

ANNUAL REPORT 2014-15

National Spot Exchange Limited



www.nationalspotexchange.com

C O R P O R A T E I N F O R M A T I O N

Board of Directors

Mr. S Rajendran

Chairman

Mr. Saji Cherian

Managing Director & CEO

Mr. Prakash Chaturvedi

Joint Managing Director

Mr. Varghese Jacob

Independent Director

Mr. Niraj Gupta

Independent Director

Dr. Amarendra Sahoo

Non-Executive Director

Mr. Subramanya Kusnur

Non-Executive Director

Dr. Ashok Nag

Non-Executive Director

Auditors

Mahendra Sharma & Co.
Chartered Accountants
Firm Registration No: 132162W

Registered & Corporate Office

FT Tower, CTS No. 256 & 257,
4th Floor, Suren Road, Chakala,
Andheri (East), Mumbai - 400 093.
Tel: +91-22-6761 9900
Fax: +91-22-6761 9931
ls@nationalspotexchange.com
www.nationalspotexchange.com



Electronic Spot Market

NATIONAL SPOT EXCHANGE LIMITED

Registered Office: 4th Floor, FT Tower, Suren Road, Chakala, Andheri (E), Mumbai - 400 093.

CIN: U51100MH2005PLC153384

Tel.: 022-67619900 | Fax: 022-67619931

e-mail: ls@nationalspotexchange.com | website: www.nationalspotexchange.com

NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of the Company will be held on Friday, 4 September, 2015 at 3:00 p.m. at the registered office of the Company at 4th Floor, FT Tower, Suren Road, Chakala, Andheri (E), Mumbai - 400 093 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt:
 - (a) the audited Standalone Financial Statements for the financial year ended 31 March, 2015, the Reports of the Auditors and the Board of Directors thereon; and
 - (b) the audited Consolidated Financial Statements of the Company for the financial year ended 31 March, 2015
2. To appoint a Director in place of Dr. Amarendra Sahoo, who retires by rotation and being eligible, offer himself for re-appointment.
3. To appoint Auditors and to fix their remuneration and in this regard, to consider and if thought fit, to pass the following Resolution as **Special Resolution**:

“**RESOLVED THAT** M/s. Patel, Shah & Joshi, Chartered Accountants, Mumbai, having their Firm Reg. No. 107768W, be and are hereby appointed as Statutory Auditors to conduct the audit for FY 2015-16 of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the Eleventh Annual General Meeting of the Company, at a remuneration of Rs.5,00,000 (Rupees Five Lacs only) (excluding taxes and out of pocket expenses, if any).”

NOTES:

1. The Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 is annexed hereto, and forms part of the Notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/ HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. A person appointed as proxy, shall act as a proxy for not more than 50 members and holding in aggregate not more than 10% of the total Paid-up Share Capital of the Company. A member holding more than 10% of the Paid-up Share Capital of the Company may appoint a single person as proxy and such person cannot act as proxy for any other member.**
3. The instrument of proxy, in order to be effective, must be deposited at the registered office of the Company not less than forty eight hours before the commencement of the meeting.
4. Members/Proxies should fill the enclosed Attendance Slip and deposit it at the entrance of the meeting hall.

5. All documents referred to in the Notice and Explanatory Statements are open for inspection at the registered office of the Company on all working days (except Saturdays) from 10.00 a.m. to 1.00 p.m. up to the date of the meeting.
6. Corporate members are requested to send a duly certified copy of the Board Resolution or Power of Attorney duly authorizing their representative to attend and vote at the Annual General Meeting. A Body Corporate / Corporation being a member shall be deemed to be personally present at the meeting if representation in accordance with the provision of Section 113 of Companies Act, 2013 is made.
7. Members seeking any information relating to accounts of the Company shall write to the Company at least 10 days prior to the date of the meeting, so as to enable the management to keep the requisite information ready and available.

By Order of the Board
For NATIONAL SPOT EXCHANGE LIMITED

Date: 5 August, 2015
Place: Mumbai

Sandip Rahane
Company Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013**ITEM NO. 3:**

M/s Mahendra Sharma & Company, Statutory Auditors, were appointed in the Annual General Meeting held on 30th September, 2014. Their term as the Statutory Auditors of the Company expires at the ensuing Annual General Meeting of the Company. Therefore, the Board of Directors of the Company proposes to appoint M/s Patel, Shah & Joshi, Chartered Accountant bearing Firm Registration Number (FRN): 107768W to act as Statutory Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company. The Company has also received an eligibility certificate and consent from M/s Patel, Shah & Joshi, Chartered Accountants required under Section 141 of the Companies Act, 2013 and rules made thereunder.

The Board recommends the resolution for your approval.

None of the Directors, Key Managerial Personnel of the Company/ their relatives are, in any way, concern or interested, financially or otherwise in the said resolution.

By Order of the Board
For NATIONAL SPOT EXCHANGE LIMITED

Date: 5 August, 2015
Place: Mumbai

Sandip Rahane
Company Secretary

DIRECTORS' REPORT

To

The Members of

NATIONAL SPOT EXCHANGE LIMITED

Your directors present the Tenth Annual Report of your Company together with the **Audited Statement of Accounts** for the financial year ended on 31 March, 2015.

1. FINANCIAL PERFORMANCE

(Rs. in Crores)

PARTICULARS	CONSOLIDATED		STANDALONE	
	Current Year 2014-15	Previous Year 2013-14	Current Year 2014-15	Previous Year 2013-14
Total Income	369.09	641.56	2.72	283.80
Total Expenses	434.31	629.06	88.85	305.48
EBITDA	(65.22)	12.50	(86.13)	(21.68)
Depreciation/Amortization	4.48	6.10	4.35	5.96
Finance Costs	23.12	14.02	19.92	11.35
Prior Period expenses	0.37	-	0.37	-
Profit/(Loss) before Tax	(93.19)	(7.63)	(110.77)	(38.99)
Provision for Taxation	-	(1.33)	-	(1.19)
Profit/(Loss) after Tax	(93.19)	(6.30)	(110.77)	(37.80)
Earnings per share (In Rs.)				
Basic	(19.99)	(1.01)	(23.76)	(8.40)
Diluted	(19.99)	(1.01)	(23.76)	(8.40)
Face value of Share (in Rs.)	10.00	10.00	10.00	10.00

2. RESULTS OF STANDALONE OPERATIONS

Total income for the year ended 31 March, 2015 was Rs.2.72 Crores, as compared to Rs.283.80 Crores for the year ended 31 March, 2014. Your Company has reported a Loss after Tax of Rs.110.77 Crores for the year ended 31 March, 2015 as compared to Loss after Tax of Rs.37.80 Crores for the year ended 31 March, 2014. The Company carried its 'Exchange related activities' up to 31 July, 2013 and launch of new contracts was suspended from 1 August, 2013. E-Series contracts were traded till 6 August, 2013, as the launching of new e-series contracts was suspended from 7 August, 2013, as per notification of Ministry of Consumer Affairs (MCRA). The Company has no revenue except by Interest on Bank deposits, loans and other Income. The loss is due to normal running expenses for the recovery and requirement of additional provision on loans to Subsidiary Company and Sundry Debtors. The Company may not be able to make profit in the near future.

3. QUALIFICATIONS IN AUDITOR'S REPORT AND MANAGEMENT RESPONSE TO THE SAME

The Statutory Auditors have made certain qualifications in their Report dated 18 May, 2015 for the financial year ended on 31 March, 2015.

The qualifications and management response to these qualifications are as under:

DIRECTORS' REPORT

Qualification 4(a) in Auditor's Report

As stated in note no. 43 of the Financial Statements pertaining to the issue of warehousing receipts and as per the explanations given by the Management, investigating agencies are investigating genuineness of the warehouse receipt issued by the Company. Its impact on financial statements, if any, can be ascertained only after investigations are concluded and order obtained from the court. Enforcement Directorate (ED) has applied provision of Prevention of Money Laundering Act, 2002 (PMLA) on defaulting members and the Company. Investigations are in progress as on the date of the Audit Report. In case of any adverse findings against the Company, the same may have an effect on the financial position of one or more financial years.

Management response:

Investigating agencies are investigating genuineness of the warehouse receipts issued by the Exchange as well as the frauds perpetrated by the erstwhile senior officials of the Exchange. Impact on financials, if any, can be ascertained only after investigations are concluded and orders are obtained from Court.

Qualification 4(b) in Auditor's Report

As stated in note no. 47 read with note no. 1 to the Financial Statements which refers to the matter pertaining to regulatory framework for Spot Exchange and related compliance issues with respect to the Exemption Notification No. S.O. 906(E) dated 5 June, 2007 (issued by the Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution, Government of India, under section 27 of the Forward Contracts (Regulation) Act, 1952). The doubts have been raised as to alleged non-compliance of two of the conditions specified in the said Exemption Notification. While the Company has responded to Show Cause Notice (SCN) dated 27 April, 2012 vide letter dated 23 May, 2012 and further correspondences made in August, 2012 and July, 2013, the adjudication thereof is pending from respective authorities and hence the possible consequences arising out of same on the Company are not presently ascertainable. It is further stated that the Ministry of Finance, the Government of India, has withdrawn the aforesaid exemption notification w.e.f. 19 September, 2014.

Management response:

The Government by Gazette Notification SO 2529(E) dated 19 September, 2014 has withdrawn the Gazette Notification SO 906(E) dated 5 June, 2007 (by which NSEL was granted exemption u/s. 27 of the FCR Act, 1952 for trading of forward contracts of one day duration) with immediate effect and consequently the notification SO 228(E) dated 6 February, 2012 and notification SO 2406(E) dated 6 August, 2013 ceased to be in force w.e.f. 19 Sep, 2014, as informed to the Company by the FMC vide letter dated 5 November, 2014. As the reply to the said SCN has been given and actions, if any, required due to SCN has been taken, including withdrawal of the exemption itself, company do not foresee any further consequences on the SCN. Further, neither FMC nor DCA has held NSEL guilty of having violated any of the conditions of the exemption notification dated 5 June, 2007, which was the subject matter of the SCN.

Qualification 4(c) in Auditor's Report

As stated in note no. 51, 52 and 53 to the Financial Statements, the Company has been served with notices/ letters/ summons from various statutory authorities/regulators/government departments and some purported aggrieved parties. There are some writ petitions, public interest litigations, civil suits including in representative capacity filed by and against the Company. Such matters against the Company are either in progress or sub-judice before different forums. The Company may have civil/criminal liability arising out of one or more of the proceedings initiated against the Company.

Management response:

Since all matters are sub judice, impact on financial statement, if any, cannot be ascertained at this stage. Company is taking all steps to defend its position and currently unable to quantify the impact, if any.

Qualification 4(d) in Auditor's Report

As stated in note no. 49, 50 & 51 to the Financial Statements the issue of legality of contracts traded on the Spot Exchange, the management has clarified that all the contracts carried out on the Exchange were proper and in consonance with the local applicable laws and that there was no violation thereto. As far as availability of

DIRECTORS' REPORT

commodities are concerned, it is stated that there were systems and processes in place for deposit of commodities and generation of warehouse receipts and allocation of the same. NSEL believed existence of commodities in warehouse on account of the Depositing member's declarations, invoices submitted by the depositing members, the officials concerned in the NSEL at the relevant time being satisfied that there were commodities deposited, generation of warehouse receipt by the concerned officials. Further, due to various events, arising during FY 2013-14, the Company had appointed an Internal Inquiry Committee (IIC) and also two forensic auditors after 31 July, 2013 for verification of certain aspects of accounting, internal controls, propriety of accounting policies etc. Pursuant to findings from investigations related to the Company by aforesaid committee/forensic auditors material weaknesses were reported in certain areas of internal control system pertaining to Spot Exchange related services. There were instances where the commodities were found missing and there were instances of commodities being available partly or fully. This is part of the investigations by EOW, other investigation agencies.

Management response:

All contracts traded on the Exchange platform were proper and in consonance with applicable laws, exemption notifications and there were no violations in this regard. NSEL had obtained a legal opinion on the legality of the contracts traded by the members on the Exchange platform. Since the matters mentioned are under investigation/sub judice, impact on financial statement, if any, cannot be ascertained at this stage.

Qualification 4(e) in Auditor's Report

As stated in note no. 54 to the Financial Statements in respect of effectiveness of internal controls, instances of circumventing of internal controls in some areas of operations on the Spot Exchange have been noted. Such instances were unearthed by various investigations carried out by IIC in the month of August 2013 and by a forensic auditor M/s. Grant Thornton India LLP in the month of September 2013 and by another forensic auditor M/s. Chokshi and Chokshi, Chartered Accountants in the month of February 2014. There were irregularities which have been observed arising out of misuse of powers by ex-MD & CEO along with some senior officials of the Company. As per explanations given by the current management of the Company, some of the controls which were circumvented by the erstwhile management were, lack of compliance with Rules, Bye laws and Business Rules of the Exchange by the defaulting members, laxity in terms of exemption from margin requirement to members, oversight over commodities which were stored in the warehouses belonging to certain members etc., the ex-MD & CEO at the relevant time had failed to disclose non-compliance issues to the Board of Directors of the Company and also to the then statutory auditors. As the final outcome of such investigations is pending, we are unable to comment on the consequential impact, if any, in respect of the same in the Financial Statements.

Management response:

The then MD & CEO had been regularly submitting compliance on quarterly basis to the FTIL Board on internal control and operations of NSEL. Since the matters mentioned are under investigation/sub judice, impact on financial statement, if any, cannot be ascertained at this stage.

Qualification 4(f) in Auditor's Report

The trade receivables, other receivables, loans and advances and deposits are subject to confirmation and reconciliation. During the course of preparation of financial statements, letter of confirmation have been sent to various parties by the Company with a request to confirm the balances as on 31 March, 2015. However, we have not received some confirmations sent by the Company as informed by the management. The management however does not expect any material change on account of such reconciliation/non-receipt of confirmation from parties. In many cases legal notices have been sent to the parties; However, we are unable to form any opinion on the recoverability of outstanding balances of such parties. However the balances between NSEL & IBMA in respect of exchange operations are subject to reconciliation.

The Company may be exposed to liabilities in case of any adverse outcome of these investigations/enquiries or legal cases or any other investigations as referred above enquires or suits which may arise at a later date. In the light of the above, the outcome of which is not presently known and is uncertain at this stage, we are not able to comment on the impact in respect of the same on these Financial Statements. Also, the matters stated above could also have a consequential impact on the measurement and disclosure of information provided, but not limited to, profit/(loss) before tax, provision for tax, cash flow statement, segment information, and earnings per share for the year ended 31 March, 2015 in these Financial Statements.

DIRECTORS' REPORT

Management response:

Majority in value of the trade & other receivables, loans and advances etc. are confirmed and such confirmations are available on record. Some confirmations were received from debtors, which were not in agreement with the balances shown in the books of accounts. Reconciliation process has been undertaken for such accounts. However, the management does not envisage any significant impact of the same on the financials.

4. SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Ms. Jyoti Kholia, Practicing Company Secretaries, Mumbai to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit Report is annexed herewith as "Annexure A"

QUALIFICATIONS IN SECRETARIAL AUDIT REPORT AND MANAGEMENT RESPONSE TO THE SAME

The Secretarial Auditors have made certain qualifications in their Report dated 11th May, 2015 for the financial year ended on 31 March, 2015.

The qualifications and management response to these qualifications are as under:

Qualification 3(a) in Secretarial Auditor's Report

The Company has filed forms as required under the various provisions of the Act. However certain forms have not been filed within the prescribed period under the Act.

Management response:

The Secretarial Department has been strengthened by appointment of Company Secretary and new staff. Due care will be taken to avoid such instances in future.

Qualification 3(b) in Secretarial Auditor's Report

The Board of Directors have exercised the power of borrowing monies pursuant to provisions of Section 179 of the Companies Act, 2013. However, such power was not exercised by passing Board Resolution in their meeting and accordingly the form was not filed with the Ministry of Corporate Affairs.

Management response:

The same was discussed and approved in the Board meetings. However, the resolution was not passed and filed with Ministry of Corporate Affairs.

Qualification 3(c) in Secretarial Auditor's Report

The Company has exercised the power of appointing Internal Auditors pursuant to provisions of Section 179 of the Companies Act, 2013 and Rules made thereunder. However, such power was not exercised by passing Board Resolution in their meeting and accordingly the form was not filed with the Ministry of Corporate Affairs.

Management response:

The Board ratified appointment of Mr Vikas Jain, Chartered Accountant, as Internal Auditor in the meeting held on 23 April, 2015 and requisite form for the same has been filed with Ministry of Corporate Affairs on 25 May, 2015.

Qualification 3(d) in Secretarial Auditor's Report

During the year under review, the Company had convened the Extra Ordinary General Meeting at Shorter Notice. However the consent as per the provisions of Section 101 of the Companies Act, 2013 has not been complied with.

Management response:

This happened inadvertently, Secretarial Department will ensure that appropriate notice is given in future to avoid such instance.

DIRECTORS' REPORT

5. BUSINESS OVERVIEW

Your Director would like to brief you about important events took place post settlement default:

(i) LEGAL & REGULATORY FRAMEWORK AND RELATED ISSUES

NSEL had commenced trading on 15 October, 2008 pursuant to a notification of exemption no. S.O. No. 906 (E) dated 5 June, 2007 issued by the Department of Consumer Affairs, Ministry of Consumer Affairs, Govt. of India (MCrA) ("Notification"). The Forward Markets Commission (FMC) was nominated as the Designated Agency w.e.f. 5 August, 2011 by the Ministry of Consumer Affairs vide letter (S.No.(3)/f.No. 12/3/2003-IT(Pt).

NSEL received Show Cause Notice (SCN) dated 27 April, 2012 from the Ministry of Consumer Affairs, Food and Public Distribution, Government of India, alleging inter-alia that NSEL was running contracts with more than 11 days delivery period and enabling short sales. NSEL filed detailed reply to the SCN vide its letter dated 23 May, 2012 and followed up later on dated 11 August, 2012 and 8 July, 2013. The market was also informed about the show-cause notice dated 27 April, 2012, and its response vide Communication dated 3 October, 2012.

Ministry of Consumer Affairs, Food And Public Distribution, Government of India, vide its letter dated 12 July, 2013 directed NSEL to submit an undertaking in the context of the said SCN stating that:

- a) No further/fresh contracts shall be launched until further instructions from the concerned authority.
- b) All the existing contracts will be settled on the due dates.

Accordingly, NSEL submitted an undertaking on 22 July, 2013, stating that:

- a) We undertake not to launch any further/fresh contracts in new commodities and/or at new places till further instruction from concerned authority.
- b) We undertake that we shall settle all the contracts traded on the Exchange on their respective 'settlement due dates', as per contract specification notified by the Exchange.

In view of the above, there was loss of trading interest among the participants due to uncertainties leading to trade in-equilibrium. There was possibility of payment and settlement defaults at NSEL exchange platform by some Members, which came to the notice of Board on 30 July, 2013. Therefore, NSEL issued a circular on 31 July, 2013, informing its members inter-alia that with immediate effect all one day forward contracts would be suspended till further instructions; however the trading in e-series contracts, e-auction, e-procurement, MSP operations on behalf of Government agencies (NAFED and SFAC), etc. would continue.

However, The operating activities of the Company was suspended w.e.f. 7 August, 2013 under directive from the Ministry of Consumer Affairs, Food & Public Distribution, Government of India dated 6 August, 2013 in continuation of its earlier directive dated 12 July, 2013. The Company has been also facing enquiries/ investigations from Government agencies in relation to alleged fraud at NSEL. Further, MCrA has issued notification vide no. F.No.12/3/2003-IT (Vol. II) dated 6 August, 2013 to the company to stop e-series.

The Government by Gazette Notification SO 2529(E) dated 19 September, 2014 has withdrawn the Gazette Notification SO 906 (E) dated 5 June, 2007 (by which NSEL was granted exemption u/s. 27 of the FCR Act, 1952 for trading of forward contracts of one day duration) with immediate effect and consequently the notification SO(E) 228 dated 6 February, 2012 and notification SO 2406 (E) dated 6 August, 2013 ceased to be in force w.e.f. 19 September, 2014, as informed to the Company by the FMC vide letter dated 5 November, 2014

(ii) IRREGULARITIES IDENTIFIED

In view of the alleged fraud perpetrated by the defaulting members in collusion with the erstwhile MD & CEO of the Company and other senior officials and due to sudden stoppage of the trading activities on Exchange platform, settlement payment default to the tune of Rs.5,689.50 Crores occurred. NSEL has launched complaints against the ex-MD & CEO and other Senior Officials with Mumbai Police. Relevant documents and other records have been seized by investigating agencies and the exact nature of malfeasance and mismatch, if any, as to commodities cannot be ascertained at this stage. Without completion of investigation, impact if any, of the said irregularities on the Company, cannot be ascertained. Since matter is under investigation by EOW, CBI and ED, neither the nature of irregularity involved in such misuse of powers, nor the amount involved can be

DIRECTORS' REPORT

presently ascertained as in all matters investigation is under progress or matter is sub judice. The Company also suspended services of erstwhile MD & CEO and other senior officials of the Company on 20 August, 2013 and terminated services immediately thereafter, as remedial measures.

The availability of commodities which were sold and purchased by members on the exchange platform on 31 March, 2013 was not under any doubt since there were no disputes on the availability of stock and all settlement obligations were smoothly completed including the delivery of commodities. The erstwhile management had regularly provided details of warehouse receipts assigned to different trades. The Members were satisfied with the same, without any demur, as some of them in fact visited the concerned warehouses to verify the physical stock. The then MD & CEO submitted to the Board of NSEL as well as FMC, the stock position as on 31 July, 2013 which has reported adequacy of value of stock to cover the trades. Further then MD & CEO and other senior official always maintained in various reports that the seller had deposited stocks in the designated warehouses. We understand that the reconciliation of the commodities claimed to have been available by erstwhile management team with the other corroborative documents contemporaneously maintained at various levels is possible only after investigations are concluded. The relevant documents and other records have been seized by investigation agencies and the exact nature of malfeasance and mismatch, if any cannot be ascertained at this stage. Investigating agencies are investigating genuineness of the warehouse receipts issued by the Exchange and impact on Financials, if any, can be ascertained after investigations are concluded and orders are obtained from the Court. Enforcement Directorate has applied provisions of the Prevention of Money Laundering Act 2002 (PMLA) on defaulting members and exchange and investigation are in progress.

(iii) VIEWS ON MCRA POSITION ON TRADES DONE IN NSEL:

All contracts traded on the exchange platform were proper and in consonance with the applicable laws and there were no violations in this regard. NSEL had obtained a legal opinion on the legality of the contracts. In this regard NSEL refers to the affidavit filed by Department of Consumer Affairs (DCA) in writ petition no. 2340/2013, wherein the following points are mentioned:

View of Ministry of Consumer Affairs (MCRA) on Legality of NSEL contracts

- Extracts from Affidavit of MCRA in Writ Petition (Lodge) No. 2340 of 2013
 - Para 28, Pg 31 "The NSEL instead of adhering to the conditions of exemption quoted practical difficulties and also contended that the exemption is not confined to any specific section of FCRA, rather it extends to all provisions of FCRA was taken into account. Also the fact which emanated from FMC's communication that the other exchange that is, NCDEX Spot Exchange, which was also granted exemption under section 27 of FCRA was violating the conditions of the exemption order."
 - Para 29, Pg 31 "pending legal advice with respect to withdrawal of exemption granted under section 27 of the FCRA, the answering respondent on 12.07.2013 directed NSEL to give an undertaking"
 - Para 31, Pg 32 "FMC in its detailed response dated 19.07.2013 has stated..... exemption from operation of the provisions of the said Act .. are silent whether the exemption is applicable to all or specific provisions of the Act"
 - Para-wise Reply 9, Pg 54 "this direction was issued in public interest to ensure that all the existing obligation is honoured on due date and the exchange is stopped from entering any fresh contract as to ensure that till a proper decision in the matter is taken, the exchange should not be allowed to invite and promote fresh contracts."
- It may be highlighted here that Government while issuing the further notifications dated 06.08.2013 and 19.09.2014, didn't adjudicate the SCN dated 27.04.2012 by declaring the contracts issued by NSEL illegal.
 - Para-wise Reply 9, Pg 57 "it was appropriately thought by the answering respondent that additional conditions be imposed to restore the market sanctity as well as to allay the fears in the minds of the people that NSEL is unregulated."
- This proves the point that in the eye of the Ministry of Consumer Affairs, the NSEL was a regulated entity even in August 2013.

DIRECTORS' REPORT

The above comments of Ministry of Consumer Affairs confirms that:

1. There were differences in views between NSEL and FMC as to the extent of the exemption notification dated 05.06.2007.
2. FMC finally confirmed by its letter dated 19.07.2013 that the exemption is silent as to whether it is from all or specific provisions of FCRA
3. NCDEX Spot Exchange was also having contracts with deliveries beyond 11 days.
4. FMC/MCrA were monitoring/regulating NSEL and other Spot Exchanges
5. As on 12.07.2013 when directions were issued by MCrA to ask NSEL to give an undertaking which led to closer of Exchange operations. MCrA had not even taken legal opinion whether NSEL was in violation. In fact, it seems that MCrA's view was that NSEL could be allowed to launch fresh contracts after final decision in this matter. (Pg 54 of affidavit).

(iv) AVAILABILITY OF COMMODITIES:

As far as availability of commodity is concerned, it was confirmed by the earlier management team that there were systems and processes in place for deposit of commodities and generation of warehouse receipts and allocation of the same. NSEL believed existence of commodities in warehouses on the following grounds:

- a. The depositing members' declarations offering the commodity as available in warehouse.
- b. Invoices submitted by the selling members.
- c. The officials concerned in NSEL at the relevant time, satisfying themselves that there were commodities deposited.
- d. Generation of warehouse receipts by the concerned officials for assigning to trades.

It has come to the notice later when the matter was investigated by the auditors/others that there were instances where the commodities were found missing and there were instances of commodities being available partly or fully. This is now part of the investigations by EOW and other investigation agencies.

The commodities lying in the designated delivery centers relating to transactions carried out by Members on Exchange platform were not the property of the Company and hence such inventory of commodities is not getting reflected in the books of accounts of the Company. Similarly, such inventory was never purchased by the Company and hence any liability thereto was neither liability of the Company nor contingent liability of the Company requiring any disclosure in the accounts or notes to account of the Company.

(v) NOTICES/INSPECTIONS/AUDITS/INVESTIGATIONS:

- a) Company has been served with notices/letters/summons from various statutory authorities/regulators/ government departments and some purported aggrieved parties. Most of the matters against the Company are sub-judice before different forums. The Company may have civil/criminal liability arising out of one or more of the proceedings initiated against the Company.
- b) Company is in process of surrendering Agriculture Produce Market Committee (APMC) licenses in view of the fact that it is no more operational and has initiated the process for the same.
- c) An inspection of the Company under section 209A of the Companies Act, 1956 was carried out. Pursuant to such inspection, the Company has received certain notices of non-compliances with certain provision of the Companies Act, 1956 from the Ministry of Corporate Affairs and prosecution has been launched. The Company has replied to all such notices. The Company has filed applications for compounding of all compoundable violations as per the provisions of the Companies Act, 1956. These proceedings may result in payment of certain monetary penalties under the Companies Act 1956. The amount of penalty cannot be accurately ascertained at this stage. The company has taken suitable steps to avoid such non compliances.
- d) On the direction of the FMC, the Company had appointed Grant Thornton LLP (GT), a forensic auditor for carrying out audit of the affairs of Company for the preceding 5 quarters ended 30 June, 2013. GT had furnished their forensic audit and a detailed response was sent to the FMC with the Company's observations on most of the issues raised in the said audit report.

DIRECTORS' REPORT

- e) The Company had appointed M/s Sharp and Tannan, Chartered Accountants for verifying physical stocks of precious metals & base metals traded under e-Series contracts. As per their report no major discrepancies were observed in the physical stock positions of these metal contracts except minor issues relating to reconciliation on account of rounding off etc. These commodities did not belong to the Company.
- f) Further the FMC had appointed M/s Chokshi & Chokshi, Chartered Accountants, to conduct forensic audit pursuant to the order dated 28 October, 2013 passed by the Hon'ble Bombay High Court. The said audit did not bring out any adverse finding with reference to the e-Series contracts. Consequently, as per directives of the Court, almost 98% e-series contracts have been finally settled to approximately 33,000 e-Series investors by way of re-materialization/financial closure.

