasury Advantage Fund - Institutional Plan (Daily Dividend Option) - Reinvestment	92,712.78	92,712.78
10	UTI Money Market Fund - Daily Dividend Option - Reinvestment	5,360,900.26	5,360,900.26
Schedule 4 : Cash and Bank Balances			
	Cash on hand		6,100
	Bank Balances with Scheduled Banks:		
	- In Current Accounts*		21,421,085
	* Balance in Current Account includes Rs.18,667,352 towards Clearing and Settlement Obligation		
	TOTAL		21,427,185
Schedule 5 : Sundry Debtors			
	(Considered good)		
	Debts outstanding for a period exceeding six months	-	
	Other Debts	10,681,599	10,681,599
	(Due from holding company Rs.10,681,599)		
			10,681,599

Schedule 6 : Loans and Advances		
Advances recoverable in cash or in kind or for value to be received*		194,686,022
Advance Tax Paid including Tax Deducted at Source		1,364,864
<p>* Includes Rs.165,000,000 towards Members Security Deposit (Refer Note 12.II (2)) and Rs.25,000,000 towards Settlement Guarantee Fund received from MCX Stock Exchange Ltd subsequent to balance sheet date.</p>		
TOTAL		196,050,886
Schedule 7: Current Liabilities		
Sundry Creditors		
- Total outstanding dues of micro enterprises and small enterprises	-	
- Total outstanding dues of creditors other than micro enterprises and small enterprises*	12,866,969	12,866,969
* Includes Rs.10,819,828 Due to MCX Stock Exchange Ltd.		
Members Margin Deposit		206,053,229
Members Security Deposit (Refer Note 12. II (2))		165,000,000
Settlement Gurantee Fund		25,000,000
Other Liabilities		3,960,296
Accrued Expenses		190,716
TOTAL		413,071,210
Schedule 8: Provisions		
Provision for Fringe Benefit Tax		4,175
Provision for Gratuity		121,498
Provision for Leave Encashment		287,652
TOTAL		413,325

MCX-SX Clearing Corporation Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	Period ended 31.03.2009	
	Rupees	Rupees
Schedule 9 : Operating Income		
Clearing & Settlement Fees		10,889,528
TOTAL		10,889,528
Schedule 10 : Other Income		
Dividend from Non trade investments:		
- Current Investments		4,571,428
Interest on Fixed Deposits		339,041
Interest on Loan to employee		9,852
Profit on Sale of Investments (Net)		16,608
TOTAL		4,936,930
Schedule 11: Operating and Other Expenses		
Payment to and Provisions for Employees:		
Salaries and Bonus	4,216,385	
Contribution to Provident Fund	54,318	4,270,703
Rent		454,937
Outsourced Service Charges		537,348
Audit Fees		75,000
Legal & Professional Charges		120,000
Software & Hardware Support Charges		6,928,304
Preliminary Expenses		1,908,200
Miscellaniuos Expenses*		85,132
TOTAL		14,379,624

* Miscellaneous Expenses includes Brokerage & Commission, Corporate Professional Tax, Filing Fees, Travelling & Conveyance, Bank Charges and Interest on Bank temporary overdraft Rs.4,721/- etc.

Schedule 12

I. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation of financial statements

The accompanying financial statements have been prepared under the historical cost convention in accordance with Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

B. Use of estimates

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

C. Usage Charges of Fixed Assets

The Company utilizes hardware and software purchased or leased by the holding company viz., M/s. MCX Stock Exchange Limited (MCX-SX). For this, MCX-SX charges the Company towards Software & Hardware support charges.

D. Revenue Recognition

- a) Revenue is recognized when no significant uncertainty as to measurement and realization exists.
- b) Dividend income is recognized when the Company's right to receive dividend is established.
- c) Interest income is recognized on time proportion basis.
- d) Clearing and Settlement fees are recognized at the end of the period based on expenses incurred less investment income plus mark-up of 15% based on agreed terms with MCX-SX.