(vi) CIVIL SUITS/COMPLAINTS/WRITS/PUBLIC INTEREST LITIGATIONS:

- a) Some of the defaulting members of the Exchange have filed cases against the Company. These cases are in the nature of:
 - (i) disowning their pay in liability for the trades executed on Exchange platform
 - (ii) counter claim from NSEL
 - (iii) claims by clients of the trading/clearing members

There are some writ petitions, Public Interest Litigations (PILs), Civil Suits including in representative capacity have been filed by and against the Company.

NSEL has filed third party claims against the defaulting members in the existing civil litigation for recovery of their pay-in obligation. These matters are currently sub judice before Bombay High Court and other forums and are at various stages. The writ petitions and civil suits are primarily against the various defaulting members of NSEL.

However, claims have also been made against the Company alleging that the Company was responsible as guarantor of such settlement and payment as also alleging deficiency of certain services rendered. The Company had disputed all such claims, inter-alia on the ground that, the obligation of the Company is to settle the trade using the SGF-MC created out of members' contribution and the procedures stipulated in the bye laws is to be followed for obtaining the additional contribution from non-defaulter members to complete the pay-outs.

- b) Post the defaults that occurred in July/Aug 2013, it has been revealed that the contracts in respect of which the default occurred may be hit by the proviso to bye-laws 5.26 of bye-laws* of the Exchange. The Company has contested various claims from various parties that it ever acted as central counterparty to the contracts. The matters are currently sub-judice. NSEL would follow the procedure stipulated in Chapter 12 of bye-laws to call in required contribution from the non-defaulter members, after excluding the transactions which are hit by proviso to bye-law 5.26. The company had not offered any corporate guarantee to complete the settlement out of its funds, therefore there is no liabilities of the company on these grounds.
- c) The Company received a legal opinion to the effect that the Company is not liable for payment under the provisions of SGF in the bye-laws. Further in case of e-Series contract related transactions, no major infirmity in underlying physical stock was observed. Therefore, at this stage and in the opinion of the Management of the Company, relying upon the legal advices, and as per the provisions of bye-laws of the exchange, there are no direct ascertainable financial claims against the Company. The Company may be exposed to liabilities in case of any adverse outcome of these investigations/enquiries or legal cases or any other investigations/enquires or suits which may arise at a later date.
- d) NSEL took various actions including, arranging a joint meeting of Members with outstanding and receivable dues with FMC, appointing SGS & Group 4 securities to survey & secure stocks at various warehouses respectively, appointing Sharp and Tannan Associates for audit of outstanding dues from defaulting members, appointed officer on special duty to assist the management of NSEL, declaring members as defaulters under bye-laws, terminating the services of ex-MD & CEO and other few senior officials, filed criminal complaints against the defaulters and ex-senior officials of NSEL and initiated various recovery proceedings against defaulting members. The High Court of Bombay is seized of the recovery matters and has appointed a

DIRECTORS' REPORT

committee to assist them in recovery proceedings. The High Court has appointed a Committee (HCC) with powers mentioned in the Bombay High Court order dated 2 September, 2014.

Your Company is fully cooperating with HCC in the recovery proceedings. The proceedings against defaulting members are at various stages and so far no significant recovery has taken place in these matters.

(vii) STEPS TAKEN BY THE COMPANY, POST SETTLEMENT DEFAULT

- a) During the year, the Company reviewed existing control system based on the reports given by various Auditors/investigators. As trading has been suspended during FY 2013-14, controls relating to trade system will be re-examined before any trade activity is re-commenced. The Company is currently in the process of recovery and settlement of dues of members.
- b) As far as controls for financial accounting, reporting and preparation of financial statements, the existing controls have been reviewed by the current management and wherever necessary it has been strengthened. The current management, for the purpose of ensuring appropriate controls over the financial reporting process and the preparation of the financial statements, have specific implemented specific procedures.
- c) As per our assessment, necessary disclosures arising from the irregularities in controls have been made in the notes to accounts to the financial statements and other reports. Since matters relating to several of the irregularities are sub judice and the various investigations are on-going, any further adjustments/disclosures, if required, be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified. The EOW is also investigating the role played by other brokers of trading clients which enhanced the risk on NSEL due to client code modification, mis-selling, etc.
- d) Several agencies such as the Police (EOW), Ministry of Corporate Affairs (MCA), Enforcement Directorate (ED), CBI etc. are currently investigating/enquiring the extent of alleged irregularities and any breach of law. The matters are also sub judice before various forums including the Hon'ble High Court of Bombay. The Company may be exposed to liabilities in case of any adverse outcome of these investigations or any other investigations which may arise at a later date.
- e) As reported by members that there were large number of small clients of the Members who had to receive money from the defaulting members, NSEL had requested its holding company (FTIL) to provide for a bridge loan, to pay the dues to such small clients on priority without admission of liability of NSEL. Accordingly, FTIL, purely as a goodwill gesture, without admitting any liability and without prejudice granted, a bridge loan amounting to Rs.1,793,980,927 to the Company, repayable to FTIL. Out of such loan, the Company paid, without prejudice, to small clients of the Members in full whose dues were less than or up to Rs.200,000 and 50% of the amount to those, whose dues were between Rs.200,000 and Rs.1,000,000. The same was executed under intimation to the FMC and under guidance from the FMC. Your company has a right to recompense from the proceeds of recovery of the defaulted members. The loan carries interest at applicable bank rate.
- f) The Company had received draft order of amalgamation from Government of India, Ministry of Corporate Affairs dated 21 October, 2014 for amalgamation of your Company with its holding Company (FTIL) under section 396 of the Companies Act, 1956. The Company, vide the said order, was advised to file its suggestions and objections within two months of the date of the draft order. FTIL and some shareholders of FTIL have filed writ petitions against the said order in Bombay High Court. Your Company is party in said writ petition and as respondent to the writ petition, has opposed the draft order on grounds inter-alia that the facts are incorrect and the matters are sub judice. The Company has since filed its objections in this regard to MOC GOI within the time frame permitted by the High Court order and have prayed for personal hearing in the matter.
- g) Currently, operations of many of the bank accounts of the company have been restricted by various authorities, which are mainly being used for payment of legal, administrative and employee related expenses. All settlement of members' dues are done as per the directions of the Court.

DIRECTORS' REPORT

6. CHANGE IN NATURE OF BUSINESS, IF ANY

The operating activities of the Company relating to Exchange Business has been suspended during FY 2013-14 and currently the main focus of the Company is on recovery and legal proceedings.

7. DIVIDEND

Your Directors do not recommend any dividend for the year under review.

8. TRANSFER TO RESERVES

Your Company did not transfer any sum to General Reserve under section 134(3)(j) of the Companies Act, 2013, during the year under review in view of net loss reported during the year.

9. SHARE CAPITAL

During the year under review, the Company had come out with Rights Issue of Equity Shares to the shareholders of the Company for Rs.15 Crores consisting of 1,50,00,000 Equity Shares of Rs.10/- each, ranking pari passu with the existing Equity Shares on 27 January, 2015. Resultantly, paid up share capital of the Company increased from Rs.45 Crores consisting of 4,50,00,000 Equity Shares of Rs.10/- each to Rs.60 Crores consisting of 6,00,00,000 Equity Shares of Rs.10/- each. The Company has also increased its Authorized Share Capital from Rs.50 Crores to Rs.70 Crores w.e.f. 26 December, 2014.

The Company has not made any issue of equity shares with differential voting rights, sweat equity shares, ESOP, etc., during the year.

10. INVESTMENTS IN SUBSIDIARIES

The Company has total investments amounting to Rs.8,97,72,250 in its subsidiary companies. A provision for diminution in value of investments (other than temporary) for entire amount of such investment has already been made in the previous financial years on conservative basis. Resultantly, 100% of the value of such investments in subsidiaries stands provided for in the books of accounts.

11. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

12. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions under Section 188 of the Companies Act, 2013, were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. The Company has also adopted a framework on related party transactions to ascertain the criteria of 'ordinary course of business' and 'Arm's Length Price'.

None of the transactions with any of related parties were in conflict with the Company's interest. Attention of members is drawn to the disclosure of transactions with related parties set out in Note No. 30 of Standalone Financial Statements, forming part of the Annual Report. The Company's major related party transactions are generally with its holding and subsidiaries.

DIRECTORS' REPORT

13. DIRECTORS

The following persons ceased to be Directors of the Company, on the dates mentioned against their respective names.

Sr. No.	NAME	DIN	Date of resignation
1.	Mr Jignesh Shah	00064913	22 Dec, 2014
2.	Mr Uttam Prakash Agarwal	00272983	15 Feb, 2015

The Board of Directors wishes to place on record their appreciation and gratitude for the contribution made by them during their tenure as Directors of the Company.

Following are the Directors on the Board of the Company as on date of this report:

Sr. No.	NAME	Designation	Date of appointment
1.	Mr Saji Cherian*	Managing Director & CEO	16 Sep, 2013
2.	Mr Prakash Chaturvedi	Joint Managing Director	24 Nov, 2014
3.	Mr S Rajendran	Non-Executive Director	10 Dec, 2014
3.	Mr Varghese Jacob	Independent Director	18 Oct, 2013
4.	Mr Niraj Gupta	Independent Director	12 Dec, 2013
5.	Dr Amarendra Sahoo	Non-Executive Director	12 Dec, 2013
6.	Mr Subramanya Kusnur	Non-Executive Director	12 Dec, 2013
7.	Dr Ashok Nag	Non-Executive Director	01 Mar, 2014

*Resigned with effect from 20 July, 2015.

The Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013.

As per the information available with the Company, none of the director of the Company is disqualified for being appointed as a Director as specified in section 164 of the Companies Act, 2013 including any amendments or re-enactment thereto.

14. MANAGERIAL REMUNERATION

A) Details of the every employee of the Company as required pursuant to 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The Board's report shall include a statement showing the name of every employee of the company, who-

- (i) If employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than sixty lakh rupees; : NIL
 - (ii) If employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than five lakh rupees per month; : NIL
 - (iii) If employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of the drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two per cent of the equity shares of the company : NIL
- B) Any director who is in receipt of any commission from the company and who is a Managing Director or Whole-time Director of the Company shall receive any remuneration or commission from any Holding Company or Subsidiary Company of such Company subject to its disclosure by the Company in the Board's Report. Disclosure U/s 197(4) : NIL

DIRECTORS' REPORT

15. BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013, the Independent Directors carried out an annual performance evaluation of other Directors, and also of the working of Audit Committee, Nomination & Remuneration Committee and other Committees.

16. REMUNERATION POLICY

The Company has policy for selection and appointment of Directors, Senior Management, other employees and their remuneration.

17. MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met twenty one (21) times during the FY 2014-15 in respect of which notices were duly served and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.

18. STATEMENT ON DECLARATION GIVEN BY INDEPENDENT DIRECTORS UNDER SUB-SECTION (6) OF SECTION 149

The Company has complied with the provisions of Section 149(6) of the Companies Act, 2013. The Company has also received declarations from Mr. Niraj Gupta and Mr. Varghese Jacob that they meet the criteria of Independence, pursuant to Section 149(7) of the Companies Act, 2013.

19. COMPANY'S POLICY ON DIRECTOR'S APPOINTMENT AND REMUNERATION INCLUDING CRITERIA FOR DETERMINING QUALIFICATION, POSITIVE ATTRIBUTES, INDEPENDENCE OF DIRECTOR AND OTHERS MATTERS PROVIDED UNDER SECTION 178(3)

The Company has constituted a Nomination and Remuneration Committee, for formulating the criteria for determining qualifications, positive attributes and independence of a director and to recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

20. APPOINTMENT OR RESIGNATION OF KEY MANAGERIAL PERSONNEL

During the year under review following Key Managerial Personnel were appointed:

Sr. No	Name Of The Key Managerial Personnel	Designation	Date
1.	Mr Prakash Chaturvedi	Joint Managing Director	24 November, 2014
2.	Mr Ravikanth Baheti	Chief Financial Officer	15 December, 2014
3.	Mr Sandip Rahane	Company Secretary	28 February, 2015.

During the year under review Ms Shubhra Singh has resigned as a Company Secretary of the Company w.e.f. 16th May, 2014.

DIRECTORS' REPORT

21. DISCLOSURE REGARDING COMMITTEES

i) AUDIT COMMITTEE:

The Company has Audit Committee in place as per the provisions of section 177 of the Companies Act, 2013. The audit committee comprises of the following members as on date of this report:

Sr. No	NAME OF THE COMMITTEE MEMBER	Designation
1.	Mr Niraj Gupta	Chairman
2.	Mr S. Rajendran	Member
3.	Mr Varghese Jacob	Member

ii) NOMINATION AND REMUNERATION COMMITTEE:

The Company has duly constituted the Nomination and Remuneration Committee as per Sec 178. The committee comprises of the following members as on the date of this report:

Sr. No	NAME OF THE COMMITTEE MEMBER	Designation
1.	Mr Niraj Gupta	Chairman
2.	Mr S. Rajendran	Member
3.	Mr Saji Cherian	Member
4.	Mr Varghese Jacob	Member
5.	Mr Prakash Chaturvedi	Member

22. SUBSIDIARY COMPANIES

The Company has following subsidiaries:

- (i) Indian Bullion Market Association Limited (IBMA),
- (ii) Farmer Agricultural Integrated Development Alliance Limited (FAIDA)
- (iii) Westernghats Agro Growers Company Limited (WAGCL)

23. DIRECTORS' RESPONSIBILITY STATEMENT

In pursuance of Section 134(5) of the Companies Act, 2013, the Directors hereby confirm that:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and 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 and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

DIRECTORS' REPORT

24. AUDITORS

The Company's Auditors, M/s. Mahendra Sharma & Co., Chartered Accountants, Mumbai (Firm Regn. No.132162), retires at the ensuing Annual General Meeting of the Company on expiration of their term.

In view of the aforementioned, your Directors recommends M/s. Patel, Shah & Joshi, Chartered Accountants, Mumbai (Firm Regn. No.107768W) as Statutory Auditors of the Company for Financial Year 2015-16 and they have confirmed their eligibility under Section 141 of the Companies Act, 2013 and the Rules framed thereunder for their appointment as Auditors of the Company.

25. DEPOSITS

The Company has not accepted any deposits from the public within the meaning of section 76 of the Companies Act, 2013 during the year under review.

26. DETAILS OF ORDERS IMPACTING THE OPERATIONS OR GOING CONCERN STATUS

No material orders were passed during the year by the regulators or courts or tribunals impacting the going concern status or the Company's operations other than what is stated in para 5 of the report.

27. EXTRACT OF ANNUAL RETURN

The extract of Annual Return as per sub section (3) of Section 92 has been annexed as 'Annexure B'

28. CSR POLICY & INITIATIVES

The operations of the Company are currently suspended, the Company is not making any profits. To start the operations again may take some time and the Company may not be profitable in next few years. Hence, the constitution of CSR Committee has been put on hold till the Company becomes profitable.

29. HUMAN RESOURCES

The Company has ensured to maintain optimum level of employee strength in all areas concerned specially in legal and recovery. There was certain rationalization in number of employees as per current operational requirement due to suspension of exchange related activities during the financial year 2014-15.

30. CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The Company is not engaged in manufacturing activities and hence furnishing of details relating to conservation of energy is not applicable as per section 134(3)(m) of the Companies Act, 2013. However, the Company constantly endeavours to use modern equipment and techniques to conserve energy and upgrade technology.

31. FOREIGN EXCHANGE EARNINGS AND OUTGO

(in Rs.)

PARTICULARS	FOR THE YEAR ENDED 31 MARCH, 2015	FOR THE YEAR ENDED 31 MARCH, 2014
Foreign Exchange Earning	NIL	305,132
Foreign Exchange Outgo	NIL	36,050,855

DIRECTORS' REPORT

32.A STATEMENT INDICATING DEVELOPMENT AND IMPLEMENTATION OF A RISK MANAGEMENT POLICY FOR THE COMPANY INCLUDING IDENTIFICATION THEREIN OF ELEMENTS OF RISK, IF ANY

The Company has in place, an adequate Risk Management Policy to cover operations currently undertaken.

33.ADEQUATE FINANCIAL CONTROLS

The Company has adequate financial control system in place with reference to the financial statements.

34.CORPORATE GOVERNANCE

The reconstituted Board of Directors imbibes the broad principles of Corporate Governance. The Board lays strong emphasis on transparency, accountability and integrity.

35.DISCLOSURES AS PER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder for prevention and redressal of complaints of sexual harassment at workplace.

The Company has not received any complaint on sexual harassment during the financial year 2014-15.

36.CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Company prepared in accordance with relevant Accounting Standards (AS) viz. AS 21 issued by the Institute of Chartered Accountants of India form part of this Annual Report.

37.ACKNOWLEDGEMENT

Your Directors wish to place on record its appreciation for the valuable support received from the various statutory authorities. Your Directors also thank and appreciate the employees at all levels for their continued support and contribution. Your Directors are thankful for all the support provided by FTIL.

For and on behalf of the Board

S. Rajendran

Chairman

DIN: 02686150

Prakash Chaturvedi

Joint Managing Director

DIN: 00516694

Date : 20 July, 2015

Place : Mumbai

ANNEXURE A

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

For the Financial Year ended on 31 March, 2015

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration) Rules, 2014]

To,

The Members,

National Spot Exchange Limited

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by National Spot Exchange Limited (hereinafter called 'the Company'). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon. Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the Financial Year ended on 31 March, 2015, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. I have examined the books, papers, minute books, forms and returns filed and other records maintained by National Spot Exchange Limited ('the Company') as per 'Annexure I' for the Financial Year ended on 31 March, 2015 according to the provisions of:
 - a. The Companies Act, 1956 (the Old Act) and the Rules made thereunder and The Companies Act, 2013 (the Act) and the Rules made thereunder to the extent applicable;
 - b. Provisions of the following Acts, the Rules and Regulations made were not applicable / attracted to the Company under the financial year under review:
 - i. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
 - ii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
 - iii. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
 - iv. The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

DIRECTORS' REPORT

- The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
 - The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- v. I have relied on the representation made by the Company and its Officers for systems and mechanism formed by them for compliances under following Acts, Laws, Rules and Regulations applicable to the Company:
- Employees' Provident Fund & Miscellaneous Provisions Act, 1952
 - Gratuity Act, 1972
2. I further report that:
- i. I have examined compliance with the applicable clauses of Secretarial Standards issued by The Institute of Company Secretaries of India.
 - ii. The Company being Unlisted Public Company, the clauses of Listing Agreement are not applicable to the Company.
3. During the year under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:
- a. The Company has filed forms as required under the various provisions of the Act. However certain forms have not been filed within the prescribed period under the Act.
 - b. The Board of Directors have exercised the power of borrowing monies pursuant to provisions of Section 179 of the Companies Act 2013. However, such power was not exercised by passing Board Resolution in their meeting and accordingly the form was not filed with the Ministry of Corporate Affairs.
 - c. The Company has exercised the power of appointing Internal Auditors pursuant to provisions of Section 179 of the Companies Act 2013 and Rules made thereunder. However, such power was not exercised by passing Board Resolution in their meeting and accordingly the form was not filed with the Ministry of Corporate Affairs.
 - d. During the year under review, the Company had convened the Extra Ordinary General Meeting at Shorter Notice. However the consent as per the provisions of Section 101 of the Companies Act, 2013 has not been complied with.
4. I further report that:
- a. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
 - b. The Board meetings held during the year under review have been undertaken by obtaining Shorter Consents of the Directors. Further the agenda and detailed notes on agenda were duly circulated prior to the meetings. Also the Company has a system for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
 - c. There were no dissenting views of the Members and hence all decisions were duly approved.
5. I further report that the Company has, during the year under review, established adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines

DIRECTORS' REPORT

6. I further report that during the year under review, the following events or actions had a major bearing on its affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.:
- a) The Ministry of Finance, Department of Economic Affairs withdrew the exemption granted to the Company from the applicability of the provisions of the Forward Contracts (Regulation), Act, 1952 with respect to forward contracts of one day duration for the sale and purchase of commodities.
 - b) The Ministry of Corporate Affairs has issued a Draft Order of amalgamation of the Company with Financial Technologies (India) Limited ('The Holding Company') under Section 396 of the Companies Act, 1956 on 21-10-2014.
 - c) There have been various litigations filed by and/or against the Company during the year under review.
 - d. The Ministry of Corporate Affairs had carried out an inspection in the financial year 2013-14 and thereafter issued numerous show cause notices pertaining to non-compliance of various sections of the Companies Act, 1956. Based on my examination of the records and files maintained by the Company and the information provided by the management, the Company has filed petitions with respective authorities in response to the show causes notices issued.

Place : Mumbai

Date : 11th May, 2015

Jyoti N Kholia

Practicing Company Secretary

ACS : 33237

CP No. : 12224

DIRECTORS' REPORT

ANNEXURE - I TO THE SECRETARIAL AUDIT REPORT

LIST OF DOCUMENTS VERIFIED

1. Memorandum and Articles of Association of the Company, Bye Laws, Rules and Policies of the Company.
2. Annual Reports for the Financial Year ended 31 March, 2014; 31 March, 2013 and 31 March, 2012.
3. Minutes of the meetings of the Board of Directors, Audit Committee, Nomination and Remuneration Committee, E-Series Committee, Legal and Recovery Committee, Corporate Governance Committee with Attendance Registers held during the Financial Year under review.
4. Minutes of General Body Meetings held during the Financial Year under review.
5. Statutory Registers viz.
 - Register of Directors and KMP.
 - Register of Directors' Shareholding.
 - Register of Charge.
 - Register of Contracts.
 - Register of Members
 - Register of loans, guarantees, securities and acquisitions made by the Company.
 - Register of Transfers.
6. Agenda papers submitted to all the Directors / Members for the Board Meetings and Committee Meetings respectively.
7. Declarations received from the Directors of the Company pursuant to the provisions of Section 149 and Section 184 of the Companies Act, 2013.
8. All statutory forms filed by the Company under applicable provisions of the Companies Act, 1956 and Companies Act, 2013 and attachments thereof during the financial year under review.
9. Files of Compounding petitions filed by the Company.
10. Files relating to litigations filed by or against the Company.
11. ROC file, Books of Accounts and other documents as provided by the Company for the year under review.

ANNEXURE B

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31 March, 2015

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i.	CIN:-	U51100MH2005PLC153384
ii.	Registration Date	18/05/2005
iii.	Name of the Company	NATIONAL SPOT EXCHANGE LIMITED
iv.	Category / Sub-Category of the Company	Company having Share Capital
v.	Address of the Registered office and contact details	FT Tower, CTS No. 256 & 257, 4th Floor, Suren Road, Chakala, Andheri (East), Mumbai – 400093. Tel No.022-67619900
vi.	Whether listed company	No
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY :

National Spot Exchange Limited ("NSEL") is a pan India regulated electronic spot exchange offering trading in various agricultural, metals and industrial commodities through its platform. It also offers customized procurement solutions to government agencies and private companies. It also offers services like warehousing and collateral management services to market participants

All the business activities contributing 10 % or more of the total turnover of the company shall be stated

SR. NO	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	NIL	NIL	NIL

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

SR. NO	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% of shares held	Applicable Section
1.	Financial Technologies (India) Limited	L29142TN1988PLC015586	Holding Company	99.99	2(87)
2.	Indian Bullion Market Association Limited	U74900MH2007PLC171717	Subsidiary Company	60.88	2(87)
3.	Farmer Agricultural Integrated Development Alliance Limited.	U01110BR2012PLC019027	Subsidiary Company	100	2(87)
4.	Westernghats Agro Growers Company Limited	U51909KL2012PLC032065	Subsidiary Company	51	2(87)

DIRECTORS' REPORT

IV. Shareholding pattern of the Company (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category Code	Category of Shareholder	Shareholding as on 31 March, 2015				Shareholding as on 31 March, 2014				% Change during the year
		Demat %	Physical %	Total %	% of Total shares	Demat %	Physical %	Total %	% of Total shares	
(I)	(II)									
(A)	Shareholding of Promoter and Promoter Group[2]	NIL	99.99	99.99	99.99	NIL	99.99	99.99	99.99	NIL
(1)	Indian									
(a)	Individuals/ Hindu Undivided Family	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(b)	Central Government/ State Government(s)	NIL	0.01	0.01	0.01	NIL	0.01	0.01	0.01	NIL
(c)	Bodies Corporate	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(d)	Financial Institutions/ Banks	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(e)	Any Other (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Sub-Total (A)(1)	NIL	100	100	100	NIL	100	100	100	NIL
(2)	Foreign	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Sub-Total (A)(2)									
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)		100	100	100	-	100	100	100	NIL
(B)	Public shareholding[3]									
(1)	Institutions									
(a)	Mutual Funds/ UTI	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(b)	Financial Institutions/ Banks									
(c)	Central Government/ State Government(s)	-	0.01	0.01	0.01	-	0.01	0.01	0.01	NIL
(i)	Any Other (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Sub-Total (B)(1)									
(2)	Non-institutions	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
(c)	Qualified Foreign Investor	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

DIRECTORS' REPORT

Category Code	Category of Shareholder	Shareholding as on 31 March, 2015				Shareholding as on 31 March, 2014				% Change during the year
		Demat %	Physical %	Total %	% of Total shares	Demat %	Physical %	Total %	% of Total shares	
(d)	Any Other (specify)	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Sub-Total (B)(2)									
	Total Public Shareholding (B)= (B)(1)+(B)(2)									
	TOTAL (A)+(B)	-	100	100	100	-	100	100	100	NIL
(C)	Shares held by Custodians and against which Depository Receipts have been issued									
	GRAND TOTAL (A)+(B)+(C)	-	100	100	100	-	100	100	100	NIL

ii) Shareholding pattern of the promoters

Category of Shareholder	Shareholding as on 31 March, 2015			Shareholding as on 31 March, 2014			% change in share holding during the year
	No. of Shares	% of Shares Pledged / encumbered to total shares	% of Total shares	No. of Shares	% of Shares Pledged / encumbered to total shares	% of Total shares	
Corporate	5,99,99,900	-	99.99	4,49,99,900	-	99.99	-
Total	5,99,99,900	-	99.99	4,49,99,900	-	99.99	-

iii) Change in promoter's shareholding (please specify if there is no change)

	Shareholding as on 31 March, 2014		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
At the beginning of the year	4,49,99,900	99.99	5,99,99,900	99.99
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	Increase in No. of shares during the year due to allotment of equity shares on right basis dated 27 January, 2015 No. of shares: 1,50,00,000			
At the End of the period 31 March, 2015	5,99,99,900	99.99	5,99,99,900	99.99

DIRECTORS' REPORT

iv) Shareholding pattern of the top 10 shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

For Each of the Top 10 Shareholders	Shareholding as on as on 31 March, 2015		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc)				
At the End of the period 31 March, 2015 (or on the date of separation, if separated during the year)				

v) Shareholding of Directors and Key Managerial Personnel:

For Each of the Top 10 Shareholders	Shareholding as on as on 31 March, 2015		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc)				
At the End of the period 31 March, 2015 (or on the date of separation, if separated during the year)				

DIRECTORS' REPORT

V. Company's indebtedness –

(in Rs.)

Indebtedness at the beginning of the financial year	Secured Loan excluding deposits	Unsecured Loans	Deposits	Total indebtedness
i) Principal amount		214,33,06,115		
ii) Interest due but not paid		10,03,22,021		
iii) Interest accrued but not due		-		
Total (i + ii + iii)	NIL	224,36,28,136	NIL	224,36,28,136
Changes in Indebtedness during the financial Year	NIL		NIL	
• Addition		10,98,75,810		
• Reduction		1,95,69,844		
Net Change	NIL	12,94,45,654	NIL	12,94,45,654
Indebtedness at the end of the financial year	NIL		NIL	
i) Principal amount		225,31,81,925		
ii) Interest due but not paid		17,61,28,598		
iii) Interest accrued but not due		-		
Total (i + ii + iii)	NIL	242,93,10,523	NIL	242,93,10,523

VI. Remuneration of Directors and Key Managerial Personnel (KMP);

A. Remuneration to Managing Director, Whole-time Directors and/or Manager in FY 2014-15:

(in Rs.)

Sr. No	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount
		Managing Director & CEO	Joint Managing Director	
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	55,00,501	15,27,021	70,27,522
2	Stock Option	NIL	NIL	NIL
3	Sweat Equity	NIL	NIL	NIL
4	Commission - as % of profit - others, specify...	NIL	NIL	NIL
5	Others, please specify			
	Total	55,00,501	15,27,021	70,27,522
	Ceiling as per the Act	60,00,000	60,00,000	1,20,00,000

DIRECTORS' REPORT

B. Remuneration to other directors

(in Rs.)

Sr. No	Particulars of Remuneration	Name of Directors				Total Amount
		Niraj Gupta	Varghese Jacob	Uttam Prakash Agarwal (up to 15.02.2015)		
1	Independent Directors <ul style="list-style-type: none"> Fee for attending board / committee meetings Commission Others, please specify 	8,58,333	7,08,333	6,08,611		
	Total (1)	8,58,333	7,08,333	6,08,611		21,75,277
		Ashok Nag	Subramanya Kusnur	Amarendra Sahoo	S Rajendran	
3	Other Non-Executive Directors <ul style="list-style-type: none"> Fee for attending board / committee meetings Commission Others, please specify 	7,31,000	7,75,278	5,31,333	2,50,000	
4	Total (2)	7,31,000	7,75,278	5,31,333	2,50,000	22,87,611
5	Total (1+2)	15,89,333	14,83,611	11,39,944	2,50,000	44,62,888
	Ceiling as per the Act	The sitting fees of Board of directors & committees thereof shall not exceed one lakh rupees per meeting as per section 197(5) of the Companies Act, 2013 and rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.				

C. Remuneration to KMP other than MD / MANAGER / WTD in FY 2014-15

(in Rs.)

Sr. No	Particulars of Remuneration	CS	CFO	Total
1.	Gross salary	2,64,153*	11,49,382	12,05,023
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	-	-	-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2	Stock Option	NIL	NIL	NIL
3	Sweat Equity	NIL	NIL	NIL
4	Commission - as % of profit - others, specify...	NIL	NIL	NIL
5	Others, please specify	NIL	NIL	NIL
	Total (A)	2,64,153	11,49,382	12,05,023

* It includes Remuneration of Ms. Shubhra Singh of Rs.2,08,512 and Mr. Sandip Rahane Rs.55,641.

VII. Penalty or punishment imposed on the company, its directors or officers and details of compounding of offences and appeals made against such penalty or punishment;

DIRECTORS' REPORT

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A. Company					
Penalty					
Punishment					
Compounding					
B. Directors					
Penalty					
Punishment					
Compounding					
C. Other Officers In Default					
Penalty					
Punishment					
Compounding					

Annexure VIII

Information required pursuant to Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Sr. No	Name and Age	Designation	Remuneration (Rs.)	Qualification	Experience (Yrs)	Date of commencement of employment	Previous employment held
During the FY 2014-15 there are no employees covered under Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.							

INDEPENDENT AUDITORS' REPORT

To,

The Members of

NATIONAL SPOT EXCHANGE LIMITED

CIN NO. : U51100MH2005PLC153384

Report on the Standalone Financial Statements

1. We have audited the accompanying financial statements of NATIONAL SPOT EXCHANGE LIMITED ("the Company/ NSEL"), which comprise the Balance Sheet as at 31 March, 2015, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT

4. Basis for Qualified Opinion

- (a) As stated in note no. 43 of the Financial Statements pertaining to the issue of warehousing receipts and as per the explanations given by the Management, investigating agencies are investigating genuineness of the warehouse receipt issued by the Company. Its impact on financial statements, if any, can be ascertained only after investigations are concluded and order obtained from the court. Enforcement Directorate (ED) has applied provision of Prevention of Money Laundering Act, 2002 (PMLA) on defaulting members and the Company. Investigations are in progress as on the date of the Audit Report. In case of any adverse findings against the Company, the same may have an effect on the financial position of one or more financial years.
- (b) As stated in note no. 47 read with note no. 1 to the Financial Statements which refers to the matter pertaining to regulatory framework for Spot Exchange and related compliance issues with respect to the Exemption Notification No. S.O.906(E) dated 5 June, 2007 (issued by the Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution, Government of India, under section 27 of the Forward Contracts (Regulation) Act, 1952). The doubts have been raised as to alleged non-compliance of two of the conditions specified in the said Exemption Notification. While the Company has responded to Show Cause Notice (SCN) dated 27 April, 2012 vide letter dated 23 May, 2012 and further correspondences made in August, 2012 and July, 2013, the adjudication thereof is pending from respective authorities and hence the possible consequences arising out of same on the Company are not presently ascertainable. It is further stated that the Ministry of Finance, the Government of India, has withdrawn the aforesaid exemption notification w.e.f. 19 September, 2014.
- (c) As stated in note no. 51, 52, and 53 to the Financial Statements, the Company has been served with notices/ letters/summons from various statutory authorities/regulators/government departments and some purported aggrieved parties. There are some writ petitions, public interest litigations, civil suits including in representative capacity filed by and against the Company. Such matters against the Company are either in progress or sub-judice before different forums. The Company may have civil/criminal liability arising out of one or more of the proceedings initiated against the Company.
- (d) As stated in note no. 49 and 50 & 51 to the Financial Statements the issue of legality of contracts traded on the Spot Exchange, the management has clarified that all the contracts carried out on the Exchange were proper and in consonance with the local applicable laws and that there was no violation thereto. As far as availability of commodities are concerned, it is stated that there were systems and processes in place for deposit of commodities and generation of warehouse receipts and allocation of the same. NSEL believed existence of commodities in warehouse on account of the Depositing member's declarations, invoices submitted by the depositing members, the officials concerned in the NSEL at the relevant time being satisfied that there were commodities deposited, generation of warehouse receipt by the concerned officials. Further, due to various events, arising during FY 2013-14, the Company had appointed an Internal Inquiry Committee (IIC) and also two forensic auditors after 31 July, 2013 for verification of certain aspects of accounting, internal controls, propriety of accounting policies etc. Pursuant to findings from investigations related to the Company by aforesaid committee/ forensic auditors material weaknesses were reported in certain areas of internal control system pertaining to Spot Exchange related services. There were instances where the commodities were found missing and there were instances of commodities being available partly or fully. This is part of the investigations by EOW, other investigation agencies.
- (e) As stated in note no. 54 to the Financial Statements in respect of effectiveness of internal controls, instances of circumventing of internal controls in some areas of operations on the Spot Exchange have been noted. Such instances were unearthed by various investigations carried out by IIC in the month of August 2013 and by a forensic auditor M/s. Grant Thornton India LLP in the month of September 2013 and by another forensic auditor M/s. Chokshi and Chokshi, Chartered Accountants in the month of February, 2014. There were irregularities which have been observed arising out of misuse of powers by ex-MD & CEO along with some senior officials of the Company. As per explanations given by the current management of the Company, some of the controls which were circumvented by the erstwhile management were lack of compliance with Rules, Bye laws and Business Rules of the Exchange by the defaulting members, laxity in terms of exemption from margin requirement to members, oversight over commodities which were stored in the warehouses belonging to certain members etc., the ex-MD & CEO at the relevant time had failed to disclose non compliance issues to the Board of Directors of the Company. As the final outcomes of such investigations are pending, we are unable to comment on the consequential impact, if any, in respect of the same in the Financial Statements.

INDEPENDENT AUDITORS' REPORT

- (f) *The trade receivables, other receivables, loans and advances and deposits are subject to confirmation and reconciliation. During the course of preparation of financial statement letter of confirmation have been sent to various parties by the company with a request to confirm the balance as on 31 March, 2015. However we have not received some confirmations sent by the company as informed by the Management. The management, however, does not expect any material changes on account of such reconciliation/ non receipt of the confirmation from parties. In many cases legal notices have been sent to the parties; however we are unable to form any opinion on the recoverability of the outstanding balances of such parties. However the balances between NSEL and IBMA in respect of exchange operations are subject to reconciliation.*

The Company may be exposed to liabilities in case of any adverse outcome of these investigations/enquiries or legal cases or any other investigations as referred above enquires or suits which may arise at a later date. In the light of the above, the outcome of which is not presently known and is uncertain at this stage, we are not able to comment on the impact in respect of the same on these Financial Statements. Also, the matters stated above could also have a consequential impact on the measurement and disclosure of information provided, but not limited to, profit/(loss) before tax, provision for tax, cash flow statement, segment information, and earnings per share for the year ended 31 March, 2015 in these Financial Statements.

5. Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2015;
- b. in the case of the Profit and Loss Account, of the Loss for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date

6. Emphasis of Matters

- (a) As stated in note no. 2 (B) of the Financial Statements. The Board of Directors of the Company is of the view that in the short term its main challenge is to recover the money from defaulting members. As explained by the management, the Company is making all out efforts in recovering the amounts from defaulter members for settlement as well as its trade and other receivables. The holding company has committed to provide financial and other resources to NSEL for administrative and day to day expenses including legal and salary cost. The Company has continuing support from its holding company and on the basis of such support, business plans of the future & other factors, the accounts for the year ended 31 March, 2015 are prepared on going concern basis. We have relied on the above mentioned explanations and information given by the Management.
- (b) As stated in Note No. 53 the Ministry of Corporate Affairs (MCA), Government of India has issued on 21 October, 2014, a draft order of Amalgamation of the Company with its holding company, Financial Technologies (India) Limited, u/s. 396 of the Companies Act, 1956. The holding company has contested the same before the Bombay High Court and is currently *sub-judice*. As per the draft order of MCA, it has sought suggestions and objections of each of the stakeholders and the final outcome is pending.
- (c) As stated in note no. 51, 52 & 53 of the Financial Statements, there are some writ petitions, public interest litigations, civil suits including in representative capacity filed by and against the Company. In the light of some of the litigations made against the Company by seller members, trading and clearing members as also defaulter members, holding the Company responsible as third party/central party counter guarantor, for ensuring payments towards pending settlements on Spot Exchange, which have arisen during financial year. In this regard, the management and those charged with the governance, have represented to us that there are no claims/litigations/potential settlements involving the Company directly or indirectly, which may require adjustments in the Financial Statements. In this regards the management believes that as per legal advice received from an expert, no such third party/central party counter guarantee was ever provided by the Company, and hence there shall not be any liability arising there from against the Company.

INDEPENDENT AUDITORS' REPORT

7. Report on Other Legal and Regulatory Requirements

- A. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013 we give in the Annexure, a statement on the matters specified in paragraphs 3 and 4 of the Order.
- B. As required by Section 143 (3) of the Act, we report that:
- (a) *Except for the possible effects of the matters described in the 'Basis of Qualified Opinion and 'Emphasis of Matters' paragraphs above, we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;*
 - (b) *Except for the possible effects of the matters described in the 'Basis of Qualified Opinion and 'Emphasis of Matters' paragraphs above, in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;*
 - (c) *Except for the possible effects of the matters described in the 'Basis of Qualified Opinion and 'Emphasis of Matters' paragraphs above, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;*
 - (d) *Except for the possible effects of the matters described in the 'Basis of Qualified Opinion and 'Emphasis of Matters' paragraphs above, in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;*
 - (e) On the basis of the written representations received from the directors as on 31 March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act; and
 - (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. *the Company has pending litigations, which may be exposed to liabilities in case of any adverse outcome of these investigations/enquiries or legal cases or any other investigations as referred above enquires or suits which may arise at a later date. In the light of the above, the outcome of which is not presently known and is uncertain at this stage, we are not able to comment on the impact in respect of the same on these Financial Statements.*
 - ii. the Company does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses
 - iii. the Company does not have any pending amount, required to be transferred, to the Investor Education and Protection Fund.

For **Mahendra Sharma & Co.**
Chartered Accountants
Firm registration No: 132162W

Place : Mumbai
Date : 18/05/2015

Proprietor
Membership number: 139399

ANNEXURE TO THE INDEPENDENT AUDITORS REPORT

(Referred to in paragraph under “Report on Other Legal and Regulatory Requirements” section of our report of even date) on the accounts of the Company for the year ended 31 March, 2015:

On the basis of sample checks and according to the information and explanation given to us during the course of our audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets are physically verified by the management at reasonable intervals, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (ii) There is NIL inventories during the year, hence this clause not applicable.
- (iii) The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013 during the year hence, Paragraph (iii) (a) and (b) of the Order are not applicable to the Company.
- (iv) According to the information and explanations given to us and based on reasonable audit procedures having applied by us, the Company has adequate internal control systems commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
- (v) We are informed that the company has not accepted any deposits from the public during the year and therefore, the provisions of Paragraph 3 (v) of the Order are not applicable to the Company.
- (vi) According to the information and explanations given to us by the management, the Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Companies Act.
- (vii) According to the information and explanations given to us by the management, in respect of statutory and other dues:
 - (a) The undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Income Tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in few cases. The provisions relating to Employee’s State Insurance are not applicable to the Company.

Details of undisputed TDS which have not been deposited as on 31 March, 2015 and same is outstanding for a period of more than 6 months from the date it became payable, are given below:

Name of Statute	Name of the dues	Amount (in Rs.)	Period
Income Tax Act, 1961	TDS	2,39,102/-	F.Y 13-14

- (b) No disputed amounts payable in respect of Income Tax, Sales Tax, (other than those mentioned in note no. 31 pertaining to Contingent Liabilities) and Service Tax, Excise Duty, Customs Duty and Cess were outstanding, as at 31 March, 2015.
- (c) No amount is to be transferred by the company to Investor education and protection fund in accordance with the relevant provisions of Companies Act.
- (viii) The Company had accumulated losses at the end of the financial year. The Company has incurred losses in the current financial year and the preceding financial year.
- (ix) The Company has neither availed any assistance from financial institutions nor has issued any debentures. Accordingly, the additional reporting under paragraph 3 (ix) of the order is not applicable.

ANNEXURE TO THE INDEPENDENT AUDITORS REPORT

- (x) We are informed that the company has not given any guarantee for loans taken by others from bank or financial institution.
- (xi) We are informed that the company has not obtained any term loan during the year.
- (xii) According to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the year. However in the earlier years there have been irregularities pointed out by the internal inquiry committee and by the forensic auditors. These matters are currently under investigation and hence we are unable to opine on the nature of such irregularities, if any.

For **Mahendra Sharma & Co.**
Chartered Accountants
Firm registration No: 132162W

Place : Mumbai
Date : 18/05/2015

Proprietor
Membership number: 139399

BALANCE SHEET

AS AT 31 MARCH, 2015

(in Rs.)

	Notes	As at 31 March, 2015	As at 31 March, 2014
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	3	600,000,000	450,000,000
Reserves and surplus	4	(511,420,662)	596,319,525
		88,579,338	1,046,319,525
Non-current liabilities			
Long-term borrowings	5	2,253,181,925	2,143,306,115
Deferred Tax Liabilities (net)	6	-	-
Other Long term liabilities	7	-	5,245,735
Long-term provisions	8	1,332,143	1,461,737
		2,254,514,068	2,150,013,587
Current liabilities			
Trade payables	9	625,013,478	432,537,894
Other current liabilities	10	1,002,618,378	940,585,187
Short-term provisions	8	1,870,631	1,516,338
		1,629,502,487	1,374,639,419
	TOTAL	3,972,595,893	4,570,972,531
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	11	8,993,501	17,441,974
Intangible assets	12	3,294,162	40,773,362
Non-current investments	13	-	220,000
Long-term loans and advances	14	141,795,342	193,683,968
Other non-current assets	15	3,721,855	32,968,348
		157,804,860	285,087,652
Current assets			
Trade receivables	16	97,973,329	580,294,015
Cash and bank balances	17	585,017,165	449,141,421
Short-term loans and advances	14	2,468,757,874	2,599,179,897
Other current assets	15	663,042,665	657,269,546
		3,814,791,033	4,285,884,879
	TOTAL	3,972,595,893	4,570,972,531
Summary of significant accounting policies	2		

The accompanying notes are an integral part of accounts

As per our report of even date
For Mahendra Sharma & Co
 Chartered Accountants
 Firm Registration No. 132162W

**For and on behalf of the Board of Directors of
 National Spot Exchange Limited**

S. Rajendran
 Non-Executive Director
 DIN No. 02686150

Saji Cherian
 Managing Director & CEO
 DIN No. 02512505

Prakash Chaturvedi
 Joint Managing Director
 DIN No. 00516694

Mahendra Sharma
 Proprietor
 Membership No.: 139399

Subramanya Kusnur
 Non-Executive Director
 DIN No. 02534022

Ashok Nag
 Non-Executive Director
 DIN No. 06796476

Amarendra Sahoo
 Non-Executive Director
 DIN No. 06741280

Niraj Gupta
 Independent Director
 DIN No. 00334002

Varghese Jacob
 Independent Director
 DIN No. 01966765

Ravikant Baheti **Sandip Rahane**
 Chief Financial Officer Company Secretary

Place : Mumbai
 Date : 18/05/2015

Place : Mumbai
 Date : 18/05/2015

STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED 31 MARCH, 2015

(in Rs.)

	Notes	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Income			
Revenue from operations	18	-	2,652,796,627
Other income	19	27,178,757	185,249,424
Total Revenue (I)		27,178,757	2,838,046,051
Expenses			
Purchases of traded goods	20	-	1,340,541,304
(Increase)/ Decrease in inventories of Stock-in-Trade	21	-	437,045,732
Employee benefits expense	22	46,445,404	85,052,577
Bad debts and advances written off			308,144,935
Less Provision for doubtful debts and advances	37	-	(43,523,116)
Provision for doubtful debts and other recoverable (Refer Note 35 & 38)		541,619,038	436,107,446
Provision for diminution (other than temporary) in value of long term investments in subsidiaries		-	22,478,281
Other expenses	23	300,457,400	468,961,287
Total expenses (II)		888,521,842	3,054,808,446
Earnings before interest, tax, depreciation and amortization (EBITDA) (I-II)		(861,343,085)	(216,762,395)
Depreciation and amortization expense	24	43,468,690	59,610,153
Finance costs	25	199,238,297	113,490,401
Profit/(Loss) before exceptional item and taxes		(1,104,050,072)	(389,862,949)
Prior period expenses		3,690,116	-
Profit/(Loss) before taxes		(1,107,740,188)	(389,862,949)
Tax expense:			
Current tax		-	-
Deferred tax income		-	(11,867,898)
Total Tax Expense		-	(11,867,898)
Profit/(Loss) for the Year from continuing operations		(1,107,740,188)	(377,995,051)
Profit/ (Loss) for the year		(1,107,740,188)	(377,995,051)
Earnings per equity share:	26		
(1) Basic		(23.76)	(8.40)
(2) Diluted		(23.76)	(8.40)
Face value per Equity share		10.00	10.00
Statement of significant accounting policies	2		

The accompanying notes are an integral part of accounts

As per our report of even date
For Mahendra Sharma & Co
 Chartered Accountants
 Firm Registration No. 132162W

**For and on behalf of the Board of Directors of
 National Spot Exchange Limited**

S. Rajendran
 Non-Executive Director
 DIN No. 02686150

Saji Cherian
 Managing Director & CEO
 DIN No. 02512505

Prakash Chaturvedi
 Joint Managing Director
 DIN No. 00516694

Mahendra Sharma
 Proprietor
 Membership No.: 139399

Subramanya Kusnur
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Niraj Gupta
 Independent Director
 DIN No. 00334002

Varghese Jacob
 Independent Director
 DIN No. 01966765

Ravikant Baheti **Sandip Rahane**
 Chief Financial Officer Company Secretary

Place : Mumbai
 Date : 18/05/2015

Place : Mumbai
 Date : 18/05/2015

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH, 2015

(in Rs.)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
A. Cash Flow from Operating Activities before taxation		
Net profit (loss) before taxation	(1,107,740,188)	(389,862,949)
Adjustments for		
Depreciation and amortization	43,468,690	59,610,153
Dividend Income	(132,071)	(67,263,744)
Interest Expenses	199,177,879	113,216,403
Interest Income	(17,669,061)	(112,968,869)
Investments Written off	267,980	
Loss/(Profit) on sale of investments (net)	-	3,616,946
Provision for (other than temporary) diminution in value of long term investments in subsidiaries	-	22,478,281
Fixed assets written off		
Loss on sale/scrap of fixed asset	1,976,741	330,633
Bad Debts written off	-	264,621,819
Provisions for doubtful trade and other receivables, loans and advances	541,619,038	436,107,446
Operating profit/ (loss) before working capital changes	(339,030,992)	329,886,119
Movements in working capital :		
Decrease / (Increase) in Inventories	-	437,045,732
Decrease / (Increase) in other current assets	(5,773,121)	2,523,514,073
Decrease / (Increase) in other non current assets	92,518	(7,381,781)
Decrease / (Increase) in trade receivables	(270,845)	404,748,498
Decrease / (Increase) in long term loans and advances	(27,355,955)	135,314,294
Decrease / (Increase) in short term loans and advances	152,539,507	(1,410,371,086)
Increase / (Decrease) in trade payables	(3,222,858)	(223,434,699)
Increase / (Decrease) in current liabilities & provisions	62,387,485	(6,118,255,234)
Increase / (Decrease) in non current liabilities & provisions	(5,375,329)	(72,785,113)
Cash generated from operations	(166,009,588)	(4,001,719,197)
Direct taxes paid (net of refunds)	(19,970,884)	(200,000,000)
Net Cash used in Operating Activities	(185,980,472)	(4,201,719,197)
B. Cash Flow from Investing Activities		
Purchase of fixed assets	(175,476)	(2,462,038)
Proceeds from sale of fixed assets	657,719	9,148
Purchase of current investments(including dividend reinvestment)	(54,132,069)	(17,872,227,217)
Proceeds from sale of current investments	54,132,069	17,868,610,271
Purchase of non current investments	-	-
Deposits(with maturity more than 3 months)	(15,006,040)	(86,430,790)
Proceeds of deposits matured (with maturity more than 3 months)	119,260,372	1,581,012,737
Loans given	-	(9,960,800,000)
Loan realised	3,100,000	9,810,800,000
Dividend from investments	132,071	67,263,744
Interest	32,591,554	134,002,006
Net Cash Used in investing activities	140,560,201	1,539,777,861

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH, 2015 (CONTD.)

(in Rs.)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
C. Cash Flow from Financing Activities		
Proceeds from issue of Equity Share capital	150,000,000	-
Repayment of short term borrowings	-	(291,215,617)
Proceeds from long term borrowings	109,875,810	2,143,306,115
Interest Paid	(3,479,437)	(1,747,491)
Net Cash from financing activities	256,396,373	1,850,343,006
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	210,976,101	(811,598,330)
Cash and Cash Equivalents (Opening Balance)	362,710,631	1,174,308,961
Cash and Cash Equivalents (Closing Balance)	573,686,733	362,710,631
Closing Balance of Cash and Cash Equivalents consists of:		
Components of cash and cash equivalents		
Cash on Hand	-	5,669
Bank Balances:		
- In Current Accounts	169,966,159	340,172,207
- In Deposits Accounts (Maturing Less than 3 Months)	403,720,573	22,532,755
- Interest accrued on fixed deposits	-	
Cash and bank Balance	573,686,733	362,710,631

Note1: The above cashflow statement has been prepared under the indirect method setout in Accounting Standard 3 - Cash Flow Statement, notified pursuant to the Companies (Accounting Standards Rules), 2006 (as amended).

As per our report of even date
For Mahendra Sharma & Co
 Chartered Accountants
 Firm Registration No. 132162W

**For and on behalf of the Board of Directors of
 National Spot Exchange Limited**

S. Rajendran
 Non-Executive Director
 DIN No. 02686150

Saji Cherian
 Managing Director & CEO
 DIN No. 02512505

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 Independent Director
 DIN No. 00334002

Varghese Jacob
 Independent Director
 DIN No. 01966765

Ravikant Baheti **Sandip Rahane**
 Chief Financial Officer Company Secretary

Place : Mumbai
 Date : 18/05/2015

Place : Mumbai
 Date : 18/05/2015

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

1. GENERAL INFORMATION

National Spot Exchange Ltd (NSEL/ Exchange/Company) operated a pan India electronic spot exchange providing trading platform to trade in various agricultural, metal and other commodities to its members. It also offers (a) e-series contracts (b) customized procurement solutions to government agencies and private companies (c) ancillary services like warehousing and collateral management services. NSEL had commenced trading on 15 October, 2008 pursuant to a notification of exemption no. S.O. No. 906 (E) dated 5 June, 2007 issued by the Department of Consumer Affairs, Ministry of Consumer Affairs, Govt. of India (MCrA) (“Notification”). Forward Market Commission (FMC) was nominated as designated agency w.e.f. 5 August, 2011 by the Ministry of Consumer Affairs vide letter (S.No.(3)/f.No. 12/3/2003-IT(Pt)). Further, the FMC through its letter dated 5 November, 2014, has informed the Company that as the Notification SO 906 (E) dated 5 June, 2007 has been withdrawn by the Central Government through Notification SO 2529 (E) on 19 September, 2014 with immediate effect; consequently the Notification SO 228 (E) dated 6 February, 2012 and Notification SO 2406 (E) dated 6 August, 2013 cease to be in force w.e.f. 19 September, 2014.

The launch of new contracts was suspended under directive from the Ministry of Consumer Affairs, Food & Public Distribution, Government of India dated 6 August, 2013 in continuation to its earlier directive dated 12 July, 2013.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation of Financial Statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 (“the 1956 Act”) (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 (“the 2013 Act”) in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

B. Going Concern Basis

The Board of Directors of the Company is of the view that in the short term its main challenge is to recover the money from the defaulting members. The Company is making all out efforts in monetizing its trade and other receivables. At appropriate time, the Company is contemplating to commence one of the activities as specified in the Memorandum of Association, subject to necessary regulatory approvals. Holding Company had given assurance to the Company to provide financial and other resources for administrative and day to day expenses including legal and salary cost. In addition the holding Company of NSEL has infused equity capital of Rs.15,00,00,000 and this has resulted in maintaining net worth of the Company. On the above basis financial statements have been prepared on Going Concern basis

C. Use of estimates

The preparation of Financial Statements is in conformity with Generally Accepted Accounting Principles (GAAP) in India, which requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities (disclosure of contingent liabilities) at the date of the Financial Statements and the results of operations during the reporting period. Although, these estimates are based upon Management’s best knowledge of current events and actions, actual results could differ from these estimates.

D. Fixed Assets and Capital Work-in-Progress

Fixed Assets are stated at cost, less accumulated depreciation and impairment losses, if any. The cost of fixed assets comprises its purchase price and attributable cost of bringing the asset to its working condition for its intended use. Fixed Assets, which are not yet ready for their intended use, are carried at cost, comprising direct cost and related incidental expenses and attributable interest, if any.

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

E. Depreciation and Amortization

Depreciation has been provided on the straight-line method (SLM).

Name of Asset	Revised useful life
Office Equipment	2 to 10 years
Computers	3 to 6 years
Furniture	5 to 10 years
Vehicles	8 years
Networking Equipment's	5 years

Assets	Basis
Leasehold Improvements	Estimated useful life or Period of Lease whichever is less

Intangible assets are amortized over their estimated useful life as follows:

Assets	Estimated useful life
Patent and Trademarks	8 years
Technical know-how and computer software	6 years

In case of assets acquired during the year from the group companies', depreciation has been charged based on the residual life of the asset.

Depreciation in respect of assets acquired during the year, whose actual cost does not exceed Rs.5,000/- has been provided at 100% in the year of acquisition.

F. Inventories

Inventories of trading goods are stated at cost or net realizable value, whichever is lower. Cost comprises of cost of purchase and other costs incurred in bringing the inventories to their respective present location and condition. Cost is determined on First in First out (FIFO) basis. Net realizable value is the estimated or realized selling price in the ordinary course of business, less estimated or actual cost of completion and estimated or actual cost necessary to make the sale.

G. Impairment

The carrying values of assets/cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased such reversal of impairment loss is recognized in the statement of profit and loss.

H. Intangible Assets

Trademarks are amortized over 8 years, considering their related useful life. Software is amortized over 6 years, considering their related useful life. Any additions to the base software are amortized over the remaining useful life of the software.

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

I. Leases

a) Where the Company is the lessee:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term as per the respective lease agreements.

b) Where the Company is the lessor:

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Profit and Loss Account as per the lease term. Costs, including depreciation are recognized as an expense on a straight-line basis over the lease term as per the respective lease agreements. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of Profit and Loss.

J. Investments

Current investments are carried individually at the lower of cost and fair value. Long-term investments are carried individually at cost less provision for diminution. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the Management. Cost of investments includes acquisition charges such as brokerage, fees and duties. The difference between carrying amount of the investment determined on average cost basis and sale proceeds, net of expenses, is recognized as gain or loss on sale of investments.

K. Revenue Recognition

Revenue is recognized on accrual basis and when no significant uncertainties as to measurement and realization exist.