E. Employee Benefits

Provision is made for Leave Encashment and Gratuity on basis of actuarial valuation determined using the Projected Unit Credit Method.

F. Investments

Current investments are carried at lower of cost and fair value. The difference between the carrying average amount of the investment and sale proceeds, net of expenses, is recognized as profit/ loss on sale of investments.

G. Income taxes

Income taxes are accounted for in accordance with Accounting Standard 22 on "Accounting For Taxes on Income", (AS 22) .Tax expense comprises current tax deferred tax, fringe benefit tax and wealth tax. Current tax is measured at the amount expected to be paid to or recovered from the tax authorities using the applicable tax rates. The Company recognizes deferred tax (subject to consideration of prudence) based on the tax effect of timing differences, being differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

H. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized, but are disclosed in the notes forming part of accounts. Contingent assets are neither recognized nor disclosed in the financial statements.

II. NOTES FORMING PART OF ACCOUNTS

- 1) The Company was incorporated on November 7, 2008 and obtained certificate to commence business on November 10, 2008 and accordingly the accounts have been prepared for the period November 7, 2008 to March 31, 2009. This being the first year of operations of the Company, previous year figures have not been given.
- 2) Pursuant to the approval granted by the Securities and Exchange Board of India (SEBI) vide Letter dated January 2, 2009, the Clearing and Settlement duties and functions ('said business') of MCX Stock Exchange Limited (MCX-SX) was acquired by the Company by agreement dated February 13, 2009 and the said business is carried by the Company effective from February 16, 2009. The assets and liabilities of MCX-SX relating to the said business have been recorded in the Company's books of account. The funds in respect of Members – Security Deposits aggregating Rs. 165 Millions together with income accrued by way of dividend on investment in the units of Mutual Fund as on March 31, 2009 have been received by the Company subsequent to the Balance Sheet date.
- 3) Collaterals in the form of Bank Guarantees, Fixed Deposits, Securities and G-Secs aggregating Rs.1367.17 Millions received from members do not form a part of the Balance Sheet.
- 4) Bank Guarantees and Fixed Deposit Receipts aggregating Rs. 101.50 Millions placed by certain members with the MCX-SX towards collaterals and in respect of which limits are granted to the members for trading continue to be in the name of MCX-SX. However the Company has obtained / is in the process of obtaining confirmatory letter from the Banks that the said collaterals would be valid and can be enforced by the Company.
- 5) Segment Reporting
 - a) The Company considers business segment (business of facilitating clearing and settlement of trading in currency futures of MCX Stock Exchange Limited and incidental activities thereto) as its primary segment considering the risks and rewards of the services offered, nature of services, management structure and system of financial reporting. In the opinion of the management, the Company has only one reportable business segment, the results of which are disclosed in the financial statements.
 - b) During the year ended March 31. 2009, the Company had no reportable geographical segment and on that basis, no secondary segment information is furnished.

6) Related Party information:

a) Names of related parties and nature of relationship:

i. Company whose control exists:

MCX Stock Exchange Limited

ii. Company having significant influence over the Company

- a) MCX Stock Exchange Limited (MCX-SX)
- b) Financial technologies (India) Limited (FTIL)
- c) Multi Commodity Exchange of India Limited (MCX)

iii. Fellow Subsidiaries:

MCX Clearing Corporation Limited (MCX-CCL)

iv. Key Managerial Personnel:

- (a) Mr. U. Venkataraman – CEO & Whole Time Director
– Appointment made on April 17, 2009.

b) Transactions with related parties

(Rupees)