- a) In case of sale of goods which is proprietary business, revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue is net of VAT.
- b) Admission Fees (non-refundable) and Processing Fees from new members for joining the Exchange are recognized when the membership is approved. Amount received from prospective members towards admission fees is forfeited and recognized as income in the year when allotment of membership is pending for a period more than one year on account of non-receipt of documents.
- c) Annual subscription fees are charged upfront and recognized on accrual basis in the financial year in which it is charged.
- d) Transaction fees are charged to members based on the volume of transactions. These are accrued, when orders placed by members on the Exchange platform network are matched and confirmed.
- e) Delivery fees are charged to members on the basis of trades executed. In case of seller members, delivery fees are recognized on accrual basis and in case of buyer members, delivery fees are recognized at the time of withdrawals of commodities from the exchange accredited warehouses.
- f) Warehouse receipts transfer charges are charged to buyer and seller on accrual basis on completion of trade settlement.
- g) Storage charges are accrued as income on the completion of the storage cycle and are exclusive of service tax, if any.
- h) Warehouse management charges are levied to recover the cost of day to day administrative management of the warehouse and accrued on completion of the billing cycle and are exclusive of service tax, if any.
- i) Procurement service charges are levied on value of procurement and are recognized on accrual basis on completion of procurement and processing activity.
- j) In case of joint procurement activities for export purposes, the Company carries out domestic procurement of the commodities for exports and the exporter carries out export of the goods outside India. Income/ loss thereof are accounted for on effecting of export of goods by the exporter.
- k) Networking equipment deposits (non-refundable) are treated as income in the year in which it is received.

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

L. Other Income

- a) Dividend income is recognized when the Company's right to receive dividend is established.
- b) Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

M. Foreign Currency Transactions

a) Initial Recognition:

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b) Conversion:

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

c) Exchange Differences:

Exchange differences arising on the settlement of monetary items are recognized as income or as expenses in the year in which they arise.

N. Retirement Benefits and Other Employee Benefits

Retirement benefits in the form of Provident Fund are in the form of a defined contribution scheme and the contribution is charged to the statement of Profit and Loss of the year when the contributions to the provident fund is due. There are no other obligations other than the contribution payable to the respective funds.

The Company's liability towards gratuity is funded through a scheme (Group Gratuity) administered by the Life Insurance Corporation of India. Leave encashment on retirement is provided on actual basis in accordance with the Company's scheme in this respect.

Gratuity liability are defined benefit obligation and is provided for on the basis of an actuarial valuation using projected unit cost method made at the end of each year.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation at year end. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

O. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

P. Bad Debts

Bad debts, if any are written off, once it is ascertained with reasonable certainty that such recoverable have become irrecoverable.

Q. Income Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

R. Provisions, Contingent liabilities and Contingent assets

The Company recognizes a provision when there is a present obligation as a result of past event on which it is probable that there will be outflow of resources to settle the obligation in respect of which reliable estimates can be made. Contingent Liabilities are disclosed by way of notes to Financial Statements. Contingent Assets are neither recognized nor disclosed.

S. Segment Reporting Policies

a) Identification of segments:

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

b) Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

c) Unallocated items:

Includes general corporate income and expense items which are not allocated to any business segment.

d) Segment Policies:

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

T. Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

U. Cash and Cash Equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

V. Measurement of EBITDA

As permitted by the Guidance Note on the Schedule III to the Companies Act, 2013, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the Statement of Profit and Loss. The Company measures EBITDA on the basis of profit/loss from continuing operations. In its measurement the Company does not include depreciation and amortization expense, finance costs and tax expense.

(in Rs.)

3. SHARE CAPITAL	As at 31 March, 2015	As at 31 March, 2014
Authorised		
70,000,000 (P.Y. 50,000,000) Equity Shares of Rs.10/- each	700,000,000	500,000,000
Issued,subscribed and fully paid up		
60,000,000 (P.Y. 45,000,000) Equity Shares of Rs.10/- each fully paid up	600,000,000	450,000,000
	600,000,000	450,000,000

Reconciliation of shares outstanding at beginning and end of reporting period

(in Rs.)

PARTICULARS	As at 31 March, 2015		As at 31 March, 2014	
	Nos.	Rs.	Nos.	Rs.
Shares outstanding at the beginning of the year	45,000,000	450,000,000	45,000,000	450,000,000
Shares Issued during the year	15,000,000	150,000,000	-	-
Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	60,000,000	600,000,000	45,000,000	450,000,000

Shares held by holding/ultimate holding company and/or their subsidiaries/associates

Out of equity shares issued by the company, shares held by its holding company, ultimate holding company is as below:

(in Rs.)

	As at 31 March, 2015	As at 31 March, 2014
Financial Technologies (India) Limited, the holding company	599,999,000	449,999,000
59,999,900 (P.Y. 44,999,900) equity shares of Rs.10/- each fully paid held by holding company and it's nominees		
	599,999,000	449,999,000

NOTES**TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15****Details of shareholders holding more than 5% shares in the Company**

PARTICULARS	As at 31 March, 2015		As at 31 March, 2014	
	No.	% holding in the class	No.	% holding in the class
Financial Technologies (India) Limited				
59,999,900 (Previous year 44,999,900 (equity shares are held by the holding company and its nominees, paid up value amounting to Rs.599,999,000 (P.Y. 449,999,000)	59,999,900	99.99%	44,999,900	99.99%
The Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share.				
No bonus shares have been issued to equity share holders in last five years (or since incorporation of the company)				
No equity shares have been bought back in last five years (or since incorporation of the company)				

(in Rs.)

	As at 31 March, 2015	As at 31 March, 2014
4. RESERVES AND SURPLUS		
Settlement Guarantee Fund		
Balance of Security Guarantee Fund	8,466,448	8,466,448
Total (A)	8,466,448	8,466,448
Surplus/Deficit in the statement of Profit & Loss		
Balance as per last financial statements	587,853,078	965,848,128
(+) Net Loss for the year	(1,107,740,188)	(377,995,051)
Net (Deficit)/Surplus in the Profit & Loss Account (B)	(519,887,110)	587,853,077
Total Reserves and Surplus (A+B)	(511,420,662)	596,319,525

(in Rs.)

5. LONG TERM BORROWINGS	Non Current	
	As at 31 March, 2015	As at 31 March, 2014
Long term borrowing from related party	-	-
Long term borrowing from Holding company	2,253,181,925	2,143,306,115
Total	2,253,181,925	2,143,306,115
The above amount includes		
Secured Borrowings	-	-
Unsecured Borrowings	2,253,181,925	2,143,306,115
Total	2,253,181,925	2,143,306,115

Note: Loan carries interest at the applicable RBI Bank rate

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

(in Rs.)

	As at 31 March, 2015	As at 31 March, 2014
6. DEFERRED TAX ASSETS/ (LIABILITY) (NET)		
In accordance with the Accounting Standard 22 on Accounting for Taxes on Income, the Company has made adjustments in its accounts for deferred tax liabilities/ assets.		
Deferred tax liability		
Fixed assets : Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	1,353,855	13,637,765
Others		
Gross deferred tax liability	1,353,855	13,637,765
Deferred tax asset		
Provision for doubtful debts	364,198	12,717,540
Gratuity/Leave encashment	989,657	920,225
Gross deferred tax asset	1,353,855	13,637,765
Net deferred tax Asset/ (Liability)	-	-

The Company had recognized deferred tax asset on the doubtful debts provision and leave encashment provisions to the extent of deferred tax liability as the Company is able to substantiate reasonable certainty of future profits against which such asset could be realized.

(in Rs.)

	As at 31 March, 2015	As at 31 March, 2014
7. OTHER LONG TERM LIABILITIES		
Members deposits against VSAT	-	245,735
Deposit against settlement bank a/c	-	5,000,000
Total	-	5,245,735

(in Rs.)

	Long Term		Short Term	
	As at 31 March, 2015	As at 31 March, 2014	As at 31 March, 2015	As at 31 March, 2014
8. PROVISIONS				
Provisions				
Leave Encashment	1,332,143	1,461,737	1,870,631	1,516,338
Total	1,332,143	1,461,737	1,870,631	1,516,338

(in Rs.)

	As at 31 March, 2015	As at 31 March, 2014
9. TRADE PAYABLE		
Trade Payable	625,013,478	432,537,894
Total	625,013,478	432,537,894

(in Rs.)

	As at 31 March, 2015	As at 31 March, 2014
10. OTHER CURRENT LIABILITIES*		
Members liabilities (refer note 33)	374,748,991	377,028,990
Advances from members	2,248,934	2,015,199
Advance received from customers	170,962,936	125,117,626
Advance received for services (refer note 39)	427,500,000	427,500,000
Deposit taken from Holding company for Directors' nomination	700,000	-
Reimbursement payable to employees	679,657	293,186
Other Payables		
Statutory remittances (Contributions to PF and ESIC, withholding tax, APMC cess, VAT, Service Tax, etc.)	25,777,860	8,630,186
Total	1,002,618,378	940,585,187

*(Refer note no 28 for Disclosure under the Micro, Small and Medium Enterprises Development Act, 2006.)

NOTES**TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15**

(in Rs.)

11. TANGIBLE ASSETS	VSAT	Computer hardware	Office equipment	Furnitures and fixtures	Vehicles	Commercial Vehicles	Leasehold improvements	Total
Gross Block								
At 1 April, 2013	1,110,034	32,463,399	4,043,044	292,903	2,376,162	-	203,083	40,488,625
Additions		1,241,492	681,235	16,905	299,814	707,460	323,940	3,270,846
Deletion/adjustment		9,148	-	-	-	-	527,023	536,171
At 31 March, 2014	1,110,034	33,695,743	4,724,279	309,808	2,675,976	707,460	-	43,223,300
Additions		1,863	49,228	124,385				175,476
Deletion/adjustment	1,110,034	3,656,693	2,592,227	137,527	2,376,162			9,872,643
At 31 March, 2015	-	30,040,912	2,181,279	296,666	299,814	707,460	-	33,526,133
Depreciation								
At 1 April, 2013	766,707	15,707,853	645,020	105,983	777,938	-	124,106	18,127,606
Charge for the year	182,188	6,059,916	1,198,744	22,918	247,295	71,903	76,292	7,859,256
Disposals	-	5,138	-	-	-	-	200,398	205,536
At 31 March, 2014	948,894	21,762,631	1,843,764	128,901	1,025,233	71,903	-	25,781,326
Charge for the year	81,043	4,882,329	1,106,315	36,993	122,881	111,086	-	6,340,647
Disposals	1,029,936	3,655,053	1,728,206	93,311	1,082,835			7,589,341
At 31 March, 2015	0	22,989,906	1,221,873	72,583	65,279	182,989	-	24,532,632
Net Block								
At 31 March, 2014	161,140	11,933,112	2,880,515	180,908	1,650,743	635,557	-	17,441,974
At 31 March, 2015	(0)	7,051,006	959,406	224,083	234,535	524,471	-	8,993,501

(in Rs.)

12. INTANGIBLE ASSETS	Trade Mark	Computer Software	Total
Gross Block			
At 1 April, 2013	317,826	298,214,796	298,532,622
Additions	-	164,214	164,214
Deletion/adjustment	-	-	-
At 31 March, 2014	317,826	298,379,010	298,696,836
Additions	-		-
Deletion/adjustment	-	4,124,846	4,124,846
At 31 March, 2015	317,826	294,254,164	294,571,990
Depreciation			
At 1 April, 2013	157,249	206,015,329	206,172,578
Charge for the year	31,783	51,719,113	51,750,896
Disposals	-	-	-
At 31 March, 2014	189,033	257,734,443	257,923,474
Charge for the year	31,783	37,096,260	37,128,044
Disposals	-	3,773,690	3,773,690
At 31 March, 2015	220,816	291,057,014	291,277,828
Net Block			
At 31 March, 2014	128,793	40,644,567	40,773,362
At 31 March, 2015	97,010	3,197,150	3,294,162

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

(in Rs.)

13. NON CURRENT INVESTMENTS	As at 31 March, 2015	As at 31 March, 2014
Non Trade Investments (Valued at Cost Unless stated otherwise)		
Unquoted Instruments		
Investment in Subsidiaries		
88,51,725 (31 March, 2014: 88,51,725) Equity Shares of Rs.10/- each fully paid of Indian Bullion Market Association Limited. [at cost less provision for other than temporary diminution in value Rs.88,517,250] Previous Year Rs.88,517,250]] (Refer Note 36)	-	-
2,550 (31 March, 2014: 2,550) Equity Shares of Rs.100/- each fully paid of Western Ghats Agro Growers Co. Ltd..[at cost less provision for other than temporary diminution in value Rs.255,000 (Previous Year Rs.255,000)] (Refer Note 36)	-	-
100,000 (31 March, 2014: 100,000) Equity Shares of Rs.10/- each fully paid of Farmers Agricultural Integrated Development Alliance Ltd. [at cost less provision for other than temporary diminution in value Rs.1,000,000 (Previous Year Rs.1,000,000)] (Refer Note 36)	-	-
Government And Trust Securities		
Nil (31 March, 2014:29) National Savings Certificates	-	220,000
Total	-	220,000
Aggregate amount of unquoted investments(before provision for diminution)	89,772,250	89,992,250
Aggregate value of unquoted investments	-	220,000
Aggregate provision for other than temporary diminution in the value of Unquoted investments (refer note 36)	89,772,250	89,772,250

(in Rs.)

	Non Current		Current	
	As at 31 March, 2015	As at 31 March, 2014	As at 31 March, 2015	As at 31 March, 2014
14. LOANS AND ADVANCES				
Capital Advances				
Secured, considered good	-	-		
Unsecured, considered good	-	-	-	-
(A)	-	-	-	-
Security Deposit				
Unsecured, considered good	-	-	1,785,939	1,806,319
(B)	-	-	1,785,939	1,806,319
Loans And Advances To related Parties				
Unsecured, considered good	81,500	74,950,000	-	3,532,675
Unsecured, considered Doubtful	147,900,000	73,950,000	-	-
Provision for Doubtful loans and advances (refer note 38)	(147,900,000)	(73,950,000)	-	-
(C)	81,500	74,950,000	-	3,532,675
Advances Recoverable in Cash or Kind				
Unsecured, considered good	-	-	2,441,936,022	2,590,499,899
(D)	-	-	2,441,936,022	2,590,499,899

NOTES**TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15**

Other Loans And Advances				
Prepaid expenses	138,758	138,758	500,767	763,822
Loans to employees	-	64,768	82,710	290,211
Advance Tax & TDS (Net of provision)	107,391,898	109,586,479	24,452,436	2,286,971
Balances with Statutory / Government Authorities	34,183,186	8,943,963	-	-
(E)	141,713,842	118,733,968	25,035,913	3,341,004
Total (A+B+C+D+E)	141,795,342	193,683,968	2,468,757,874	2,599,179,897

(in Rs.)

	Non Current		Current	
	As at 31 March, 2015	As at 31 March, 2014	As at 31 March, 2015	As at 31 March, 2014
15. OTHER ASSETS				
Unsecured considered good				
Others	-	-	-	-
* Non Current Bank balances (refer note 17)	3,675,607	32,829,582	-	-
(A)	3,675,607	32,829,582	-	-
Interest accrued on Fixed deposits	46,248	138,766	6,923,605	1,150,486
(B)	46,248	138,766	6,923,605	1,150,486
Others- Contractually reimbursable expenses				
Unsecured considered good	-	-	656,119,060	656,119,060
Doubtful	-	-	45,527,548	45,527,548
Provision for doubtful advances	-	-	(45,527,548)	(45,527,548)
(C)	-	-	656,119,060	656,119,060
Total (A+B+C)	3,721,855	32,968,348	663,042,665	657,269,546

*Bank Fixed deposits are inclusive of certain deposits liened in favour of VAT authorities, APMC authorities and certain have been created out of Escrow account.

(in Rs.)

	As at 31 March, 2015	As at 31 March, 2014
16. TRADE RECEIVABLES		
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Secured, considered good		-
Unsecured, considered good		242,703,232
Unsecured, considered doubtful	20,113,300	16,129,995
Less: Provision for doubtful debts (refer note 35 & 38)	(20,113,300)	(16,129,995)
	-	242,703,232
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good		-
Unsecured, considered good	97,973,338	337,590,783
Unsecured, considered doubtful	809,713,175	346,027,451
Less: Provision for doubtful debts (refer note 35 & 38)	(809,713,184)	(346,027,451)
	97,973,329	337,590,783
Total	97,973,329	580,294,015

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

(in Rs.)

17. CASH AND BANK BALANCES	Non Current		Current	
	As at 31 March, 2015	As at 31 March, 2014	As at 31 March, 2015	As at 31 March, 2014
Cash And Cash Equivalents				
Balances with Banks				
In current Accounts	-	-	169,966,159	340,172,207
Deposits with maturity less than 3 months			403,720,573	22,532,755
Cash on hand	-	-	-	5,669
	-	-	573,686,732	362,710,631
Other Bank Balances				
Bank deposits with more than 3 but less than 12 months maturity (Fixed deposit is liened)	-	-	11,330,433	86,430,790
Bank deposits with more than 12 months maturity	3,675,607	32,829,582	-	-
	3,675,607	32,829,582	11,330,433	86,430,790
Total	3,675,607	32,829,582	585,017,165	449,141,421
The above amount includes				
Bank deposits with more than 12 months maturity	3,675,607	32,829,582	-	-
Amount disclosed under the head "Other assets" (refer note 15)	(3,675,607)	(32,829,582)	-	-

Bank Fixed deposits are inclusive of certain deposits liened in favour of VAT authorities, APMC authorities and certain have been created out of Escrow account.

(in Rs.)

18. REVENUE FROM OPERATIONS	31 March, 2015	31 March, 2014
Sale of goods	-	1,800,578,437
Sale of services	-	810,069,319
Other operating revenues	-	42,148,871
Total	-	2,652,796,627
Details of sale of traded goods		
Goods		
Agricultural	-	975,473,278
Non Agricultural	-	825,105,159
Total	-	1,800,578,437
Details of services rendered		
Transaction Fees	-	111,440,278
Admission Fees	-	9,500,000
Application Processing Fees - Members	-	75,000
Annual Subscription Fees	-	15,023,723
Warehouse receipt Transfer Charges	-	658,703,180
Exchange Delivery Charges	-	2,531,443
Procurement commission	-	32,857
Warehouse income	-	12,762,838
Total	-	810,069,319

NOTES**TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15**

(in Rs.)

19. OTHER INCOME	31 March, 2015	31 March, 2014
Interest Income		
Bank Deposits	2,727,930	77,009,896
Subsidiaries	14,922,493	21,033,137
Others	18,638	14,925,836
Dividend Income on current investments		
-Others	132,071	67,263,744
Other non-operating income	9,377,625	5,016,811
Total	27,178,757	185,249,424

(in Rs.)

20. DETAILS OF PURCHASE OF TRADED GOODS	31 March, 2015	31 March, 2014
Goods		
Agricultural	-	757,711,335
Non Agricultural	-	582,829,969
Total	-	1,340,541,304

(in Rs.)

21. (INCREASE)/DECREASE IN INVENTORY	31 March, 2015	31 March, 2014
Inventories at the end of the year-Traded Goods	-	-
Inventories at the Beginning of the year-Traded Goods	-	437,045,732
Total	-	437,045,732

(in Rs.)

22. EMPLOYEE BENEFITS EXPENSE	31 March, 2015	31 March, 2014
Salaries and incentives	43,226,594	86,783,713
Contribution to Provident Fund	1,047,099	2,412,588
Contribution to Gratuity (refer note no. 32)	1,185,464	(5,483,293)
Staff welfare expenses	986,247	1,339,569
Total	46,445,404	85,052,577

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

(in Rs.)

23. OTHER EXPENSES	31 March, 2015	31 March, 2014
Electricity Charges	7,724	3,237,675
Rent	3,437,951	61,647,763
Insurance	432,368	11,655,340
Handling & Transportation	1,984,250	3,231,918
Repairs and maintenance		
Office buildings	-	398,048
Machineries	108,747	1,835,750
Others	84,409	1,211,830
Advertising and sales promotion	330,880	3,853,294
Travelling and conveyance	2,763,621	7,385,329
Communication costs	3,324,546	6,392,949
Brokerage	-	415,462
Professional Fees	10,051,811	36,660,291
Printing & Stationery and Books & periodicals	1,131,383	1,539,626
Security service charges	2,083,620	9,797,747
Service tax expense	26,937,792	-
Office expenses	1,432,018	3,051,820
LAB & Testing Charges	269,151	340,979
Vault Expenses	1,661,382	7,253,011
ROC Fees Expenses	2,214,485	62,350
Directors sitting fees	4,462,888	489,941
Bank charges	187,708	187,708
Consultancy Fees	19,439,313	20,505,160
Legal Expenses	208,595,862	103,046,433
Write off of Long term Investments	267,980	-
Sundry Balances Written Off	2,011,039	-
Business support charges	677,527	141,614,207
Payments to auditor (Refer details below)	4,082,600	2,191,020
Net loss on sale of current investments	-	3,616,946
Loss on sale/write off of Fixed assets (net)	1,976,741	330,633
Exchange Difference (net)	24,960	34,366,446
Miscellaneous expenses*	474,644	2,641,611
Total	300,457,400	468,961,287

(* includes Recruitment charges, office expenses etc.)

Payments to the auditors	31 March, 2015	31 March, 2014
As auditor		
Audit Fee for current year	2,247,200	2,022,480
Audit Fee for amendment of financial statement of FY 2012-13	1,685,400	-
Taxation matters	150,000	168,540
Total	4,082,600	2,191,020

(in Rs.)

24. DEPRECIATION AND AMORTIZATION EXPENSE	31 March, 2015	31 March, 2014
Depreciation of tangible assets	6,340,647	7,859,256
Amortization of in-tangible assets	37,128,043	51,750,897
Total	43,468,690	59,610,153

(in Rs.)

NOTES**TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15**

25. FINANCE COSTS	31 March, 2015	31 March, 2014
Interest Expenses		
for Bank Borrowing	-	614,090
for Others (include Rs.19,56,98,442 (PY Rs.11,14,68,912) to holding company on borrowings)	199,177,879	112,602,314
Other borrowing costs	60,418	273,997
Total	199,238,297	113,490,401

26. EARNINGS PER SHARE (EPS)

(in Rs.)

PARTICULAR	As at 31 March, 2015	As at 31 March, 2014
Loss for the year (for basic and diluted)	(1,10,77,40,188)	(377,995,051)
Weighted average number of equity shares in calculating diluted EPS (Nos.)	46,627,397	45,000,000
EPS- Basic & Diluted per share	(23.76)	(8.40)
Face value per share	10.00	10.00

27. SEGMENT INFORMATION

Company's business segments are as under:

- Exchange Related Services:** Includes Admission Fees, Annual Subscription Fees, Processing Fee, Transaction fees, and Exchange Delivery charges and warehouse receipts transfer charges.
- Warehousing & storage income:** Includes storages of agricultural products, fumigation, quality certification etc.
- Procurement Services:** Procurement services consists of private procurement on behalf of various corporate entities acting as an agent by procuring different commodities like cotton, pulses, sugar etc. through different sources and locations by rendering added services like quality testing, grading, sorting, loan syndication and offering other customized solutions.
- Proprietary Trading:** Proprietary Trading include purchase of different commodities like coal, sugar, castor seed and various other agricultural commodities from different parties and supplying the same to various customers. It is clarified that these services do not have any relation to the trading on the exchange platform by buying and selling members.

Reporting of Business Segments: Refer **Annexure – A**

28. DETAILS OF DUE TO MICRO AND SMALL ENTERPRISES (MSE) AS DEFINED UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006 (MSMED ACT).

(in Rs.)

	As at 31 March, 2015	As at 31 March, 2014
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	-	-
Principal amount due	-	40,246
Interest due on above	-	-
TOTAL	-	40,246

No interest on amount due to MSE enterprises has been paid during the year. No interest has been accrued and unpaid at the end of the current year. Disclosures as required under Schedule III of the Companies Act, 2013 relating to amounts unpaid as at the year-end together with interest unpaid/payable etc. have been considered and disclosed on the basis of and to the extent replies to the Company's communication received from vendors/suppliers, etc. regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006.

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

29. RELATED PARTIES

- a. Names of related parties where control exists, irrespective of whether transactions have occurred or not:

Holding Company:

Financial Technologies (India) Limited (FTIL)

Subsidiary Companies:

- Indian Bullion Market Association Limited (IBMA) (since incorporation)
- Western Ghats Agro Growers Co. Ltd. (WGAGL) (w.e.f. Sep 5, 2012)
- Farmers Agricultural Integrated Development Alliance Ltd. (FAIDA) (w.e.f. Aug 1, 2012)

- b. Names of other related parties with whom transactions have taken place during the year:

Fellow Subsidiaries:

Current year: NIL

Previous year:

1. Atom Technologies Limited (ATOM)
2. National Bulk Handling Corporation Limited (NBHC) (Subsidiary till 23 April, 2014)
3. Tickerplant Limited (Tickerplant)
4. Financial Technologies Communications Limited (FTCL)

Associate of Holding Company:

Current year: None

Previous year:

Multi Commodity Exchange of India Limited (MCX)

(MCX was an associate of the holding company till 25 December, 2013)

Key Management Personnel:

- Mr. Saji Cherian** : Managing Director & CEO
- Mr. Prakash Chaturvedi** : Joint managing Director
(With effect from 24 November, 2014)
- Mr. Ravikant Baheti** : Chief Financial officer
(With effect from 15 December, 2014)
- Mr. Sandip Rahane** : Company Secretary
(With effect from 28 February, 2015)

- c. **Remuneration to Key managerial personnel**

(in Rs.)

PARTICULARS	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Mr. Saji Cherian (Managing Director & CEO)	5,023,168	2,422,452
Mr. Prakash Chaturvedi Joint managing Director (With effect from 24 November, 2014)	1,435,214	-
Mr. Ravikant Baheti Chief Financial officer (With effect from 15 December, 2014)	1,149,384	-
Mr. Sandip Rahane Company Secretary (With effect from 28 February, 2015)	55,642	-

- d. For other related parties transactions, please refer **Annexure 'B'**

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

30. LEASES

a. In case of assets taken on lease

The Company has entered into cancellable leasing arrangements for its offices and warehouses. The lease rental of Rs.34,37,951 (Previous Year Rs.4,27,78,474) has been included under the head Rent under Note 23 in statement of Profit & Loss Account. The Company has no non-cancellable leasing arrangements for its offices and warehouses in the current year.

There are no restrictions imposed by lease arrangements.

b. In case of assets given on lease

The Company has not given any warehouses on rent during the year (previous year Rs.2,51,467/-) and has not earned lease rental income.

31.a) COMMITMENTS (To the extent not provided):

(in Rs.)

PARTICULARS	As at 31 March, 2015	As at 31 March, 2014
Estimated amount of contracts remaining to be executed on capital account and not provided for.	-	-
Commitment towards lease (refer note 30)	-	-

b) CONTINGENT LIABILITIES (To the extent not provided):

(in Rs.)

PARTICULARS	As at 31 March, 2015	As at 31 March, 2014
Bank/Corporate Guarantees (Reference to note on counter party guarantee note should be given)	-	3,220,000
Liability towards penalty on sales tax demand	-	3,231,455
Income Tax liability for AY 2011-12#	Refer note below	Refer note below

#Special Audit ordered u/s 142 (2A) of Income Tax Act, 1961:

The Income Tax Department had carried out a special audit of the NSEL under section 142 (2A) of the Income tax Act 1961 for AY 2011-12. Subsequent to our submissions in reply to the special audit report and hearings the assessing officer has passed an order for AY 2011-12 and made addition of Rs.8,94,77,504/- resulted in reduction in carried forward losses under the Income Tax Act hence there is no liability on the Company. Apart from this interest under section 234A, 234B, 234C, and 234D is also levied. Penalty proceedings under section 271 (1)(c) is also initiated which cannot be quantified at this stage hence not disclosed under contingent liability. The Company being aggrieved and adversely affected by such order and had filed an appeal on 28 November, 2014 before Commissioner of Income Tax (Appeals), Mumbai.

32. GRATUITY AND OTHER POST-EMPLOYMENT BENEFIT PLANS

Gratuity Plan: The Company has made annual contributions to the Gratuity-cum-Life Assurance (Cash Accumulation) Scheme administered by the Life Insurance Corporation of India ('LIC'), a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to fifteen days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs on completion of five years of service.

The following table sets out the status of the gratuity plan and amounts recognized in the Company's financial statements as at 31 March, 2015 and 31 March, 2014.

NOTES**TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15****STATEMENT OF PROFIT AND LOSS**

Net employee benefit expense (recognized in Employee Cost)

(in Rs.)

PARTICULARS	Gratuity	
	As at 31 March, 2015	As at 31 March, 2014
Current service cost	5,83,503	1,881,879
Interest cost on benefit obligation	4,94,458	839,291
Expected return on plan assets	(5,49,434)	(6,53,612)
Net actuarial(gain) / loss recognized in the year	332,496	(4,031,274)
Past service cost	-	-
Net benefit expense	861,023	(1,963,716)
Actual return on plan assets	4,26,428	712,522

BALANCE SHEET

Details of Provision for Gratuity

(in Rs.)

PARTICULARS	Gratuity	
	As at 31 March, 2015	As at 31 March, 2014
Defined benefit obligation	53,06,041	5,311,047
Fair value of plan assets	56,45,456	5,901,544
Plan asset / (liability)	3,39,415	5,90,497

Changes in the present value of the defined benefit obligation are as follows:

(In Rs.)

PARTICULARS	Gratuity	
	As at 31 March, 2015	As at 31 March, 2014
Opening defined benefit obligation	5,311,047	10,173,219
Interest cost	494,458	839,291
Current service cost	583,503	1,881,879
Liability transferred in	1,321,496	-
Benefits paid	(2,613,953)	(3,610,978)
Actuarial (gains) / losses on obligation	430,584	(3,972,364)
Actuarial (gains) / losses due to experience	(221,094)	-
Closing defined benefit obligation	5,306,041	5,311,047

Changes in the fair value of plan assets are as follows:

(In Rs.)

PARTICULARS	Gratuity	
	As at 31 March, 2015	As at 31 March, 2014
Opening fair value of plan assets	5,901,544	7,512,776
Expected return	549,434	653,612
Contributions by employer	609,941	1,287,224
Assets transferred in	1,321,496	-
Benefits paid	(2,613,953)	(3,610,978)
Actuarial gains / (losses)	(123,006)	58,910
Closing fair value of plan assets	5,645,456	5,901,544

NOTES**TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15**

The principal assumptions used in determining gratuity and post-employment medical benefit obligations for the Company's plans are shown below:

PARTICULARS	As at	As at
	31 March, 2015	31 March, 2014
	%	%
Discount rate	7.96	9.31
Expected rate of return on assets	7.96	9.31
Employee turnover	2-6	2-6

Amounts for the current year are as follows

(In Rs.)

PARTICULARS	As at	As at
	31 March, 2015	31 March, 2014
Defined Benefit Obligation	5,306,041	5,311,047
Plan Assets	5,645,456	5,901,544
Surplus/(deficit)	3,39,415	590,497
Experience adjustments on plan liabilities (Gain)/Loss	(221,094)	(3,381,486)
Experience adjustments on plan Assets Gain/(Loss)	(123,006)	58,910

During the previous year Company had reversed Rs.3,196,268 being excess provision for gratuity made in earlier year. During the previous year some employees were transferred from its subsidiary company. Subsidiary company had issued credit note during the previous year of Rs.323,309 to the give effect of transfer of liability to Company. Company had accounted above credit note and reduced gratuity expenses during the previous year. During the year subsidiary company has given debit note for actual transfer of funds from their Funds to Company's Funds on account of transfer of employees of Rs.324,441. Same has been charged off to Gratuity expenses.

However impact of above adjustments is not reflected in above Actuarial disclosures. Company expects to contribute Rs.342,505 towards contribution during next 12 months.

33. SETTLEMENT GUARANTEE FUND**(i) SGF-MC balance as at 31 March, 2015**

The Company has a separate Settlement Guarantee Fund, which is created out of Members' Contribution (SGF-MC) in respect of the activities carried out on the spot trading in various contracts on Exchange. The members are required to contribute to the fund in the form of security deposit and interest free margin money in the form of cash and non-cash, which forms part of the SGF-MC. The margin money was refundable, subject to adjustments, if any and exposure of members. The cash margin money forming part of SGF-MC was Rs.37,46,08,831 (Previous year Rs.37,46,08,831) (included in Note no.10 on other current liabilities under members liabilities). The Company had also collected non cash portion of the SGF-MC comprising of collaterals such as bank guarantees, securities and fixed deposits receipts received from the members amounting to Rs.Nil (Previous year Rs.42,50,000).

The composition of SGF-MC as on 31 March, 2015 was as under:

(in Rs.)

INITIAL MARGIN	As at	As at
	31 March, 2015	31 March, 2014
Cash Margin	37,46,08,831	37,46,08,831
Non Cash Margin- FDR	-	32,50,000
Non Cash Margin- Bank Guarantee	-	10,00,000
Total	37,46,08,831	37,88,58,831

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TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

It is a practice in India among the Stock and Commodity Exchanges that SGF-MC consists of aforesaid 2 components viz. cash and non-cash, collected from the members as security deposit and margin money. Cash Component shall form part of liabilities in Balance Sheet. Non cash component is disclosed by way of "Notes to Accounts."

(ii) Utilization of SGF-MC during the year

On 31 July, 2013 Exchange suspended all the contracts except e-series and merged the delivery and settlement of all pending contracts. Members who did not settle their settlement liability on account of unsettled contracts, their Margin money were adjusted against their settlement liability. Net liability of such members as at 31 March, 2015 was Rs.5,331.54 Crores.

Cash margin shown in note no. 33(i) above with exchange as on 31 March, 2015 was Rs.37,46,08,831. This margin money belongs to non-defaulting members. However utilized the said cash margin for payouts to other members when payment default occurred during the year by defaulting members.

(iii) The SGF-MC currently shows a net outstanding amount of Rs.37,46,08,831 (Previous year Rs.37,46,08,831) which is pertaining to the existing non-defaulting clearing Members. While the exchange has taken many legal, regulatory and commercial measures against the defaulters, it is not clear how much money would be eventually recovered and by when, as the entire process is sub-judice. In case the Exchange fails to secure the balance money or there is undue delay in recovery then the Exchange would as per the bye laws call for the balance amount as may be considered appropriate to be recovered from the all non-defaulting clearing members as per its bye law number 12.9.2 and 12.10 besides other applicable bye laws for settlement of claims. However, this decision would be taken post the legal adjudication of pending legal cases wherein this subject matter is being adjudicated or at an appropriate time when considered suitable by the Board of NSEL.

(iv) Compliance to Bye-laws

The Company had ensured SGF-MC of Rs.1,00,00,000 before commencement of trading in FY 2008-2009 and the same was always greater than Rs.1,00,00,000 as was required as per the bye-laws of the Exchange. The amount outstanding at the end of each year in SGF-MC account received from members as margin money was as under.

As on the Date	Disclosure made in the Financial Statements as	Amount (Rs. in Crores)
31.03.2009	Settlement Guarantee Fund	8.95
31.03.2010	Settlement Guarantee Fund	11.23
31.03.2011	Settlement Guarantee Fund	70.31
31.03.2012	Settlement Guarantee Fund	328.93
31.03.2013	Settlement Guarantee Fund	706.90
31.03.2014	Settlement Guarantee Fund	37.89

34. OTHER MATTERS PERTAINING TO SETTLEMENT DEFAULT AND RECOVERIES

As on the balance sheet date, amounts to be recovered from defaulting members is Rs.5,331.54 Crores (Previous Year Rs.5,359.53 Crores) and amounts to be paid to non-defaulting members is Rs.4,905.60 crores (Previous Year Rs.4,925.64 Crores) . Apart from this an amount of Rs.209.11 Crores (Previous Year Rs.209.11crores) is payable to certain seller Members after completion of required documentation on part of seller Members. However major portion of the same is yet to be recovered from buying members and such unrecovered amount is included in amounts recoverable from defaulting members. None of the amounts payable to members are liabilities of the Company as the Exchange is only a provider of platform to its members for trading.

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35. BAD DEBTS AND PROVISION FOR DOUBTFUL DEBTS OF NAFED AGAINST PROCUREMENT TRANSACTIONS

Outstanding recoverable from National Agricultural Co-operative Marketing Federation of India Limited (NAFED) against procurement of cotton as on 31 March, 2015 was Rs.1,033,367,578 (before write off and provisions for doubtful advances). NAFED had acknowledged NSEL's claim of only Rs.723,218,209 (Rs.683,703,859 for Price Support Scheme (PSS) 2012-13 and Rs.39,514,350 for PSS 2008-09) vide their letter dated 2 September, 2014, 12 September, 2014 and 11 December, 2014 in their books. Company had been interacting with NAFED officials and management estimated that an amount of Rs.264,621,819 is irrecoverable, accordingly on prudence basis written off said amount during the previous year 2013-14. Company had already made provision of Rs.45,527,548 for PSS 2008-09 during the earlier years and management believe that said provision needs to be continued in books of account.

The balance recoverable amount of Rs.698,471,837 (net of provision Rs.652,944,289) (Previous Year Rs.698,471,837 (net of provision Rs.652,944,289)) has been included under "Other current Assets" and Rs.70,273,922 (Previous Year Rs.70,273,922) has been shown under Trade receivables.

36. PROVISION FOR DIMINUTION OTHER THAN TEMPORARY IN VALUE OF INVESTMENTS IN SUBSIDIARY COMPANIES

Company has Equity Investments in following subsidiaries as at 31 March, 2015:

- Indian Bullion Market Association Ltd. (IBMA)
- Farmer Agricultural Integrated Development Alliance Limited (FAIDA)
- Western Ghats Agro Growers Company Limited (WGAGL)

(Amount Rs.)

Name of subsidiary	Actual Investments (a)	Provision for Diminution in value of investments As at 31 March, 2014 (b)	Provision for Diminution in value of investments Made in FY 2014-15	Closing value of investments (net of provision for Diminution in value of investment)
IBMA	88,517,250	88,517,250	NIL	NIL
FAIDA	1,000,000	1,000,000	NIL	NIL
WAGCL	255,000	255,000	NIL	NIL
TOTAL	89,772,250	89,772,250	NIL	NIL

37. WRITE OFF OF BAD DEBTS (other than NAFED)

Company had taken various steps including meeting with the representative of debtors, notices to the debtors for making payment, reminders to pay the dues, legal cases against dishonors of cheques etc. The Company has reviewed the recoverability of various amounts from debtors toward sales and services rendered from time to time.

In cases, where receivables are old and NSEL has taken enough steps to recover and yet there is no positive outcome of such efforts, the management is of the view that such Debts have become bad and cannot be recovered. Accordingly an amount of Rs. Nil (Previous Year Rs.4,35,23,116) has been written off as bad Debts after adjusting a provision of Rs. Nil (Previous Year Rs.4,35,23,116) which was made in earlier years. Company has written off above amounts without prejudice to its legal right to recover the same.

38. PROVISION FOR DOUBTFUL DEBTS AND LOANS AND ADVANCES (other than NAFED)

During the year company has evaluated trade receivables and other loans and advances. Based on that evaluation, Company has made additional provision during the year for doubtful debts Rs.54,16,19,038 including Rs.36,68,47,521 for IBMA (Previous Year total provision Rs.36,21,57,446 including of IBMA Rs.33,84,58,828) and loan and advances of Rs.7,39,50,000 of IBMA (Previous Year Rs.7,39,50,000).

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39. The Company received an advance (net of repayment) during the previous year 2013-14 (amount outstanding as at as on 31 March, 2015 Rs.42,75,00,000) from National Bulk handling Corporation Limited (NBHC). The Company has disputed the interest accrual on such advance. Hence no provision for such interest has been made in the book of account. Amount of advance is shown under note 10 "Other current liabilities".

40. VALUATION OF INVENTORY

The Company had incurred losses of Rs. Nil (Previous Year Rs1,55,83,811) on account of shortage due to evaporation, moisture loss in content, spoilage and deterioration in quality of traded commodities. Such losses were incidental and were within normal range and the same have been adjusted against cost of goods sold. There was no Inventory held by the Company as on 31 March, 2015 and 31 March, 2014.

41. During the previous year, the Company's holding Company, FTIL had provided an additional corporate guarantee of Rs.225,00,00,000 on behalf of the Company for availing banking facility in relation to procurement of cotton on behalf of NAFED. In view of the developments during the previous year 2013-14, the bank had invoked the said guarantee on 19 September, 2013 to the extent of outstanding balance of Rs.31,43,25,188 (which included interest) and had collected the said amount directly from the FTIL's bank account. FTIL had debited Company's account with an equivalent amount of Rs.31,43,25,188 as loan during the previous year.

42. The commodities lying in the designated delivery centers relating to transactions carried out by Members on Exchange platform were not the property of the Company and hence such inventory of commodities is not getting reflected in the books of accounts of the Company. Similarly, such inventory was never purchased by the Company and hence any liability thereto was neither liability of the Company nor contingent liability of the Company requiring any disclosure. This is an admitted fact in various proceedings pending before various forums. This is also the industry practice.

43. With regard to internal controls relating to storage of goods and issuance of warehouse receipts, pertaining to previous year, it is the case of NSEL that the concerned officials in management prima facie might have colluded with the defaulting members and apparently facilitated issuance of warehouse receipts purportedly without adequate underlying stocks, which is under investigation. It is a fact that there were cases where stocks were available and in some cases adequate stock was not available. The Members were satisfied with the same, without any demur as some of them in fact visited the concerned warehouses. The verification of reconciliation of the commodities claimed to have been made available by erstwhile management with the other corroborative documents, contemporaneously maintained at various levels is possible only after investigations are concluded. The relevant documents and other records have been seized by investigation agencies and the exact nature of malfeasance and mismatch if any, cannot be ascertained at this stage. Investigating agencies are investigating genuineness of the warehouse receipts issued by the Exchange and impact on financials if any can be ascertained after investigations are concluded and orders are obtained from the Court. Enforcement Directorate has applied provisions of Prevention of Money Laundering Act 2002 (PMLA) on defaulting members and the Company.

44. The Company during the previous year appointed SGS & Group 4 securities to survey & secure stocks at various warehouses. Wherever the agency could find the commodities, the Company took said commodities in its possession for liquidating the same. The Company is in process of liquidating the commodities by following auction process under supervision and direction from FMC and HCC.

45. In respect of Previous Year, as reported by members that there are large number of small clients of the Members who had to receive money from the respective defaulting members, NSEL had requested its Holding company (FTIL) to provide for interest bearing bridge loan of Rs.1,793,980,927 without admission of the liability of the company to pay the dues on behalf of defaulters. Accordingly, FTIL, purely as a goodwill gesture, without admitting any liability and without prejudice, granted interest bearing bridge loan of Rs.1,793,980,927 to the Company, repayable

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to FTIL from future income/accrual/recoveries. Out of such loan, the Company had paid, without prejudice, to small clients of the Members in full whose dues were less than or up to Rs.200,000 and 50% of the amount to those, whose dues were between Rs.200,000 and Rs.1,000,000. The same was executed under intimation to the FMC and under guidance from the FMC. Your company has a right to recompense from the proceeds of recovery of the defaulted members. It is stated that such dues were the amounts payable by the buying members (pay-in) to selling members (pay-out) and that since buying members had defaulted in making payments to selling members and in the larger interest of the small clients of the selling members, the Company had made such payments to Members and in turn to small clients of such Members, under intimation to the FMC and under guidance from the FMC/Ministry of Consumer Affairs, Government of India.

46. During the Previous financial year 2013-14, the Company's holding company, FTIL had provided an additional corporate guarantee of Rs.2,250,000,000 on behalf of the Company for availing banking facility in relation to procurement of cotton on behalf of NAFED. In view of the subsequent developments, the bank had invoked the guarantee on 19 September, 2013 to the extent of outstanding balance of Rs.314,325,188 (which includes interest) and had collected the said amount directly from the FTIL's bank account. The FTIL has debited company's account with an equivalent amount of Rs.314,325,188 as interest bearing loan.

47. LEGAL & REGULATORY FRAMEWORK AND RELATED ISSUES

NSEL had commenced trading on 15 October, 2008 pursuant to a notification of exemption no. S.O. No. 906 (E) dated 5 June, 2007 issued by the Department of Consumer Affairs, Ministry of Consumer Affairs, Govt. of India (MCrA) ("Notification"). The Forward Markets Commission (FMC) was nominated as the Designated Agency w.e.f. 5 August, 2011 by the Ministry of Consumer Affairs vide letter S.No.(3)/f.No. 12/3/2003-IT(Pt).

The 2007 notification has been withdrawn by the Central Government through Notification SO 2529(E) on 19 September, 2014 with immediate effect; consequently the Notification SO 228(E) dated 6 February, 2012 and Notification SO 2406(E) dated 6 August, 2013 cease to be in force w.e.f. 19 September, 2014.

NSEL received Show Cause Notice (SCN) dated 27 April, 2012 from the Ministry of Consumer Affairs, Food and Public Distribution, Government of India, alleging inter-alia that NSEL was running contracts with more than 11 days delivery period and enabling short sales. NSEL filed detailed reply to the SCN vide its letter dated 23 May, 2012 and followed up later on dated 11 August, 2012 and 8 July, 2013. The market was also informed about the show-cause notice dated 27 April, 2012, and its response vide Communication dated 3 October, 2012.

Ministry of Consumer Affairs, Food And Public Distribution, Government of India, vide its letter dated 12 July, 2013 directed NSEL to submit an undertaking in the context of the said SCN stating that:

- a) No further/fresh contracts shall be launched until further instructions from the concerned authority.
- b) All the existing contracts will be settled on the due dates.

Accordingly, NSEL submitted an undertaking on 22 July, 2013, stating that:

- a) We undertake not to launch any further/fresh contracts in new commodities and/or at new places till further instruction from concerned authority.
- b) We undertake that we shall settle all the contracts traded on the Exchange on their respective 'settlement due dates', as per contract specification notified by the Exchange.

In view of the above, there was loss of trading interest among the participants due to uncertainties leading to trade in-equilibrium. There was possibility of payment and settlement defaults at NSEL exchange platform by some Members, which came to the notice of Board on 30 July, 2013. Therefore, NSEL issued a circular on 31 July, 2013, informing its members inter-alia that with immediate effect all one day forward contracts would be suspended till further instructions; however the trading in e-series contracts, e-auction, e-procurement, MSP operations on behalf of Government agencies (NAFED and SFAC), etc. would continue.

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The operating activities of the Company was suspended w.e.f. 7 August, 2013 under directive from the Ministry of Consumer Affairs, Food & Public Distribution, Government of India dated 6 August, 2013 in continuation of its earlier directive dated 12 July, 2013. The Company has been also facing enquiries/investigations from Government agencies in relation to alleged fraud at NSEL. Further, MCrA has issued notification vide no. F.No.12/3/2003-IT (Vol. II) dated 6 August, 2013 to the company to stop e-series.

The Government by Gazette Notification SO 2529(E) dated 19 September, 2014 has withdrawn the Gazette Notification SO 906 (E) dated 5 June, 2007 (by which NSEL was granted exemption u/s. 27 of the FCR Act, 1952 for trading of forward contracts of one day duration) with immediate effect and consequently the notification SO(E) 228 dated 6 February, 2012 and notification SO 2406 (E) dated 6 August, 2013 ceased to be in force w.e.f. 19 September, 2014, as informed to the Company by the FMC vide letter dated 5 November, 2014.

48. IRREGULARITIES IDENTIFIED

In view of the alleged fraud perpetrated by the defaulting members in collusion with the erstwhile MD & CEO of the Company and other senior officials. Due to sudden stoppage of the trading activities on Exchange platform, settlement payment default to the tune of Rs.5,689.50 Crores occurred. NSEL has launched complaints against the ex-MD & CEO and other senior officials with Mumbai Police. Relevant documents and other records have been seized by investigating agencies and the exact nature of malfeasance and mismatch, if any, as to commodities cannot be ascertained at this stage. Without completion of investigation, impact if any, of the said irregularities on the Company, cannot be ascertained. Since matter is under investigation by EOW, CBI and ED, neither the nature of irregularity involved in such misuse of powers, nor the amount involved can be presently ascertained as in all matters investigation is under progress or matter is sub judice. The Company also suspended services of erstwhile MD & CEO and other senior officials of the Company on 20 August, 2013 and terminated services immediately thereafter, as remedial measures.

The availability of commodities sold and purchased by members on the exchange platform on 31 March, 2013 was not under any doubt since there were no disputes on the availability of stock and all settlement obligations were smoothly completed including the delivery of commodities. The erstwhile management had regularly provided details of warehouse receipts assigned to different trades. The Members were satisfied with the same, without any demur, as some of them in fact visited the concerned warehouses to verify the physical stock. The then MD & CEO submitted to the Board of NSEL as well as FMC, the stock position as on 31 July, 2013 which has reported adequacy of value of stock to cover the trades. Further then MD & CEO and other senior official always maintained in various reports that the seller had deposited stocks in the designated warehouses. We understand that the reconciliation of the commodities claimed to have been available by erstwhile management team with the other corroborative documents contemporaneously maintained at various levels is possible only after investigations are concluded. The relevant documents and other records have been seized by investigation agencies and the exact nature of malfeasance and mismatch, if any cannot be ascertained at this stage. Investigating agencies are investigating genuineness of the warehouse receipts issued by the Exchange and impact on financials, if any, can be ascertained after investigations are concluded and orders are obtained from the Court. Enforcement Directorate has applied provisions of the Prevention of Money Laundering Act 2002 (PMLA) on defaulting members and exchange and investigation are in progress.

49. VIEWS ON MCrA POSITION ON TRADES DONE IN NSEL

All contracts traded on the exchange platform were proper and in consonance with the applicable laws and there were no violations in this regard. NSEL had obtained a legal opinion on the legality of the contracts. In this regard NSEL refers to the affidavit filed by Department of Consumer Affairs (DCA) in writ petition no. 2340/2013, wherein the following points are mentioned:

View of Ministry of Consumer Affairs (MCrA) on Legality of NSEL contracts

- Extracts from Affidavit of MCrA in Writ Petition (Lodge) No. 2340 of 2013
 - Para 28, Pg 31 "The NSEL instead of adhering to the conditions of exemption quoted practical difficulties and also contended that the exemption is not confined to any specific section of FCRA, rather it extends to

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all provisions of FCRA was taken into account. Also the fact which emanated from FMC's communication that the other exchange that is, NCDEX Spot Exchange, which was also granted exemption under section 27 of FCRA was violating the conditions of the exemption order."

- Para 29, Pg 31 "pending legal advice with respect to withdrawal of exemption granted under section 27 of the FCR Act, the answering respondent on 12.07.2013 directed NSEL to give an undertaking"
- Para 31, Pg 32 "FMC in its detailed response dated 19.07.2013 has stated..... exemption from operation of the provisions of the said Act .. are silent whether the exemption is applicable to all or specific provisions of the Act"
- Para-wise Reply 9, Pg 54 "this direction was issued in public interest to ensure that all the existing obligation is honoured on due date and the exchange is stopped from entering any fresh contract as to ensure that till a proper decision in the matter is taken, the exchange should not be allowed to invite and promote fresh contracts."
- It may be highlighted here that Government while issue the further notifications dated 06.08.2013 and 19.09.2014 didn't adjudicate the SCN dated 27.04.2012 by declaring the NSEL contracts illegal.
 - Para-wise Reply 9, Pg 57 "it was appropriately thought by the answering respondent that additional conditions be imposed to restore the market sanctity as well as to allay the fears in the minds of the people that NSEL is unregulated."
- This proves the point that in the eye of the Ministry of Consumer Affairs, the NSEL was a regulated entity even in August 2013.

The above comments of Ministry of Consumer Affairs confirms that:

1. There were differences in views between NSEL and FMC as to the extent of the exemption notification dated 05.06.2007.
2. FMC finally confirmed by its letter dated 19.07.2013 that the exemption is silent as to whether it is from all or specific provisions of FCRA
3. NCDEX Spot Exchange was also having contracts with deliveries beyond 11 days.
4. FMC/MCrA were monitoring/regulating NSEL and other Spot Exchanges
5. As on 12.07.2013 when directions were issued by MCrA to stop market, MCrA had not even taken legal opinion whether NSEL was in violation. In fact MCrA's view was that after final decision taken, new contracts may be allowed (Pg 54 of affidavit).

50. AVAILABILITY OF COMMODITIES

As far as availability of commodity is concerned, it was confirmed by earlier management that there were systems and processes in place for deposit of commodities and generation of warehouse receipts and charging for the same. NSEL believed existence of commodities in warehouses on the following grounds:

- a. The depositing members' declarations offering the commodity for warehousing.
- b. Invoices submitted by the depositing Members along with proof of paying VAT on the commodities deposited,
- c. The Officials concerned in NSEL at the relevant time satisfying themselves, that there were commodities deposited,
- d. Generation of warehouse receipts by the concerned officials for assigning to trades

It has come to the notice later when the matter was investigated by Audit/others that there were instances where the commodities were found missing and there were instances of commodities being available partly or fully. This is now part of the investigations by EOW and other investigation agencies.

The commodities lying in the designated delivery centers relating to transactions carried out by Members on Exchange platform were not the property of the Company and hence such inventory of commodities is not getting reflected in the books of accounts of the Company. Similarly, such inventory was never purchased by the Company and hence any liability thereto was neither liability of the Company nor contingent liability of the Company requiring any disclosure in the accounts or notes to account of the Company.

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51. NOTICES / INSPECTIONS / AUDITS / INVESTIGATIONS

- a) Company has been served with notices/letters/summons from various statutory authorities/regulators/government departments and some purported aggrieved parties. Most of the matters against the Company are sub-judice before different forums. The Company may have civil/criminal liability arising out of one or more of the proceedings initiated against the Company.
- b) Company is in process of surrendering Agriculture Produce Market Committee (APMC) licenses in view of the fact that it is no more operational and has initiated the process for the same.
- c) An inspection of the Company under section 209A of the Companies Act, 1956 was carried out. Pursuant to such inspection, the Company has received certain notices of non-compliances with certain provision of the Companies Act, 1956 from the Ministry of Corporate Affairs and prosecution has been launched. The Company has replied to all such notices. The Company has filed applications for compounding of all compoundable violations as per the provisions of the Companies Act, 1956. These proceedings may result in payment of certain monetary penalties under the Companies Act 1956. The amount of penalty cannot be accurately ascertained at this stage. The company has taken suitable steps to avoid such non compliances.
- d) On the direction of the FMC, the Company had appointed Grant Thornton LLP (GT), a forensic auditor for carrying out audit of the affairs of Company for the preceding 5 quarters ended 30 June, 2013. GT had furnished their forensic audit and a detailed response was sent to the FMC with its observations on most of the issues raised in the said audit report.
- e) The Company had appointed M/s Sharp and Tannan, Chartered Accountants for verifying physical stocks of precious metals & base metals traded under e-Series contracts. As per their report no discrepancies were observed in the physical stock positions of these metal contracts except minor issues relating to reconciliation on account of rounding off etc. These commodities did not belong to the Company.
- f) Further the FMC had appointed M/s Chokshi & Chokshi, Chartered Accountants, to conduct forensic audit pursuant to the order dated 28 October, 2013 passed by the Hon'ble Bombay High Court. The said audit did not bring out any adverse finding with reference to the e-Series contracts. Consequently, as per directives of the FMC, as on date, about 98% e-Series free holdings have been settled to approximately 40,000 e-Series investors by way of re-materialization/financial closure.
- g) Some of the irregularities which have been observed arising out of misuse of power by ex-MD and CEO and erstwhile senior officials of the Company, are under investigation by Mumbai police in response to complaint made by the Company and other against such employees as also by others against the employees and Company. They were seemingly involved in misinforming the Board of Directors about risk management steps taken by them including collection of margin money, security deposit and availability of commodities. They had also colluded and conspired with defaulting members to defraud the members other than the defaulting members. Relevant documents and other records have been seized by investigating agencies and the exact nature of malfeasance and mismatch if any as to commodities of members cannot be ascertained at this stage. Without completion of investigation, impact if any, of the said irregularities on the Company, cannot be ascertained. Since matter is under investigation by EOW, CBI, ED etc., neither the nature of irregularity involved in such misuse of powers, nor the amount involved can be presently ascertained as either investigation is under progress or matter is sub judice.

52. CIVIL SUITS / COMPLAINTS / WRITS / PUBLIC INTEREST LITIGATIONS

- a) Some of the defaulting members of the Exchange have filed cases against the Company. These cases are in the nature of:
 - (i) disowning their pay in liability for the trades executed on Exchange platform
 - (ii) counter claim from NSEL
 - (iii) claims by clients of the trading/clearing members
- b) There are some writ petitions, Public Interest Litigations (PILs), Civil Suits including in representative capacity have been filed by and against the Company.
- c) NSEL filed third party claims against the defaulting Members in the existing civil litigation for recovery of their pay-in obligation.