Sr. No.	Nature of transactions	Company whose Control Exists MCX-SX	Companies having Significant Influence MCX	Companies having Significant Influence FTIL
1	Clearing & Settlement Fees	10,889,528		
2	Rent Paid	454,937		
	Reimbursement of Expenses			
	Preliminary Expenses	500,200	1,358,000	
	Outsourced Service Charges	537,348		
	Software & Hardware Support Charges	6,928,304		
	Deputation Charges		56,657	283,074
	Other Expenses	2,133	21,790	
3	Advances Given			
	Balance at the start of the period	Nil		
	Given / Debited during the Period	228,523,128		
	Repaid/Adjusted during the Period	36,926,029		
	Balance as at the end of the Period			
4	Sundry Debtors (Balance at the end of the period)	10,681,599		
5	Sundry Creditors (Balance at the end of the period)	10,819,828	1,436,447	283,074

Out of the above items, transactions with related parties in excess of 10% of the total related party transactions are:

Sr. No.	Transactions with related parties	Rupees
1	Reimbursement of Preliminary Expenses - MCX	1,358,000
2	Deputation Charges – MCX	56,657
3	Deputation Charges – FTIL	283,074

Notes:

- (i) Related party relationship is as identified by the Company and relied upon by the auditors.
- (ii) There are no amounts written off or written back in the year in respect of debts due from or to related parties.

7) Employee benefit plans

Defined contribution plans: Amounts recognized as expenses towards contributions to provident fund by the Company are Rs. 54,318

Post employment defined benefit plan:

	Gratuity (Non Funded)	Leave Encashment (Non Funded)
I. Change in benefit obligation:		
Projected benefit obligation at the beginning of the year	Nil	Nil
Interest Cost	Nil	Nil
Current Service Cost	121,498	287,652
Benefit Paid	Nil	Nil
Actuarial (gain) / loss on obligations	Nil	Nil
Projected benefit obligation at the end of the year	121,498	287,652
II. Change in plan assets		
Fair value of the plan asset at the beginning of the year	Nil	Nil
Expected return on plan assets	Nil	Nil
Contributions	Nil	Nil
Benefits paid	Nil	Nil
Actuarial gain on plan assets	Nil	Nil
Fair value of plan assets at the end of the year	Nil	Nil
Excess of obligation over plan assets		
III. Expense for the year		
Current service cost	121,498	287,652
Interest cost	Nil	Nil
Expected return on plan assets	Nil	Nil
Net (gain)/loss recognized	Nil	Nil
Gratuity cost	121,498	287,652
IV Assumptions		
Discount rate	7.75%	7.75%
Salary escalation rate	7.50%	7.50%

8) Earning Per Share is as follows:

	2008- 09
	1 Rupees
a. Net Profit after tax	1,442,659
b. Weighted average number of Equity Shares Basic/Diluted (Nos.)	5,000,000
c. Basic /Diluted Earnings per share	0.29
d. Nominal value of equity share	10

As per our report of even date
For V. Sankar Aiyar & Co.,
Chartered Accountants

For and on behalf of the Board

G. Sankar
Partner

Joseph Massey
Director

U. Venkataraman
Director

Place : Mumbai
Date : June 18,2009

Place : Mumbai
Date : June 18, 2009

Balance Sheet Abstract and the Company's General Business Profile:

I. Registration Details

Registration Number State Code

Balance Sheet date

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue Rights Issue

Bonus Issue Private Placements

III. Position of Mobilisation and deployment of funds (Amounts in Rs. Thousands)

TOTAL LIABILITIES TOTAL ASSETS

PAID-UP CAPITAL RESERVES & SURPLUS

* including stock options outstanding

SECURED LOANS UNSECURED LOANS

NET FIXED ASSETS INVESTMENTS

NET CURRENT ASSETS DEFERRED TAX

MISC. EXPENDITURE ACCUMULATED LOSSES

IV. Performance of Company (Amount in Rs. Thousand)

Turnover (Sales and Other Income) Total Expenditure

Profit/(Loss) Before Tax Profit/(Loss) After Tax

Earning per Share in Rs. Dividend Rate %

V. Generic Names of Three Principal Products / Service of Company (as per monetary terms)

Item Code (ITC Code) Product Description