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- d) These matters are currently sub judice before Bombay High Court and other forums and are at various stages. The writ petitions and civil suits are primarily against the various defaulting members of NSEL. However, claims have also been made against the Company alleging that the Company was responsible as guarantor of such settlement and payment as also alleging deficiency of certain services rendered. The Company had disputed all such claims, inter-alia on the ground that, the obligation of the Company is to settle the trade using the SGF-MC created out of members' contribution and the procedures stipulated in the bye laws is to be followed for obtaining the additional contribution from non-defaulter members to complete the pay-outs.
- e) Post the defaults that occurred in July/Aug 2013, it has been revealed that the contracts in respect of which the default occurred may be hit by the proviso to bye-laws 5.26 of bye-laws* of the Exchange. The Company has contested various claims from various parties that it ever acted as central counterparty to the contracts. The matters are currently sub-judice. NSEL would follow the procedure stipulated in Chapter 12 of bye-laws to call in required contribution from the non-defaulter members, after excluding the transactions which are hit by proviso to bye-law 5.26. The company had not offered any corporate guarantee to complete the settlement out of its funds, therefore there is no liabilities of the company on these grounds.
- f) The Company received a legal opinion to the effect that the Company is not liable for payment under the provisions of SGF in the bye-laws. Further in case of e-Series contract related transactions, no major infirmity in underlying physical stock was observed. Therefore, at this stage and in the opinion of the Management of the Company, relying upon the legal advices, and as per the provisions of bye-laws of the exchange, there are no direct ascertainable financial claims against the Company, is sought to be made in the books of accounts of the Company. The Company may be exposed to liabilities in case of any adverse outcome of these investigations/enquiries or legal cases or any other investigations/enquires or suits which may arise at a later date.
- g) NSEL took various actions including, arranging a joint meeting of Members with outstanding and receivable dues with FMC, appointing SGS & Group 4 securities to survey & secure stocks at various warehouses, appointing Sharp and Tannan Associates for audit of outstanding dues, appointed officer on special duty to assist the management of NSEL, declaring members as defaulters under bye-laws, terminating the services of ex-MD & CEO and other few senior officials, filed criminal complaints against the defaulters and ex-senior officials of NSEL and initiated various recovery proceedings against defaulting members. The High court of Bombay is seized of the recovery matter and has appointed a committee to assist them in recovery proceedings. The High court appointed a Committee (HCC) with powers mentioned in the Bombay High Court order dated 2 September, 2014.
- Your Company is fully cooperating with HCC in the recovery proceedings. The proceedings against defaulting members are at various stages and no tangible recovery could be done so far.

53. On 21 October, 2014, the Ministry of Corporate Affairs, Government of India, issued a draft order suggesting that NSEL be amalgamated with FTIL as it is essential in public interest under Section 396 of Companies Act 1956.

The government's draft order has been challenged by FTIL and certain shareholders of FTIL by way of Writ Petition in the Bombay High Court. Hon'ble Bombay High Court in its order passed on 4 February, 2015 has inter alia ordered that the Central Government may consider passing final order after hearing contentions of NSEL and all other interested parties. NSEL is required to file their objections to the said draft order within 30 days and within 4 weeks thereafter Central Government to pass order after giving hearing to all interested parties. The High Court has further clarified that if any adverse order is passed by the Central Government, the same shall not be notified for a period of two weeks after the order is communicated.

54. STEPS TAKEN BY THE COMPANY, POST SETTLEMENT DEFAULT

- a) While the Company had internal control system commensurate with the size of the Company and nature of the business carried on by the Company, based on an internal investigation and enquiry conducted by the Internal Inquiry Committee (IIC) appointed by the Board of directors of the Company between late August 2013 and October 2013, forensic audits conducted by M/s Grant Thornton LLP and M/s Chokshi and Chokshi, Chartered Accountants and special audit conducted by M/s Sharp and Tannon Chartered Accountants, certain irregularities were identified.

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

- b) The investigations also revealed that few of the senior officials of the Company headed by the former MD & CEO (hereinafter referred to as the erstwhile Management) had adopted improper methods, by allowing trading in contracts wrongfully, not verifying the underlying commodities lying at warehouses attached to the members etc. The investigations further prima facie found that the above was done by the erstwhile Management in collusion with various defaulting members. The findings of the investigations *prima facie* suggest that the erstwhile Management was hand in glove with the defaulting members and had carried out such irregularities for some extraneous gains from members which are also stated in the charge sheet filed by the EOW on 6 January, 2014, against the employees and some of the defaulting members.
- c) The Mumbai Police, EOW has been investigating the matter and had arrested few of the employees of the Company and two Directors of the Company for interrogation. Two charge sheets have been filed against erstwhile MD and CEO and one Director and other officers of the Company under the provisions of Maharashtra Protection of Interest of Depositors (in Financial Establishments) Act, 1999 (MPID) and under Indian Penal Code, 1860 (IPC). Similarly investigations are also under progress by Central Bureau of Investigation (CBI) and Enforcement Directorate (ED), the Registrar of Companies (ROC), Mumbai, the Ministry of Corporate Affairs.
- d) The forensic audits as above were carried out during August 2013 to February, 2014 focused on the period from 1 April, 2012 to 31 July, 2013. In certain instances, the forensic auditors conducted investigation procedures outside this period. The forensic investigations prima-facie reveal that the (acting through the erstwhile Management) some of the well-defined internal control systems in the Company of verifying commodity with members, the trade positions taken by them, correctness of declaration by members about availability of commodities were circumvented. The current Management is of the view that these irregularities were perpetrated by the erstwhile Management in charges of the affairs of the Company (i.e., Former MD & CEO) aided and abetted by few other senior officials and employees of the Company and in collusion with various defaulting members of the Exchange.
- e) As a result of the above, the current management had to put in significant efforts to adopt appropriate measures to rectify the same.
- f) The current management, in the light of the report of internal committee and the reports of two forensic auditors, has evaluated the effectiveness of the Company's internal control systems and controls over the financial reporting. It was noted that many established controls had been circumvented by the erstwhile management which colluded with, and was aided and abetted by, some of its employees and the defaulting trading and clearing members (TCM). The current management understands that the controls that were circumvented by the erstwhile management were as follows:
- Lack of compliance with Rules, Bye-laws and Business Rule of the Exchange by the defaulting members
 - Laxity in terms of exemption from margin requirements
 - Oversight over commodities which were stored in the warehouses managed by the defaulting Members.
 - MD & CEO at the relevant time failed to disclose non-compliance issues to the Board of Directors of the Company and as also to the statutory auditors.
 - As per the Rules and Bye-laws of the Company all powers and responsibilities had vested with the MD & CEO of the Company. Thus, the entire operations of the Company were under direct supervision and control of the then MD & CEO and his team members consisting of different heads of departments. Cases have been filed against the aforesaid employees by EOW as also by several other parties. Charge sheets have been filed against few of the aforesaid employees by EOW and the matter is at various stages of admission, hearing, and adjudication before several courts.
 - Misuse of powers vested with ex-MD & CEO of the Company in terms grant of third party guarantees, turning blind eye to the Members' violation of Rules and Bye-laws of the Company unilateral relaxation in Rules pertaining to certain Exchange related transactions.

NOTES

TO ACCOUNTS TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

55. During the year, the management on prudent basis written-off service tax credit amount of Rs.2,69,37,775. The decision is based on the review and reconciliation of books of account with service tax returns filed with the service-tax department and corresponding lapse of service tax credit benefit to the Company. Although, the Company is trying its best to resolve the issue and get the credit benefit of the same.

56. As per the assessment of the Management necessary disclosures arising from the irregularities as stated above have been made in the financial statements. Since matters relating to several of the irregularities are sub judice and the various investigations are on-going, any further adjustments/disclosures, if required, be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified. However following risks are still not fully covered.

Risk of un-identified financial irregularities

In view of the specific scope of the forensic audits and the limitations in the forensic audits and investigations, there is inherent a risk that material errors, fraud and other illegal acts may exist that could remain undetected.

Risk of adverse outcome of investigation/enquiry by law enforcement agencies

Several agencies such as the Police (EOW), Ministry of Corporate Affairs (MCA), Enforcement Directorate (ED), CBI and the Income Tax Department etc. are currently investigating/enquiring the extent of alleged irregularities and any breach of law. The matters are also sub judice before various forums including the Hon'ble Mumbai High Court. The Company may be exposed to liabilities in case of any adverse outcome of these investigations or any other investigations which may arise at a later date.

57. PREVIOUS YEAR COMPARATIVES

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

As per our report of even date
For Mahendra Sharma & Co
 Chartered Accountants
 Firm Registration No. 132162W

**For and on behalf of the Board of Directors of
 National Spot Exchange Limited**

S. Rajendran
 Non-Executive Director
 DIN No. 02686150

Saji Cherian
 Managing Director & CEO
 DIN No. 02512505

Prakash Chaturvedi
 Joint Managing Director
 DIN No. 00516694

Mahendra Sharma
 Proprietor
 Membership No. 139399

Subramanya Kusnur
 Non-Executive Director
 DIN No. 02534022

Ashok Nag
 Non-Executive Director
 DIN No. 06796476

Amarendra Sahoo
 Non-Executive Director
 DIN No. 06741280

Niraj Gupta
 Independent Director
 DIN No. 00334002

Varghese Jacob
 Independent Director
 DIN No. 01966765

Ravikant Baheti **Sandip Rahane**
 Chief Financial Officer Company Secretary

Place : Mumbai
 Date : 18/05/2015

Place : Mumbai
 Date : 18/05/2015

NATIONAL SPOT EXCHANGE LIMITED

Annexure A

Business Segmental Reporting

(in Rs.)

	Exchange		Warehousing		Procurement		Trading		Consolidated Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue	-	857,650,614	-	(3,380,939)	-	771,572,992	-	1,026,954,060	-	4,720,185,183
Allocable Expenses	-	551,138,614	1,645,738	44,830,516	-	1,017,484,472	447,359,428	1,345,737,329	449,005,166	4,107,438,015
Segment Result	-	306,512,000	(1,645,738)	(48,211,455)	0	(245,911,580)	(447,359,428)	(318,783,268)	(449,005,166)	612,747,169
Unallocated Corporate Expenses									477,297,857	142,144,973
Operating Profit/(loss)									(926,303,023)	(448,539,276)
Dividend Income									132,071	67,263,744
Interest Income									17,669,061	104,902,984
Financial Expense									199,238,297	113,490,401
Income Tax									-	(11,867,898)
Net Profit									(1,107,740,188)	(377,995,052)
Other Information										
Segment Assets	1,978,002,568	3,141,231,063	44,611,322	45,714,021	738,989,269	738,989,269	683,596,249	451,503,637	3,445,199,408	4,377,437,989
Unallocated Corporate Assets									527,396,485	193,534,544
Total Assets	1,978,002,568	3,141,231,063	44,611,322	45,714,021	738,989,269	738,989,269	683,596,249	451,503,637	3,972,595,893	4,570,972,533
Segment Liabilities	3,720,083,931	3,379,286,465	21,314,263	6,915,672	95,300,842	95,300,853	47,317,521	43,065,592	3,884,016,557	3,524,568,581
Unallocated Corporate Liabilities									-	84,426
Total Liabilities	3,720,083,931	3,379,286,465	21,314,263	6,915,672	95,300,842	95,300,853	47,317,521	43,065,592	3,884,016,557	3,524,653,007
Other Segment Information										
Capital Expenditure										
Tangible assets									175,476	3,270,846
Intangible Assets									-	164,214
Unallocated Capital expenditure										
Depreciation										
Tangible assets										
Intangible Assets									6,340,647	7,859,256
Unallocated Depreciation on Capital expenditure									37,128,043	51,759,684

NATIONAL SPOT EXCHANGE LIMITED
Annexure B

Related Party Disclosure

(in Rs.)

Sr. No.	Nature of Transactions	Holding company or group of individuals having control or significant influence over the Company and relatives of such individuals		Fellow Subsidiaries		Enterprise on which relative of Key Management Personnel is able to exercise significant influence		Associates of holding company		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1	Advances taken										
a	Balance as at the start of the year NBHC	-	-	-	-	427,500,000	-			427,500,000	-
b	Taken during the year-NBHC			-	-	-	1,050,000,000			-	1,050,000,000
c	Repaid/adjusted during the year-NBHC			-	-	-	622,500,000			-	622,500,000
d	Balance payable as at the end of the year -NBHC						427,500,000			427,500,000	427,500,000
2	Long term borrowings										
a	Balance as at the start of the year	2,143,306,115	-							2,143,306,115	-
b	Taken during the year	109,875,810	2,143,306,115							109,875,810	2,143,306,115
c	Repaid/adjusted during the year	-	-							-	-
d	Balance as at the end of the year	2,253,181,925	2,143,306,115							2,253,181,925	2,143,306,115
3	Allotment of Equity shares to Holding company	150,000,000	-							150,000,000	-
4	Loan Given										
(a)	IBMA										
	Opening balance										
	Loan Given			149,900,000	9,960,700,000					149,900,000	9,960,700,000
	Loan Repaid			2,000,000	9,810,800,000					2,000,000	9,810,800,000
	Closing			147,900,000	149,900,000					147,900,000	149,900,000
	Less -Provision for Doubt advances			147,900,000	73,950,000					147,900,000	73,950,000

Sr. No.	Nature of Transactions	Holding company or group of individuals having control or significant influence over the Company and relatives of such individuals		Fellow Subsidiaries		Enterprise on which relative of Key Management Personnel is able to exercise significant influence		Associates of holding company		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Closing balance (net of provision)			-	75,950,000					-	75,950,000
(b)	WAGCL										
	Opening balance			1,081,500	-					1,081,500	-
	Loan Given				1,081,500						1,081,500
	Loan Repaid			1,000,000	-					1,000,000	-
	Closing balance			81,500	1,081,500					81,500	1,081,500
(c)	FAIDA										
	Opening balance			100,000	-					100,000	-
	Loan Given				100,000						100,000
	Loan Repaid			100,000	-					100,000	-
	Closing balance				100,000						100,000
5	Deposit received										
	From Holding company	700,000	-							700,000	-
6	Deposit Given - IBMA			400,000						400,000	-
7	Income:										
a	Transaction Charges (net of refunds)- IBMA				45,035,180						45,035,180
b	Delivery charges- IBMA				211,368						211,368
c	Warehousing & storage income-IBMA				3,753,048						3,753,048
d	other charges (net)- IBMA				2,279						2,279
e	Warehouse receipt Transfer Charges-IBMA				72,110,377						72,110,377
f	Handling & Transportationchg-IBMA				23,010						23,010
g	Sale of Commodities-										
(i)	IBMA				-						-
(ii)	Sale of Commodities-										
NBHC										96,946,257	-
h	Purchase of commodities (VAT-ratification)- IBMA				8,064,572						8,064,572

(in Rs.)

Sr. No.	Nature of Transactions	Holding company or group of individuals having control or significant influence over the Company and relatives of such individuals		Fellow Subsidiaries		Enterprise on which relative of Key Management Personnel is able to exercise significant influence		Associates of holding company		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
i	VSAT Recurring Charges-IBMA	-	-	-	-	-	-	-	-	-	-
j	Penalty for short delivery-IBMA	-	-	-	-	-	-	-	-	-	-
k	Annual Subscription-IBMA	-	-	50,000	-	-	-	-	-	-	50,000
l	Auction Difference AC-IBMA	-	-	(1,044)	-	-	-	-	-	-	(1,044)
m	QC Income- IBMA	-	-	23,000	-	-	-	-	-	-	23,000
n	Interest income -IBMA	-	-	-	-	-	-	-	-	-	-
(i)	Interest -WAGCL	-	-	14,816,301	20,925,904	-	-	-	-	14,816,301	20,925,904
(ii)	Interest - FAIDA	-	-	6,192	7,233	-	-	-	-	6,192	7,233
o	CTCL Charges	-	-	100,000	100,000	-	-	-	-	100,000	100,000
p	penalty for UCC IBMA	-	-	-	118,600	-	-	-	-	-	118,600
q	Miscellaneous Income	-	-	-	-	-	-	-	-	-	-
(l)	IBMA	-	-	423,744	260,721	-	-	-	-	423,744	260,721
(ii)	Miscellaneous Income -NBHC	-	-	-	-	-	-	-	-	-	-
r	DP Charges IBMA	-	-	443,730	-	-	-	-	-	-	443,730
8	Reimbursement of expenses charged to :										
a	WAGCL	-	-	25,419	-	-	-	-	-	-	25,419
b	FTIL	-	240,411	-	-	-	-	-	-	-	240,411
c	IBMA	-	-	3,474,849	1,036,053	-	-	-	-	3,474,849	1,036,053
9	Expenses:										
a	Business support charges	808,773	139,999,171	-	-	-	-	-	-	808,773	139,999,171
b	Rent	2,696,640	19,465,908	-	-	49,578	-	-	-	2,696,640	19,515,486
c	Interest	195,698,442	111,468,912	-	-	-	-	-	-	195,698,442	111,468,912
d	Fumigation Expenses-NBHC	-	-	-	-	138,841	-	-	-	138,841	-
e	QC Expenses-NBHC	-	-	-	-	6,798	-	-	-	6,798	-
f	Warehouse & Storage Expenses-NBHC	-	-	-	-	81,362	-	-	-	81,362	-

Sr. No.	Nature of Transactions	Holding company or group of individuals having control or significant influence over the Company and relatives of such individuals		Fellow Subsidiaries		Enterprise on which relative of Key Management Personnel is able to exercise significant influence		Associates of holding company		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
g	Bad debts Written Off-NBHC	-	-	-	-	191,511	-	-	-	-	191,511
h	Provision for doubtful Debts -NBHC	-	-	-	-	(191,511)	-	-	-	-	(191,511)
i	Provision for doubtful Debts -IBMA	-	-	366,847,521	338,458,828	-	-	-	-	366,847,521	338,458,828
j	Provision for doubtful loan-IBMA	-	-	73,950,000	73,950,000	-	-	-	-	73,950,000	73,950,000
k	Provision for doubtful Debts-FAIDA	-	-	113,820	-	-	-	-	-	113,820	-
l	Provision for doubtful Debt-WAGCL	-	-	3,257,546	-	-	-	-	-	3,257,546	-
m	Provision for diminution other than temporary in value of long term investments in	-	-	-	-	-	-	-	-	-	-
(i)	IBMA	-	-	-	21,563,367	-	-	-	-	-	21,563,367
(ii)	FAIDA	-	-	-	914,914	-	-	-	-	-	914,914
(iii)	WGAGL	-	-	-	255,000	-	-	-	-	-	255,000
l	VSAT Connectivity Charges- MCX	-	-	-	-	-	-	448,149	1,015,482	448,149	1,015,482
n	Leased Line Expenses- FTCL	-	-	-	-	2,195,054	-	-	-	-	2,195,054
o	Repairs-others	-	-	-	-	-	-	-	-	-	-
(i)	ATOM Technologies Ltd	-	-	-	-	2,286	-	-	-	-	2,286
p	"Data Feed Expenses Tickerplant Limited"	-	-	-	-	561,800	-	-	-	-	561,800
10	Reimbursement of expenses charged by:	-	-	-	-	-	-	-	-	-	-
a	NBHC	-	-	-	-	86,102	-	-	-	-	86,102
b	IBMA	-	-	324,441	-	-	-	-	-	324,441	-
c	FTIL	453,336	9,378,997	-	-	-	-	-	-	453,336	9,378,997

(in Rs.)

Sr. No.	Nature of Transactions	Holding company or group of individuals having control or significant influence over the Company and relatives of such individuals		Fellow Subsidiaries		Enterprise on which relative of Key Management Personnel is able to exercise significant influence		Associates of holding company		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
11	Guarantees given by Holding company to company										
a	Increase during the year	-	2,250,000,000								2,250,000,000
b	Decrease during the year	-	2,350,000,000								2,350,000,000
12	Fixed Assets:										
	Fixed Assets Purchased	-	-								
	FTIL	18,491								18,491	
13	Investment as at the end of the year	-	-								
a	IBMA			88,517,250	88,517,250					88,517,250	88,517,250
b	FAIDA			1,000,000	1,000,000					1,000,000	1,000,000
c	WGAGL			255,000	255,000					255,000	255,000
d	Less: Provision for diminution other than temporary in value of investments in										
(i)	IBMA			(88,517,250)	(88,517,250)					(88,517,250)	(88,517,250)
(ii)	FAIDA			(1,000,000)	(1,000,000)					(1,000,000)	(1,000,000)
(iii)	WAGCL			(255,000)	(255,000)					(255,000)	(255,000)
e	closing balance at the end of the year (net of provision for Diminution other than temporary in long term investments)										
(i)	IBMA			-	-					-	-
(ii)	FAIDA			-	-					-	-
(iii)	WAGCL			-	-					-	-
14	Sundry Debtors Balance as at the end of the year										
a	IBMA			705,306,349	688,896,870					705,306,349	688,896,870

Sr. No.	Nature of Transactions	Holding company or group of individuals having control or significant influence over the Company and relatives of such individuals		Fellow Subsidiaries		Enterprise on which relative of Key Management Personnel is able to exercise significant influence		Associates of holding company		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
b	Less Provision for doubtful debts -IBMA			(705,306,349)	(338,458,828)					(705,306,349)	(338,458,828)
c	FAIDA			113,280	107,707					113,280	107,707
	Less Provision for doubtful debts -FAIDA			(113,280)	-					(113,280)	-
d	WGAGL			3,257,546	3,167,546					3,257,546	3,167,546
	Less Provision for doubtful debts -WAGCL			(3,257,546)	-					(3,257,546)	-
15	Sundry Creditors Balance as at the end of the year	441,864,805	261,110,300								
	FTIL									441,864,805	261,110,300
	IBMA			7,802,217	6,957,968					7,802,217	6,957,968
	FAIDA			41,177	41,177						
	NBHC					379,619	379,619				
	FTCL					1,020,903	1,020,903				
	Tickerplant Limited					30,629	-				
	ATOM Technologies Ltd					-	5,685				
16	Deposit payable	700,000	-							700,000	-
17	Deposit receivable - IBMA			400,000						400,000	-
18	Initial Margin as at the end of the year-IBMA			2,500,000	2,500,000					2,500,000	2,500,000
19	Advance receivable as at the end of the year-Atom							1,351,175			1,351,175

**CONSOLIDATED
FINANCIAL STATEMENTS**

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NATIONAL SPOT EXCHANGE LTD

Report on the Consolidated Financial Statements

1. We have audited the accompanying Consolidated Financial Statements of **National Spot Exchange Limited ('NSEL')** (hereinafter referred to as "the Holding Company") which consist of NSEL and its three subsidiaries (the Holding Company and its three subsidiaries together referred to as "the Group"), comprising of the Consolidated Balance Sheet as at 31 March, 2015, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and summary of significant accounting policies and other explanatory information. (hereinafter referred to as "the consolidated financial statements")

2. Management's Responsibility for the Financial Statement

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

We did not audit the Financial Statements of any subsidiaries of the Company. These Financial Statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of other auditors.

We believe that *except as indicated in this report*, the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

4. Basis for Qualified Opinion

- (a) *As stated in note no. 53 of the Consolidated Financial Statements pertaining to the issue of warehousing receipts and as per the explanations given by the Management, investigating agencies are investigating genuineness of the warehouse receipt issued by the Company. Its impact on financial statements, if any, can be ascertained only after investigations are concluded and order obtained from the court. Enforcement Directorate (ED) has applied provision of Prevention of Money Laundering Act, 2002 (PMLA) on defaulting members and the Company. Investigations are in progress as on the date of the Audit Report. In case of any adverse findings against the Company, the same may have an effect on the financial position of one or more financial years.*
- (b) *As stated in note no. 56 read with note no. 1 to the Consolidated Financial Statements which refers to the matter pertaining to regulatory framework for Spot Exchange and related compliance issues with respect to the Exemption Notification No. S.O. 906(E) dated 5 June, 2007 (issued by the Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution, Government of India, under section 27 of the Forward Contracts (Regulation) Act, 1952). The doubts have been raised as to alleged non-compliance of two of the conditions specified in the said Exemption Notification. While the Company has responded to Show Cause Notice (SCN) dated 27 April, 2012 vide letter dated 23 May, 2012 and further correspondences made in August, 2012 and July, 2013, the adjudication thereof is pending from respective authorities and hence the possible consequences arising out of same on the Company are not presently ascertainable. It is further stated that the Ministry of Finance, the Government of India, has withdrawn the aforesaid exemption notification w.e.f. 19 September, 2014.*
- (c) *As stated in note no. 60 & 61 to the Consolidated Financial Statements, the Company has been served with notices/letters/summons from various statutory authorities/regulators/government departments and some purported aggrieved parties. There are some writ petitions, public interest litigations, civil suits including in representative capacity filed by and against the Company. Such matters against the Company are either in progress or sub judice before different forums. The Company may have civil/criminal liability arising out of one or more of the proceedings initiated against the Company.*
- (d) *As stated in note no. 58 & 59 to the Consolidated Financial Statements the issue of legality of contracts traded on the Spot Exchange, the management has clarified that all the contracts carried out on the Exchange were proper and in consonance with the local applicable laws and that there was no violation thereto. As far as availability of commodities are concerned, it is stated that there were systems and processes in place for deposit of commodities and generation of warehouse receipts and allocation of the same. NSEL believed existence of commodities in warehouse on account of the Depositing member's declarations, invoices submitted by the depositing members, the officials concerned in the NSEL at the relevant time being satisfied that there were commodities deposited, generation of warehouse receipt by the concerned officials. Further, due to various events, arising during FY 2013-14, the Company had appointed an Internal Inquiry Committee (IIC) and also two forensic auditors after 31 July, 2013 for verification of certain aspects of accounting, internal controls, propriety of accounting policies etc. Pursuant to findings from investigations related to the Company by aforesaid committee/forensic auditors material weaknesses were reported in certain areas of internal control system pertaining to Spot Exchange related services. There were instances where the commodities were found missing and there were instances of commodities being available partly or fully. This is part of the investigations by EOW, other investigation agencies.*

INDEPENDENT AUDITOR'S REPORT

- (e) As stated in note no. 63 to the Consolidated Financial Statements in respect of effectiveness of internal controls, instances of circumventing of internal controls in some areas of operations on the Spot Exchange and in one of the group company, Indian Bullion Market Association Limited (IBMA), weakness in effectiveness of internal controls systems and control over financial reporting have been observed. Such instances were unearthed by various investigations carried out by IIC in the month of August 2013 and by a forensic auditor M/s. Grant Thornton India LLP in the month of September 2013 and by another forensic auditor M/s. Chokshi and Chokshi, Chartered Accountants in the month of February 2014.

There were irregularities which have been observed arising out of misuse of powers by ex-MD & CEO along with some senior officials of the Company. As per explanations given by the current management of the Company, some of the controls which were circumvented by the erstwhile management were lack of compliance with Rules, Bye laws and Business Rules of the Exchange by the defaulting members, laxity in terms of exemption from margin requirement to members, oversight over commodities which were stored in the warehouses belonging to certain members etc., the ex-MD & CEO at the relevant time had failed to disclose non-compliance issues to the Board of Directors of the Company. As the final outcomes of such investigations are pending, we are unable to comment on the consequential impact, if any, in respect of the same in the Financial Statements.

As per group company viz. IBMA the holding Company NSEL had appointed Internal Inquiry Committee (IIC) which had examined certain transactions pertaining to SnP and had recommended further inquiry into the matter. As stated in Note no 63 of the Consolidated Financial Statements, in respect of effectiveness of internal controls systems and controls over the financial reporting, following weaknesses were observed in the findings carried out by forensic auditors Grant Thornton India LLP and Chokshi & Chokshi, Chartered Accountants in relation to transactions carried out with one related party SnP were not disclosed and segregation and earmarking of client margin was not done as was required under NSEL's bye laws, which was required of IBMA as a Institutional Trade and Clearing Member (ITCM) of NSEL. The weakness had been identified during the financial year 2013-14 by subsequent investigations carried out by forensic auditors in this regards. Since the matter is for separate investigation and pending such investigation, we are unable to comment on the classification of such transaction in the books of accounts of IBMA.

The matters stated above could also have a consequential impact on the measurement and disclosure of information provided under, but not limited to statement of profit and loss, provision for tax, cash flow statement, segment information, and earnings per share for the year ended 31 March, 2015 in these Financial Statements.

- (f) The trade receivables and other receivables are subject to confirmation and reconciliation. During the course of preparation of Financial Statements of respective Company, letter of confirmations have been sent to various parties by the respective company with a request to confirm the balances as on 31 March, 2015. However, few confirmations have been received. The management, however, does not expect any material changes on account of such reconciliation/ non receipt of the confirmation from parties. However the balances between The Company and IBMA in respect of Exchange Operations are subject to reconciliation. In many cases legal notices have been sent to parties; however we are unable to form any opinion on recoverability of the outstanding balances of such parties.
- (g) As stated in note no. 41 of notes to accounts, in the previous years, IBMA had rendered services to M/s. SnP Designs Pvt. Ltd. (SnP) relating to trade in future commodity contracts. At the end of the year a sum of Rs.77,47,18,046/- was due and receivable on account of such services from SnP. The Managing Director and majority shareholder of SnP is Mrs. Shalini Sinha, the wife of Mr. Anjani Sinha(then Director and KMP of NSEL as well as IBMA).Such relationship was not informed by Mr. Anjani Sinha. No money has been received from SnP despite of substantial amounts due and outstanding. SnP denied having any liability to pay to the IBMA and the matter is under dispute. It has been informed by management that such transactions were carried out on the instruction issued by erstwhile director of Company Mr. Anjani Sinha who was managing the affairs of company.
- (h) As stated in 5(c) of basis of qualification in Auditors report of IBMA, IBMA has made provision for bad and doubtful debts for Rs.20,49,66,433 in case of receivables for sale and services entered by the IBMA. As per opinion formed by IBMA's Auditor, the Company should have provided 100% of all its bad and doubtful debts and other receivables. Accordingly, had this been provided for entire amount as provision for bad and doubtful debts (including other receivables) the amount of provisions should have been higher by Rs.40,97,93,241/-.

INDEPENDENT AUDITOR'S REPORT

The Company may be exposed to liabilities in case of any adverse outcome of these investigations/enquiries or legal cases or any other investigations as referred to in 4(a) to 4(e) above enquires or suits which may arise at a later date. In the light of the above, the outcome of which is not presently known and is uncertain at this stage, we are not able to comment on the impact in respect of the same on these Consolidated Financial Statements. Also, the matters stated above could also have a consequential impact on the measurement and disclosure of information provided, but not limited to, profit/(loss) before tax, provision for tax, cash flow statement, segment information and earnings per share for the year ended 31 March, 2015 in these Consolidated Financial Statements.

5. Qualified Opinion

In our opinion and to the best of our knowledge and according to information and explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs above and emphasis of matter below, the aforesaid Consolidated Financial Statements give the information required by the Act in the manner so required and give the true and fair view in conformity with the accounting principles generally accepted in India,

- (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March, 2015,
- (ii) in the case of the Consolidated Statement of Profit and Loss, of the loss for the year ended on that date and
- (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

6. Emphasis of Matter

- a. As stated in note no. 1 of the Consolidated Financial Statements. The reconstituted Board of Directors of the Company is of the view that in the short term its main challenge is to recover the money from defaulting members. As explained by the management, the Company is making all out efforts in recovering the amounts from defaulter members for settlement as well as its trade and other receivables. The holding company has committed to provide financial and other resources to NSEL for administrative and day to day expenses including legal and salary cost. The Company has continuing support from its holding company and on the basis of such support, business plans of the future & other factors, the accounts for the year ended 31 March, 2015 are prepared on going concern basis. We have relied on the above mentioned explanations and information given by the Management.
- b. The Ministry of Corporate Affairs (MCA), Government of India has issued on 21st October, 2014, a draft order of Amalgamation of the Company with its holding company, Financial Technologies (India) Limited, u/s. 396 of the Companies Act, 1956. The holding company has contested the same before the Bombay High Court and is currently *sub-Judice*. As per the draft order of MCA, it has sought suggestions of each of the stakeholders and the final outcome is pending.
- c. As stated in note no. 62, 63 and 66 of the Consolidated Financial Statements, there are some writ petitions, public interest litigations, civil suits including in representative capacity filed by and against the Company. In the light of some of the litigations made against the Company by seller members, trading and clearing members as also defaulter members, holding the Company responsible as third party/central party counter guarantor, for ensuring payments towards pending settlements on Spot Exchange, which have arisen during financial year 2013-14. In this regard, the management and those charged with the governance, have represented to us that there are no claims/litigations/potential settlements involving the Company directly or indirectly, which may require adjustments in the Financial Statements. In this regards the management believes that as per legal advice received from an expert, no such third party/central party counter guarantee was ever provided by the Company, and hence there shall not be any liability arising there from against the Company.

On 21 October, 2014, the Ministry of Corporate Affairs, Government of India, issued a draft order suggesting that NSEL be amalgamated with FTIL as it is essential in public interest under Section 396 of Companies Act, 1956.

INDEPENDENT AUDITOR'S REPORT

The government's draft order has been challenged by FTIL and certain shareholders of FTIL by way of Writ Petition in the Bombay High Court. Hon'ble Bombay High Court in its order passed on 4 February, 2015 has inter alia ordered that the Central Government may consider passing final order after hearing contentions of NSEL and all other interested parties. NSEL is required to file their objections to the said draft order within 30 days and within 4 weeks thereafter Central Government to pass order after giving hearing to all interested parties. The High Court has further clarified that if any adverse order is passed by the Central Government, the same shall not be notified for a period of two weeks after the order is communicated

- d. We have solely relied on representation received from the Management in relation to the status of the Trade Receivable and Trade Payables, as few confirmation was available from the parties under Trade Receivable and Trade Payables.
- e. IBMA has recorded a loss of Rs.26,69,98,212 for the year and has resulted in complete erosion of the net worth of the Company as at 31 March, 2015. There has been discontinuation of most of the activities carried out by the Company during financial year 2013-14. There have been ongoing litigations and civil proceedings initiated against the Company. While the Company had defaulted in payments of dues to various tax authorities /affiliated members' constituents etc, as at 31 March, 2015 due to lower cash inflows from existing receivable and virtual stoppage of major sources of income during financial year 2013-14, there are fears of default in meeting such obligations in future. The management of the Company has agreed to provide all the required financial help to IBMA subject to compliance of Court/Regulatory requirements. Necessary adjustments may have to be made to the value of assets and liabilities in case the going concern concept is vitiated. The accompanying Financial Statements have been prepared based on cumulative impact of following mitigating factors to consider the Company as a going concern basis despite of accumulated losses.
 - i. IBMA has appointed a whole time director in April 2015 to look into the day to day affairs of the company and the company has plans to take steps for revival or restoration of few of the business operations and to recover the outstanding receivables, in near future.
 - ii. Repayment of loan(s) received in subsequent financial year and interest accrued and due to holding Company is sought to be restructured with the support of the holding Company.
 - iii. Payment of liability on account of trading activity due to holding Company is sought to be restructured with the support of holding Company.
 - iv. The IBMA expect to receive continuing support from the Company, as was received in past.
 - v. The IBMA has prayed before high court to permit Company to infuse capital or loan to IBMA for payments of statutory dues, amount of preservation, maintenance and protection of their assets and wage and salaries which have been restrained in view of the earlier Court Orders.
- f. Due to various events occurred during the earlier year, the operations of the Company have been adversely affected. Forward Market Commission (FMC) has given directions on 14 August, 2013 to the Company not to transfer any amount to the IBMA including the amounts due and recoverable for earlier commercial transactions already carried out with NSEL. The Bombay High Court, while examining the issue of diversion of funds from certain types of contracts to payments for e-series contracts, had given directions to the Company vide its order dated 7 October, 2013 had given directions to not to dispose of, alienate, encumber, part with possession of or create any third party right, title and/ or interest in, upon or in respect of any of the assets, except for the payment of statutory dues, amounts for the preservation, maintenance and protection of their assets and wages and salaries without the written permission of the FMC and in the case of immovable properties, without the orders of the Bombay High Court. Hence Company could not make any payment to the IBMA. The IBMA has approached Hon'ble Bombay High Court praying inter-alia to permit company to infuse capital or loan to IBMA for payment of statutory dues, amounts for preservation, maintenance and protection of assets and wages and salaries.

INDEPENDENT AUDITOR'S REPORT

7. Other Matters

We did not audit the financial statements of all three subsidiaries, whose financial statements reflect total assets of Rs.73,41,98,084/- as at 31 March, 2015, total revenues of Rs.3,67,88,02,459/- and net cash outflow amounting to Rs.4,98,13,010/- for the year ended on that date, as considered in the consolidated financial statements.

These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

For **Mahendra Sharma & Co.**
Chartered Accountants
Firm Registration No: 132162W

Place : Mumbai
Date : 18/05/2015

Mahendra Sharma
Proprietor
Membership No.: 139399

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH, 2015

(in Rs.)

	Notes	As at 31 March, 2015	As at 31 March, 2014
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share capital	3	600,000,000	450,000,000
Reserves and surplus	4	(8,985,650)	922,948,376
		591,014,350	1,372,948,376
Non-current liabilities			
Long-term borrowings	5	2,253,181,925	2,143,306,115
Deferred tax liabilities (Net)	13	-	-
Other long term liabilities	6	-	5,245,735
Long-term provisions	7	1,332,143	1,461,738
		2,254,514,068	2,150,013,588
Current liabilities			
Trade payables	8	664,789,935	473,840,260
Other current liabilities	9	1,191,784,974	1,139,652,897
Short-term provisions	7	1,870,631	1,669,777
		1,858,445,540	1,615,162,934
	TOTAL	4,703,973,958	5,138,124,898
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	10	9,305,968	18,546,431
Intangible assets	11	4,270,145	42,665,301
Non-current investments	12	-	266,000
Long-term loans and advances	14	142,816,562	100,558,442
Other non-current assets	15	387,444,308	447,738,685
		543,836,983	609,774,859
Current assets			
Investments	16	166,024	-
Trade receivables	17	124,392,785	267,736,280
Cash and cash equivalents	18	587,189,508	475,230,682
Inventories	19	62,780,068	89,788,950
Short-term loans and advances	14	2,722,454,231	2,877,346,906
Other current assets	15	663,154,359	818,247,221
		4,160,136,975	4,528,350,039
	TOTAL	4,703,973,958	5,138,124,898
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of accounts

As per our report of even date
For Mahendra Sharma & Co
Chartered Accountants
Firm Registration No. 132162W

**For and on behalf of the Board of Directors of
National Spot Exchange Limited**

S. Rajendran
Non-Executive Director
DIN No. 02686150

Saji Cherian
Managing Director & CEO
DIN No. 02512505

Prakash Chaturvedi
Joint Managing Director
DIN No. 00516694

Mahendra Sharma
Proprietor
Membership No. 139399

Subramanya Kusnur
Non-Executive Director
DIN No. 02534022

Ashok Nag
Non-Executive Director
DIN No. 06796476

Amarendra Sahoo
Non-Executive Director
DIN No. 06741280

Niraj Gupta
Independent Director
DIN No. 00334002

Varghese Jacob
Independent Director
DIN No. 01966765

Ravikant Baheti **Sandip Rahane**
Chief Financial Officer Company Secretary

Place : Mumbai
Date : 18/05/2015

Place : Mumbai
Date : 18/05/2015

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH, 2015

(in Rs.)

	Notes	For the year ended 31 March, 2015	For the year ended 31 March, 2014
INCOME			
Revenue from operations	20	3,678,802,459	6,178,283,157
Other income	21	12,087,642	237,343,387
Total Revenue (I)		3,690,890,101	6,415,626,544
EXPENSES			
Cost of materials consumed			
Purchases of traded goods	22	3,658,597,367	4,252,891,678
Changes in inventories of traded goods	23	27,008,882	1,114,049,171
Employee benefits expenses	24	49,266,642	91,466,518
Bad trade receivable / advance written off (Refer Note 46 & 47)		-	308,144,935
Less: Provision for doubtful debts and advances		-	(43,523,116)
Provision for trade and other recoverables (refer note 48)		303,465,024	83,492,859
Other expenses	25	304,745,113	484,098,554
Total expenses (II)		4,343,083,028	6,290,620,599
Earnings before interest, tax, depreciation and ammortization (EBITDA) (I-II)		(652,192,927)	125,005,945
Depreciation and amortization expenses	26	44,808,647	61,059,464
Finance costs	27	231,243,109	140,220,103
Loss before exceptional item and taxes		(928,244,683)	(76,273,622)
Prior period expenses		3,690,116	-
Loss before taxes		(931,934,799)	(76,273,622)
Tax expense:			
Current tax		-	153,439
Tax expenses of previous year		(772)	(1,547,447)
Deferred tax expenses/ (income)		-	(11,867,898)
Total Tax Expenses		(772)	(13,261,906)
Loss for the year		(931,934,027)	(63,011,716)
Less Minority interest		-	(17,624,934)
Profit available for appropriation		(931,934,027)	(45,386,782)
Earnings per equity share:			
(1) Basic	28	(19.99)	(1.01)
(2) Diluted		(19.99)	(1.01)
Face Value per equity share		10.00	10.00
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of accounts

As per our report of even date
For Mahendra Sharma & Co
 Chartered Accountants
 Firm Registration No. 132162W

**For and on behalf of the Board of Directors of
 National Spot Exchange Limited**

Mahendra Sharma
 Proprietor
 Membership No. 139399

S. Rajendran
 Non-Executive Director
 DIN No. 02686150

Subramanya Kusnur
 Non-Executive Director
 DIN No. 02534022

Niraj Gupta
 Independent Director
 DIN No. 00334002

Saji Cherian
 Managing Director & CEO
 DIN No. 02512505

Ashok Nag
 Non-Executive Director
 DIN No. 06796476

Varghese Jacob
 Independent Director
 DIN No. 01966765

Prakash Chaturvedi
 Joint Managing Director
 DIN No. 00516694

Amarendra Sahoo
 Non-Executive Director
 DIN No. 06741280

Ravikant Baheti **Sandip Rahane**
 Chief Financial Officer Company Secretary

Place : Mumbai
 Date : 18/05/2015

Place : Mumbai
 Date : 18/05/2015

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH, 2015

(in Rs.)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
A. Cash Flow from Operating Activities		
Net profit (loss) before taxation	(931,934,798.81)	(76,273,623.79)
Adjustments for -		-
Depreciation and amortization	44,808,647.14	61,059,464.36
Dividend Income	(132,071.15)	(68,085,172.51)
Finance cost	231,129,299.12	139,946,105.92
Interest income	(2,832,958.80)	(94,177,888.84)
Investments writte off	267,980.00	-
Impairment of Goodwill on consolidation	-	-
Loss/ (Profit) on sale of investments (net)	(167,023.93)	3,616,946.08
Loss on sale of fixed asset(net)	2,078,525.00	330,633.00
Bad Debts written off	-	264,621,819.19
Provision for doubtful trade and other receivables, loans and advances	303,465,024.00	83,492,859.89
Unrealised foreign exchange (gain)/ loss	-	-
Operating profit/ (loss) before working capital changes	(353,317,377.44)	314,531,143.30
Movements in working capital :		
Decrease / (Increase) in other current assets	155,092,862.09	2,991,364,812.54
Decrease / (Increase) in other non current assets	(131,344,535.39)	(412,807,832.51)
Decrease / (Increase) in trade receivables	1,745,601.78	450,640,072.43
Decrease / (Increase) in inventories	27,008,882.00	1,113,970,997.43
Decrease / (Increase) in long term loans and advances	(25,228,782.10)	(3,260,194.64)
Decrease / (Increase) in short term loans and advances	158,381,186.33	(1,531,113,532.69)
Increase / (Decrease) in trade payables	190,949,675.25	(254,924,855.29)
Increase / (Decrease) in current liabilities & provisions	52,332,931.37	(6,623,711,153.67)
Increase / (Decrease) in non current liabilities & provisions	(5,375,329.60)	(70,542,510.60)
Cash generated from operations	70,245,114.29	(4,025,853,053.71)
Direct taxes paid (net of refunds)	19,983,751.60	60,055,449.08
Net Cash from (used in) operating activities	50,261,362.69	(4,085,908,502.79)
B. Cash Flow from investing activities		
Purchase of fixed assets	(175,472.23)	(1,800,774.97)
Proceeds from sale of fixed assets	923,918.88	9,148.00
Purchase of current investments(including dividend reinvestment)	(79,182,069.30)	(20,308,227,216.68)
Proceeds from sale of current investments	79,229,069.30	20,304,610,270.83
Purchase of non current investments (net)	(163,500.00)	-
Deposits placed (with maturity more than 3 months)	-	(86,450,787.18)
Proceeds of deposits matured	104,275,878.59	1,600,081,190.09
Dividend from investments	132,071.15	68,085,172.51
Interest others	2,832,958.80	94,177,888.84
Net Cash from / (used in) investing activities	107,872,855.19	1,670,484,891.44
C. Cash Flow from Financing Activities		
Proceeds from short term borrowings	-	110,548,130.00
Repayment of short term borrowings	-	(524,592,416.18)
Proceeds from long term borrowings	109,875,809.96	2,143,306,115.00
Proceeds from issuance of share capital	150,000,000.00	-
Dividend paid (F.Y 11-12)	-	-

CONSOLIDATED CASH FLOW STATEMENT (CONT.)

FOR THE YEAR ENDED 31 MARCH, 2015

(in Rs.)

	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Dividend distribution tax (FY 11-12)	-	-
Interest	(231,129,299.12)	(139,946,106.32)
Net cash from financing activities	28,746,510.84	1,589,315,722.50
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	186,880,728.72	(826,107,888.85)
Cash and Cash Equivalents (Opening Balance)	388,393,345.46	1,214,501,235.17
Cash and Cash Equivalents (Closing Balance)	575,274,074.77	388,393,345.46
Closing Balance of Cash and Cash Equivalents consists of:		
Components of cash and cash equivalents		
Cash on Hand	-	5,669.25
Bank Balances:		-
- In Current accounts (including on client & settlement account)	171,553,501.55	365,854,920.99
- In Deposits accounts (Maturing Less than 3 Months)	403,720,573.22	22,532,755.22
- Interest accrued on fixed deposits	-	-
Cash and Cash Equivalents in Cash Flow Statement	575,274,074.77	388,393,345.46
Note: The above cashflow statement has been prepared under the indirect method setout in Accounting Standard 3 - Cash Flow Statement, notified pursuant to the Companies (Accounting Standards Rules), 2006 (as ammended).		

Notes to Cash Flow Statement:

- Cash and cash equivalents include cash and bank balances in current and deposit account.
- Purchase of fixed assets are considered as part of investing activities.
- Fixed deposits with banks with maturity period of more than three months are classified and grouped in investing activities and not included in cash and cash equivalents.
- 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.

As per our report of even date
For Mahendra Sharma & Co
Chartered Accountants
Firm Registration No. 132162W

**For and on behalf of the Board of Directors of
National Spot Exchange Limited**

S. Rajendran
Non-Executive Director
DIN No. 02686150

Saji Cherian
Managing Director & CEO
DIN No. 02512505

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Non-Executive Director
DIN No. 06741280

Niraj Gupta
Independent Director
DIN No. 00334002

Varghese Jacob
Independent Director
DIN No. 01966765

Ravikant Baheti Chief Financial Officer
Sandip Rahane Company Secretary

Place : Mumbai
Date : 18/05/2015

Place : Mumbai
Date : 18/05/2015

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

1. GENERAL INFORMATION

National Spot Exchange Ltd Group (hereafter referred as “The Group”) through its flagship company National Spot Exchange Ltd (NSEL/ Exchange/Company) operated a pan India electronic spot exchange providing trading platform to trade in various agricultural, metal and other commodities to its members. It also offers (a) e-series contracts (b) customized procurement solutions to government agencies and private companies (c) ancillary services like warehousing and collateral management services. NSEL had commenced trading on 15 October, 2008 pursuant to a notification of exemption no. S.O. No. 906 (E) dated 05 June, 2007 issued by the Department of Consumer Affairs, Ministry of Consumer Affairs, Govt. of India (MCrA)(“Notification”). Forward Market Commission (FMC) was nominated as designated agency w.e.f. 5 August, 2011 by the Ministry of Consumer Affairs vide letter (S.No.(3)/f. No. 12/3/2003-IT(Pt). Further, the FMC through its letter dated 5 November, 2014, has informed the Company that as the Notification SO 906 (E) dated 5 June, 2007 has been withdrawn by the Central Government through Notification SO 2529 (E) on 19 September, 2014 with immediate effect; consequently the Notification SO 228 (E) dated 6 February, 2012 and Notification SO 2406 (E) dated 6 August, 2013 cease to be in force w.e.f. 19 September, 2014.

The launch of new contracts was suspended under directive from the Ministry of Consumer Affairs, Food & Public Distribution, Government of India dated 06 August, 2013 in continuation to its earlier directive dated 12 July, 2013

Group Company viz Indian Bullion Market Association Limited (IBMA) is carrying on trading business as a buyer, seller and commission agent in physical market and through commodity exchanges in gold, silver, base metals and agricultural commodities. The company was also operating as an Institutional Trading and Clearing Member (ITCM) of National Spot Exchange Ltd (NSEL) offering trading, clearing and settlement services to its constituent Members and clients.

Group Company viz Western Ghats Agro Growers Limited (WAGEL) is an initiative with the mission to organize the high range farmers of Kerala state in the form of a corporatized entity and to provide all round support to its farmer members in respect of handling agricultural produce, enhancing productivity, reducing input cost, introducing farm-gate sorting and grading facilities, creating direct market linkage of farmer members with spot and futures exchanges by aggregating their produce, organizing warehouse receipt financing through banks and also developing export linkages with overseas buyers and also provide warehousing and transportation facilities.

Farmer Agricultural Integrated Development Alliance Ltd (FAIDA) will engage in the business of handling procuring, processing, warehousing, transportation, marketing, trading, grading, importing, exporting either in wholesale or retail of agricultural commodities, fertilizers, pesticides, chemicals, insecticides, hybrid seeds, seedlings, planting materials, sprayers, irrigation equipment and other allied items across the globe and to establish, promote, operate, develop, organize and maintain various types of products and services and facilities for the benefit of farmers and also aims to provide the technological empowerment to the farmers through efficient networking and well organized e- market activities for enhancing the better price realization in the state of Bihar.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation of Financial Statements

The CFS have been prepared in accordance with Accounting Standard (AS-21) “Consolidated Financial Statements”, principles laid down in Accounting Standards specified under section 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. The CFS comprises of the financials statement of National Spot Exchange Limited (holding company) and its subsidiaries viz: Indian Bullion Market Association Limited, Farmer Agricultural Integrated Development Alliance Ltd., & Western Ghats Agro Growers Limited hereinafter collectively referred as “The Group”.

The CFS has been prepared under the historical cost convention on an accrual basis. The financial statements of subsidiaries companies used in the consolidation are drawn up to the same reporting dates as that of the Parent company, viz 31 March, 2015. The accounting policies of the Group companies have been applied consistently by the Group. All assets and liabilities have been classified as current or non-current as per

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

the Group companies' normal operating cycle and other criteria set out in the Revised Schedule VI to the Companies Act, 2013. Group has ascertained its operating cycle as upto twelve months for the purpose of current-noncurrent classification of assets and liabilities.

B. Going Concern Basis:

The Group has made fair estimates of the ability of Group Companies to carry on business in the near term period.

The Board of Directors of the NSEL is of the view that in the short term its main challenge is to recover the money from the defaulting members. The Company is making all out efforts in monetizing its trade and other receivables. At appropriate time, the Company is contemplating to commence one of the activities as specified in the Memorandum of Association, subject to necessary regulatory approvals. Holding Company had given assurance to the Company to provide financial and other resources to NSEL for administrative and day to day expenses including legal and salary cost. In addition the holding Company of NSEL has infused equity capital of Rs.15,00,00,000 and this has resulted in maintaining net worth of the Company. On the above basis financial statements have been prepared on Going Concern basis.

Group Company viz (IBMA) has made a fair estimate of the ability of the company to carry on business for near term period. The holding company, NSEL has agreed to provide all required financial help to the company subject to compliance of Court/regulatory requirements. In view of the above support and reduction in the operating costs the company believes that it will have sustainable cash flow which in near term will support the company's future plans. Accordingly, the Financial Statements have been prepared on the basis that the Company is a going concern and that no adjustments are required to the carrying value of assets and liabilities.

C. Use of estimates

The preparation of CFS is in conformity with Generally Accepted Accounting Principles (GAAP) in India, which requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities (disclosure of contingent liabilities) at the date of the Financial Statements and the results of operations during the reporting period. Although, these estimates are based upon Management's best knowledge of current events and actions, actual results could differ from these estimates.

D. Principles of consolidation

The CFS have been prepared in accordance with Accounting Standard (AS-21) "Consolidated Financial Statements", principles laid down in Accounting Standards specified under section 133 of Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. The CFS comprises of the financials statement of National Spot Exchange Limited (holding company) and its subsidiaries, Indian Bullion Market Association Limited, Farmer Agricultural Integrated Development Alliance Ltd., & Western Ghats Agro Growers Limited.

Investment in subsidiaries:

- a) The financial statements of the Parent company and its subsidiaries are combined on line-by-line basis by adding together the book values of like items of the assets, liabilities, income and expenses, after elimination of intra Group balances, intra Group transactions and unrealized profits or losses on balances remaining within the Group. These financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.
- b) The difference between the cost of investment in the subsidiaries, and the share of equity in the subsidiaries, on acquisition date, is recognized in the financial statements as goodwill or capital reserve, as the case may be.
- c) Minority interest in the net assets of consolidated subsidiaries consists of:
 - i) The amount of equity attributable to minorities at the date the parent-subsidiary relationship came into existence.
 - ii) The minorities share of movement in equity since the date the parent-subsidiary relationship came into existence.

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TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

- iii) Minority interest's share of net profit/loss of consolidated subsidiaries is identified and adjusted against the profit of the Group. Minority interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separately from liabilities and equity of the Parent company's shareholders.

E. The subsidiary companies considered in the presentation of the CFS are:

Particulars	Country	Proportion of ownership interest as at 31 March, 2015	Proportion of ownership interest as at 31 March, 2014	Financial Year ends on
Indian Bullion Market Association Limited	India	60.88%	60.88%	31 March, 2015
Westernghats Agro Growers Company Limited	India	84%	51%	31 March, 2015
Farmer Agricultural Integrated Development Alliance Ltd.	India	100%	100%	31 March, 2015

For the purpose of CFS the result of National Spot Exchange Limited, Indian Bullion Market Association Limited, Western Ghats Agro Growers Company Limited, & Farmer Agricultural Integrated Development Alliance Ltd. for the year ended 31 March, 2015 have been derived from the respective companies audited financial statements including amended financial statement wherever amended Financial Statements are prepared for the year ended 31 March, 2015.

F. Fixed Assets and Capital Work-in-Progress

Fixed Assets are stated at cost, less accumulated depreciation and impairment losses, if any. The cost of fixed assets comprises its purchase price and attributable cost of bringing the asset to its working condition for its intended use. Fixed Assets, which are not yet ready for their intended use, are carried at cost, comprising direct cost and related incidental expenses and attributable interest, if any.

G. Depreciation and Amortization

Assets	Useful life
Office Equipment	2 to 10 Years
Computer Hardware	3 to 6 Years
Furniture and Fixtures	5 to 10 Years
Vehicles	8 Years
Leasehold Improvements	Estimated useful life or Period of Lease whichever is less
Patent and Trademarks	8 years
Technical know-how and computer software	6 years

In case of assets acquired during the year from the group companies', depreciation has been charged based on the residual life of the asset.

Depreciation in respect of assets acquired during the year, whose actual cost does not exceed Rs.5,000/- has been provided at 100% in the year of acquisition.

H. Inventories

Inventories of trading goods are stated at cost or net realizable value, whichever is lower. Cost comprises of cost of purchase and other costs incurred in bringing the inventories to their respective present location and condition. Cost is determined on First in First out (FIFO) basis. Net realizable value is the estimated or realized selling price in the ordinary course of business, less estimated or actual cost of completion and estimated or actual cost necessary to make the sale.

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TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

I. Impairment:

The carrying values of assets/cash generating units at each balance sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognized, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognized for an asset in earlier accounting periods no longer exists or may have decreased such reversal of impairment loss is recognized in the statement of profit and loss.

J. Leases:

a) Where the Company is the lessee:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term as per the respective lease agreements.

b) Where the Company is the lessor:

Assets subject to operating leases are included in fixed assets. Lease income is recognized in the Profit and Loss Account as per the lease term. Costs, including depreciation are recognized as an expense on a straight-line basis over the lease term as per the respective lease agreements. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of Profit and Loss.

K. Investments

Current investments are carried individually at the lower of cost and fair value. Long-term investments are carried individually at cost less provision for diminution. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the Management. Cost of investments includes acquisition charges such as brokerage, fees and duties. The difference between carrying amount of the investment determined on average cost basis and sale proceeds, net of expenses, is recognized as gain or loss on sale of investments.

L. Revenue Recognition:

Revenue is recognized on accrual basis and when no significant uncertainties as to measurement and realization exist.

- a) In case of sale of goods which is proprietary business, revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue is net of VAT.
- b) Admission Fees (non-refundable) and Processing Fees from new members for joining the Exchange are recognized when the membership is approved. Amount received from prospective members towards admission fees is forfeited and recognized as income in the year when allotment of membership is pending for a period more than one year on account of non-receipt of documents.
- c) Annual subscription fees are charged upfront and recognized on accrual basis in the financial year in which it is charged.
- d) Transaction fees are charged to members based on the volume of transactions. These are accrued, when orders placed by members on the Exchange platform network are matched and confirmed.
- e) Delivery fees are charged to members on the basis of trades executed. In case of seller members, delivery fees are recognized on accrual basis and in case of buyer members, delivery fees are recognized at the time of withdrawals of commodities from the exchange accredited warehouses.
- f) Warehouse receipts transfer charges are charged to buyer and seller on accrual basis on completion of trade settlement.
- g) Storage charges are accrued as income on the completion of the storage cycle and are exclusive of service tax, if any.

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TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

- h) Warehouse management charges are levied to recover the cost of day to day administrative management of the warehouse and accrued on completion of the billing cycle and are exclusive of service tax, if any.
- i) Procurement service charges are levied on value of procurement and are recognized on accrual basis on completion of procurement and processing activity.
- j) In case of joint procurement activities for export purposes, the Company carries out domestic procurement of the commodities for exports and the exporter carries out export of the goods outside India. Income/ loss thereof are accounted for on effecting of export of goods by the exporter.
- k) Networking equipment deposits (non-refundable) are treated as income in the year in which it is received.
- l) Income from commission agency business is recognized on rendering of such services as per the terms of the contract.
- m) Revenue sharing income is accounted for on accrual basis periodically as per the terms of agreement.
- n) Consultancy income comprises of services provided in respect of procurement support services in agricultural commodities and produces. The revenue is recognized on reasonable certainty in ultimate collection of the income. Commitment fee charged towards such services are recognized fully in the year when such fees becomes due as per the terms of contract.
- o) Income from derivatives comprises of profit/loss on buy/sell of commodity derivative instruments. Profit/Loss on commodity derivative transactions is accounted for on final settlement or on squaring up of contracts. Profit or Loss is calculated as the difference between settlement /squaring up price and the contract price.

M. Other Income

- a) Dividend income is recognized when the Company's right to receive dividend is established.
- b) Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

N. Foreign Currency Transactions:

- a) Initial Recognition:

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

- b) Conversion:

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

- c) Exchange Differences:

Exchange differences arising on the settlement of monetary items are recognized as income or as expenses in the year in which they arise.

O. Retirement Benefits and Other Employee Benefits:

Retirement benefits in the form of Provident Fund are in the form of a defined contribution scheme and the contribution is charged to the statement of Profit and Loss of the year when the contributions to the provident fund is due. There are no other obligations other than the contribution payable to the respective funds.

The Company's liability towards gratuity is funded through a scheme (Group Gratuity) administered by the Life Insurance Corporation of India. Leave encashment on retirement is provided on actual basis in accordance with the Company's scheme in this respect.

Gratuity liability are defined benefit obligation and is provided for on the basis of an actuarial valuation using projected unit cost method made at the end of each year.

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TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation at year end. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

P. Borrowing Costs:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are charged to revenue.

Q. Bad Debts:

Bad debts, if any are written off, once it is ascertained with reasonable certainty that such recoverable have become irrecoverable.

R. Income Taxes:

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

S. Provisions, Contingent liabilities and Contingent assets

The Group recognizes a provision when there is a present obligation as a result of past event on which it is probable that there will be outflow of resources to settle the obligation in respect of which reliable estimates can be made. Contingent Liabilities are disclosed by way of notes to Financial Statements. Contingent Assets are neither recognized nor disclosed.

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TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

T. Segment Reporting Policies

a) Identification of segments:

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

b) Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

c) Unallocated items:

Includes general corporate income and expense items which are not allocated to any business segment.

d) Segment Policies:

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

U. Earnings per Share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

V. Cash and Cash Equivalents:

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

W. Measurement of EBITDA:

As permitted by the Guidance Note on the Schedule III to the Companies Act, 2013, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the Statement of Profit and Loss. The Company measures EBITDA on the basis of profit/loss from continuing operations. In its measurement the Company does not include depreciation and amortization expense, finance costs and tax expense.

NOTES**TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15**

(in Rs.)

3. SHARE CAPITAL	As at 31 March, 2015	As at 31 March, 2014
Authorised		
70,000,000 (31 March, 2014: 50,000,000) Equity Shares of Rs.10/- each	700,000,000	500,000,000
Issued,subscribed and fully paid up		
60,000,000 (31 March, 2014: 45,000,000) Equity Shares of Rs.10/- each fully paid up	600,000,000	450,000,000
	600,000,000	450,000,000

Reconciliation of shares outstanding at beginning and end of reporting period

(in Rs.)

PARTICULARS	As at 31 March, 2015		As at 31 March, 2014	
	Nos.	Rs.	Nos.	Rs.
Shares outstanding at the beginning of the year	45,000,000	450,000,000	45,000,000	450,000,000
Shares Issued during the year	15,000,000	150,000,000	-	-
Shares outstanding at the end of the year	60,000,000	600,000,000	45,000,000	450,000,000

Shares held by holding/ultimate holding company and/or their subsidiaries/associates

Out of equity shares issued by the company, shares held by its holding company, ultimate holding company is as below:

(in Rs.)

	As at 31 March, 2015	As at 31 March, 2014
Financial Technologies (India) Limited (FTIL), the holding company	599,999,000	449,999,000
59,999,900 (31 March, 2014 : 44,999,900) equity shares of Rs.10/- each fully paid up held by holding company and its nominees		
	599,999,000	449,999,000

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

PARTICULARS	As at 31 March, 2015		As at 31 March, 2014	
	No.	% holding in the class	No.	% holding in the class
Financial Technologies (India) Ltd. and its nominees				
59,999,900 equity shares are held by the holding company, paid up value amounting to Rs.599,999,000 (31 March, 2014: 449,999,000).	59,999,900	99.99%	44,999,900	99.99%
As per records of the company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.				
Terms/rights attached to equity shares				
The company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is having right to vote in respect of such shares.				
No bonus shares have been issued to equity share holders in last five years (or since incorporation of the company)				
No equity shares have been bought back in last five years (or since incorporation of the company)				

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

(in Rs.)

4. RESERVES AND SURPLUS	As at 31 March, 2015	As at 31 March, 2014
Settlement Guarantee Fund (SGF-OC)		
Balance as per Last Financial Statements	8,466,448	8,466,448
Add during the year	-	-
Closing Balance (A)	8,466,448	8,466,448
Surplus/Deficit in the statement of Profit & Loss		
Balance as per last financial statements	914,481,928	959,868,710
(+) Net Loss for the year	(931,934,026)	(45,386,782)
Net (Deficit)/Surplus in the Profit & Loss Account (B)	(17,452,098)	914,481,928
Total Reserves and Surplus (A+B)	(8,985,650)	922,948,376

(in Rs.)

5. LONG TERM BORROWINGS	Non Current	
	As at 31 March, 2015	As at 31 March, 2014
Long term borrowing from related parties		
Long term borrowing from Holding company (refer note 55)	2,253,181,925	2,143,306,115
Total	2,253,181,925	2,143,306,115
The above amount includes		
Secured Borrowings	-	-
Unsecured Borrowings	2,253,181,925	2,143,306,115
Total	2,253,181,925	2,143,306,115

Note: Loan carries interest at the applicable RBI Bank rate

(in Rs.)

6. OTHER LONG TERM LIABILITIES	As at 31 March, 2015	As at 31 March, 2014
Members deposits against VSAT	-	245,735
Deposit against settlement bank a/c	-	5,000,000
Total	-	5,245,735

(in Rs.)

7. PROVISIONS	Long Term		Short Term	
	As at 31 March, 2015	As at 31 March, 2014	As at 31 March, 2015	As at 31 March, 2014
Gratuity	-	-	-	-
Leave encashment	1,332,143	1,461,738	1,870,631	1,516,338
Income tax (net of advance tax)	-	-	-	153,439
Total	1,332,143	1,461,738	1,870,631	1,669,777

(in Rs.)

8. TRADE PAYABLE	As at 31 March, 2015	As at 31 March, 2014
Trade Payable	664,789,935	473,840,260
Total	664,789,935	473,840,260

NOTES**TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15**

(in Rs.)

9. OTHER CURRENT LIABILITIES	As at 31 March, 2015	As at 31 March, 2014
Members Liabilities (refer note 34 for Settlement Guarantee Fund out of members' contribution)	372,248,991	374,528,991
Margin From Client & Trading Member (refer Note 37)	24,428,493	24,428,494
Advances from Members	2,261,105	4,889,790
Deposit taken from Holding company for Directors' nomination	700,000	-
Directors' sitting fee payables	125,000	-
Advance Received from customer	171,078,696	125,200,696
Advance received for services (refer note 49)	427,500,000	427,500,000
Reimbursement payable to employees	679,658	293,187
Other Payables		
Statutory remittances	192,763,031	182,811,739
(includes contributions to PF and ESIC, Withholding Taxes, Excise Duty, VAT, Service Tax, etc.)		
Total	1,191,784,974	1,139,652,897

(in Rs.)

10. TANGIBLE ASSETS	VSAT	Computer hardware	Office equipment	Furnitures and fixtures	Vehicles	Plant & Machinery	Leasehold improvements	Total
Gross Block								
At 1 April, 2013	1,110,034	33,738,233	4,757,385	388,034	2,376,162	450,769	203,083	43,023,700
Additions	-	1,241,492	681,235	16,905	299,814	707,460	323,940	3,270,846
Disposals	-	9,148	-	-	-	-	527,023	536,171
Other adjustments	-	-	-	-	-	-	-	-
At 31 March, 2014	1,110,034	34,970,577	5,438,620	404,939	2,675,976	1,158,229	-	45,758,375
Additions	-	1,863	49,228	124,385	-	-	-	175,476
Disposals	1,110,034	3,656,693	2,621,277	150,157	2,376,162	450,769	-	10,365,092
Other adjustments	-	-	-	-	-	-	-	-
At 31 March, 2015	-	31,315,747	2,866,570	379,167	299,814	707,460	-	35,568,759
Depreciation								
At 1 April, 2013	766,707	16,311,943	732,061	145,522	777,938	12,152	124,106	18,870,429
Charge for the year	182,188	6,554,310	1,335,612	28,474	247,295	122,885	76,292	8,547,056
Disposals	-	5,143	-	-	-	-	200,398	205,541
At 31 March, 2014	948,895	22,861,110	2,067,673	173,996	1,025,233	135,037	-	27,211,944
Charge for the year	81,043	4,972,633	1,406,682	45,601	122,881	135,809	-	6,764,649
Disposals	1,029,937	3,655,053	1,752,184	105,941	1,082,835	87,852	-	7,713,802
At 31 March, 2015	(0)	24,178,689	1,722,171	113,656	65,279	182,994	-	26,262,791
Net Block								
At 31 March, 2014	161,139	12,109,467	3,370,947	230,944	1,650,743	1,023,192	-	18,546,431
At 31 March, 2015	0	7,137,058	1,144,399	265,511	234,535	524,466	-	9,305,968

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

(in Rs.)

11. INTANGIBLE ASSETS	Trade Mark	Computer Software	Total
Gross Block			
At 1 April, 2013	387,326	302,783,355	303,170,681
Additions		164,214	164,214
Disposals	-	-	-
Other adjustments	-	-	-
At 31 March, 2014	387,326	302,947,569	303,334,895
Additions			-
Disposals	-	4,124,846	4,124,846
Other adjustments	-	-	-
At 31 March, 2015	387,326	298,822,723	299,210,049
Depreciation			
At 1 April, 2013	180,256	207,976,931	208,157,186
Charge for the year	39,629	52,472,779	52,512,408
Disposals	-	-	-
At 31 March, 2014	219,885	260,449,710	260,669,594
Charge for the year	42,365	38,001,635	38,044,000
Disposals	-	3,773,690	3,773,690
At 31 March, 2015	262,250	294,677,654	294,939,904
Net Block			
At 31 March, 2014	167,441	42,497,859	42,665,301
At 31 March, 2015	125,076	4,145,069	4,270,145

(in Rs.)

12. NON CURRENT INVESTMENTS	As at 31 March, 2015	As at 31 March, 2014
Non Trade Investments (Valued at Cost Unless stated Otherwise)		
Investments in National Savings Certificates (Held in the name of Individual c/o respective company name)	-	266,000
	-	266,000
Aggregate amount of unquoted investments(before provision for diminution)	-	266,000
Aggregate market value of unquoted investments	-	266,000
Aggregate provision for diminution in the value of Unquoted investments	-	-

NOTES**TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15**

(in Rs.)

13. DEFERRED TAX ASSETS/ (LIABILITIES) (NET)	As at 31 March, 2015	As at 31 March, 2014
In accordance with the Accounting Standard 22 on Accounting for Taxes on Income, the Company has made adjustments in its accounts for deferred tax liabilities/ assets.		
Deferred tax liability		
Fixed assets : Impact of difference between tax depreciation and depreciation/ amortization charged for the financial reporting	1,353,855	13,637,765
Others		
Gross deferred tax liability	1,353,855	13,637,765
Deferred tax asset		
Provision for diminution in the value of investments		
Provision for doubtful debts	364,198	12,717,540
Gratuity/Leave encashment	989,657	920,225
Gross deferred tax asset	1,353,855	13,637,765
Net deferred tax Asset/ (Liability) (net)*	-	-

*Group had recognized deferred tax asset on the doubtful debts provision and leave encashment provisions to the extent of deferred tax liability as the Company is not able to substantiate virtual certainty of future profits against which such asset could be realized.

(in Rs.)

14. LOANS AND ADVANCES	Non Current		Current	
	As at 31 March, 2015	As at 31 March, 2014	As at 31 March, 2015	As at 31 March, 2014
Security Deposit				
Unsecured, considered good	49,000	49,000	1,385,939	1,806,319
(A)	49,000	49,000	1,385,939	1,806,319
Loans and Advances to related Parties (refer note 30)				
Unsecured, considered good	-	-	-	1,351,175
(B)	-	-	-	1,351,175
Advances Recoverable in Cash or Kind				
Unsecured, considered good	-	-	2,666,855,344	2,822,419,765
Considered Doubtful	-	-	39,660	-
Provision for doubtful advances	-	-	(39,660)	-
(C)	-	-	2,666,855,344	2,822,419,765
Other loans and advances				
Prepaid expenses	139,360	145,137	510,475	814,858
Provision for Gratuity *	1,048,909	988,805	-	-
Loans to employees	-	64,768	82,710	290,211
Advance Tax & Tax deducted at source (Net of provision for taxes)	107,396,106	90,366,768	53,619,763	50,664,578
Balances with Statutory / Government Authorities	34,183,187	8,943,964	-	-
(D)	142,767,562	100,509,442	54,212,948	51,769,647
Total (A+B+C+D)	142,816,562	100,558,442	2,722,454,231	2,877,346,906

* In case of gratuity, as the provision amount is less than the funded amount, the excess is disclosed under loans and advances

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

(in Rs.)

15. OTHER ASSETS	Non Current		Current	
	As at 31 March, 2015	As at 31 March, 2014	As at 31 March, 2015	As at 31 March, 2014
Unsecured considered good	-	-	-	-
Unbilled Revenue	-	-	-	(0)
Non Current Bank balances (refer note 18)*	4,010,607	33,364,582	-	-
(A)	4,010,607	33,364,582	-	(0)
Interest accrued on Fixed deposits and Investments	59,917	213,740	7,035,299	1,227,846
(B)	59,917	213,740	7,035,299	1,227,846
Contractually reimbursable expenses				
Unsecured considered good	-	-	656,119,060	656,119,060
Considered Doubtful	-	-	45,527,548	45,527,548
Provision for doubtful receivables (refer note 46)	-	-	(45,527,548)	(45,527,548)
(C)	-	-	656,119,060	656,119,060
Other Receivables				
Unsecured considered good	383,373,784	414,160,363	-	160,900,315
Considered Doubtful	383,373,784	138,053,454	-	53,633,438
Provision for doubtful receivables	(383,373,784)	(138,053,454)	-	(53,633,438)
(D)	383,373,784	414,160,363	-	160,900,315
Total (A+B+C+D)	387,444,308	447,738,685	663,154,359	818,247,221

*Includes Bank deposits liened in favour of VAT & APMC authorities , Bank and against SGF (OC).

(in Rs.)

16. CURRENT INVESTMENTS	As at 31 March, 2015	As at 31 March, 2014
Current Investments (Valued at lower of cost and fair value unless stated otherwise)		
Unquoted Mutual funds		
36.555 units (Previous year: Nil) of Reliance Liquid Fund TP Direct Growth Plan	120,024	-
Investment in National Savings Certificate	46,000	-
Total	166,024	-
Aggregate amount of unquoted investments	166,024	-
Aggregate value of unquoted investments	166,024	-
Aggregate provision for diminution in the value of Unquoted investments	-	-

NOTES**TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15**

(in Rs.)

17. TRADE RECEIVABLES	As at 31 March, 2015	As at 31 March, 2014
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Secured, considered good	-	-
Unsecured, considered good	-	111,443,364
Unsecured, considered doubtful	313,963	16,212,001
Less: Provision for doubtful debts (refer note 48)	(313,963)	(16,150,497)
	-	111,504,868
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good	-	-
Unsecured, considered good	97,973,338	116,443,447
Unsecured, considered doubtful	196,200,156	81,993,128
Less: Provision for doubtful debts (refer Note 48)	(169,780,709)	(42,205,163)
	124,392,785	156,231,412
Total	124,392,785	267,736,280

(in Rs.)

18. CASH AND CASH EQUIVALENTS	Non Current		Current	
	As at 31 March, 2015	As at 31 March, 2014	As at 31 March, 2015	As at 31 March, 2014
Balances that meet the definition of Cash and Cash equivalents as per AS 3 - Cash Flow Statements				
Balances with Banks				
On current Accounts (including on client & settlement account)	-	-	171,553,502	365,854,921
Deposits with maturity less than 3 months			403,720,573	22,532,755
Cash on hand	-	-	-	5,669
	-	-	575,274,075	388,393,345
Other Bank Balances				
Bank deposits with maturity of more than 3 months but less than 12 months	-	-	11,915,433	86,837,337
Bank deposits with maturity of more than 12 months	4,010,607	33,314,582	-	-
	4,010,607	33,314,582	11,915,433	86,837,337
	4,010,607	33,314,582	587,189,508	475,230,682
Less:				
Bank deposits with maturity of more than 12 months disclosed under the head "Other assets" (refer note 15)	(4,010,607)	(33,314,582)	-	-
	-	-	587,189,508	475,230,682

* includes Bank deposits liened in favour of VAT & APMC authorities , Bank and against SGF (OC).

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

(in Rs.)

19. INVENTORIES	As at 31 March, 2015	As at 31 March, 2014
(Valued at lower of cost or net realizable value whichever is lower)	62,780,068	89,788,950
Traded goods (In respect of goods for proprietary trading)	62,780,068	89,788,950

(in Rs.)

20. REVENUE FROM OPERATIONS	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Sale of goods	3,683,040,154	5,321,022,919
Sale of services	-	811,319,049
Other operating revenues	-	46,607,884
Less:		
Excise duty	(4,237,695)	(666,695)
Total	3,678,802,459	6,178,283,157

Details of sale of goods

Goods

Agricultural and derived commodities	135,663	1,674,780,375
Gold	1,791,448,500	2,210,577,770
Silver	1,840,636,248	541,308,373
Other Metals & Minerals	50,819,743	894,356,401
	3,683,040,154	5,321,022,919
Less Excise	(4,237,695)	(666,695)
	3,678,802,459	5,320,356,224

Details of services rendered

Transaction Fees	-	74,998,945
Admission Fees (Approved)	-	9,500,000
Application Processing Fees - Members	-	75,000
Annual Subscription Fees	-	14,973,723
Warehouse receipt Transfer Charges	-	658,703,180
Exchange Delivery Charges	-	2,531,443
Procurement Commission and Support Service	-	276,946
Brokerage	-	41,236,240
Warehouse income	-	9,023,572
Total	-	811,319,049

(in Rs.)

21. OTHER INCOME	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Profit from Derivatives on Commodity Futures / Hedging	-	70,322,312
Interest Income		
Bank Deposits	2,809,018	77,720,737
Others	23,941	16,457,152
Dividend Income on current investments		
Others	132,071	68,085,173
Net gain on sale of investments		
current investments	167,024	-
Foreign exchange gain (net)	-	42,020
Other non-operating income	8,955,588	4,715,993
Total	12,087,642	237,343,387

NOTES**TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15**

(in Rs.)

22. PURCHASES OF TRADED GOODS	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Agricultural and derived commodities	-	1,353,733,596
Gold	1,783,659,934	2,289,599,525
Silver	1,836,742,651	541,293,772
Other Metals & Minerals	38,194,782	68,264,785
Total	3,658,597,367	4,252,891,678

(in Rs.)

23. (INCREASE)/DECREASE IN INVENTORIES	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Inventories at the end of the year		
Traded Goods	62,780,068	89,788,950
Inventories at the beginning of the year		
Traded Goods	89,788,950	1,203,838,121
Total	27,008,882	1,114,049,171

(in Rs.)

24. EMPLOYEE BENEFITS EXPENSE	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Salaries and incentives	46,431,412	93,028,273
Provident Fund	1,047,968	2,546,314
Gratuity fund contributions	800,919	(5,549,608)
Staff welfare expenses	986,343	1,441,539
Total	49,266,642	91,466,518

(in Rs.)

25. OTHER EXPENSES	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Electricity Charges	7,724	3,891,472
Rent	3,505,535	64,818,294
Rates and taxes	2,400	105,544
Insurance	452,480	11,851,637
Handling & Transportation	1,984,250	3,245,398
Repairs and maintenance -Building	-	398,048
Repairs and maintenance - Plant & Machinery	109,991	2,004,153
Repairs and maintenance - others	84,409	1,243,267
Directors sitting fees	4,568,443	62,350
Service tax expense	26,937,792	-
ROC expenses	2,216,885	7,253,011
Advertising ,Seminar and Promotion	330,880	3,853,294
Travelling and conveyance	2,857,698	7,648,779
Communication costs	3,343,380	6,862,167
Brokerage	-	415,462
Professional Fees	12,870,979	39,124,862
Consultancy Fees	19,439,313	20,676,353
Legal Expenses	208,595,862	103,046,433
Business/ Software support charges	677,527	144,786,073
Payments to auditor (Refer details below)	4,172,488	2,898,888
Write off of Long term Investments	267,980	-

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

Loss on sale/scrap of Assets (net)	2,078,525	330,633
Net loss on sale of current investments	-	3,616,946
Miscellaneous expenses*	10,240,572	55,965,490
Total	304,745,113	484,098,554

(* Includes security charges, office expenses, exchange difference, printing stationery etc.)

(in Rs.)

Payments to the auditor	For the year ended 31 March, 2015	For the year ended 31 March, 2014
As auditor		
Audit Fee for current year	2,337,088	2,730,348
Audit Fee for amendment of financial statement of FY 2012-13	1,685,400	-
In other capacity		
Taxation & other matters	150,000	168,540
Total	4,172,488	2,898,888

(in Rs.)

26. DEPRECIATION AND AMMORTISZATION EXPENSE	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Depreciation of tangible assets	6,764,648	8,547,056
Amortization of intangible assets	38,043,999	52,512,408
Total	44,808,647	61,059,464

(in Rs.)

27. FINANCE COSTS	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Interest expense		
- from bank	-	5,451,858
- for Others (include Rs.19,56,98,442 (FY Rs.11,14,68,912) to holding company on borrowings)	231,129,299	134,430,005
Other borrowing costs	113,810	338,240
Total	231,243,109	140,220,103

28. EARNINGS PER SHARE (EPS)

(in Rs.)

PARTICULAR	As at 31 March, 2015	As at 31 March, 2014
Net loss for the year for (basic and diluted)	(93,19,34,027)	(4,53,86,782)
Weighted average number of equity shares in calculating basic EPS (Nos.)	46,627,397	45,000,000
EPS- Basic & Diluted per share (excluding extra ordinary items)	(19.99)	(1.01)
EPS- Basic & Diluted per share (including extra-ordinary items)	(19.99)	(1.01)
Face value per share	10.00	10.00

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

29. SEGMENT INFORMATION

Group's business segments are as under:

- a) **Exchange Related Services:** Includes Admission Fees, Annual Subscription Fees, Processing Fee, Transaction fees, and Exchange Delivery charges and warehouse receipts transfer charges.
- b) **Warehousing & storage income:** Includes storages of agricultural products, fumigation, quality certification etc.
- c) **Procurement Services:** Procurement services consists of private procurement on behalf of various corporate entities acting as an agent by procuring different commodities like cotton, pulses, sugar etc. through different sources and locations by rendering added services like quality testing, grading, sorting, loan syndication and offering other customized solutions.
- d) **Proprietary Trading:** Proprietary Trading include purchase of different commodities like coal, sugar, castor seed and various other agricultural commodities from different parties and supplying the same to various customers. It is clarified that these services do not have any relation to the trading on the exchange platform by buying and selling members.

Reporting of Business Segments: Refer **Annexure – A**

30. RELATED PARTIES

- a. Names of related parties where control exists, irrespective of whether transactions have occurred or not:

Ultimate Holding Company:

Financial Technologies (India) Limited (FTIL)

- b. Names of other related parties with whom transactions have taken place during the year:

- c. **Fellow Subsidiaries:**

Current year: None

Previous year:

1. Atom Technologies Limited (Atom)
2. National Bulk Handling Corporation Limited (NBHC) (Subsidiary till 23 April, 2014)
3. Tickerplant Limited (Ticker plant)
4. Financial Technologies Communications Limited (FTCL)

- d. **Associate of Ultimate Holding Company:**

Current year: None

Previous year:

Multi Commodity Exchange of India Limited (MCX)
(MCX was an associate of the holding company till 25 December, 2013)

- e. **Key Management Personnel:**

- | | | |
|-------------------------------|---|---|
| Mr. Saji Cherian | : | Managing Director & CEO |
| Mr. Prakash Chaturvedi | : | Joint managing Director
(With effect from 24 November, 2014) |
| Mr. Ravikant Baheti | : | Chief Financial officer
(With effect from 15 December, 2014) |
| Mr. Sandip Rahane | : | Company Secretary
(With effect from 28 February, 2015) |

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

- f. Enterprise over which Relative of Key Management Personnel (KMP) was able to exercise significant influence in previous years:

SnP Designs Pvt. Ltd.

- g. Remuneration to Key managerial personnel

(in Rs.)

PARTICULARS	For the year ended 31 March, 2015	For the year ended 31 March, 2014
Mr. Saji Cherian (Managing Director & CEO)	5,023,168	2,422,452
Mr. Prakash Chaturvedi Joint managing Director (With effect from 24 November, 2014)	1,435,214	-
Mr. Ravikant Baheti Chief Financial officer (With effect from 15 December, 2014)	1,149,384	-
Mr. Sandip Rahane Company Secretary (With effect from 28 February, 2015)	55,642	-

- Note : 1. Related party relationship is as identified by the Group and relied upon by the auditors
2. In case of a related party entity SNP where KMP, Mr. Anjani Sinha was able to exercise significant control, the company has relied upon records downloaded from the MCA (Ministry of Corporate Affairs) website, in the absence of necessary disclosure from Mr. Anjani Sinha about him being the interested party in transactions with SNP designs Pvt. Ltd. to the then board of directors. It may be noted that there was no transactions by SNP designs Pvt. Ltd. during financial year 2014-15.
3. Holding company-NSEL has identified Key managerial Personnel (KMP) of the reporting enterprise as KMP of the Group.

- h. For other related parties transactions, please refer Annexure 'B'

31. LEASES

a. In case of assets taken on lease

The Company has entered into cancellable leasing arrangements for its offices and warehouses. The lease rental of Rs.34,37,951 (Previous Year Rs.4,27,78,474) has been included under the head Rent under Note 25 in statement of Profit & Loss Account. The Company has no non-cancellable leasing arrangements for its offices and warehouses in the current year.

There are no restrictions imposed by lease arrangements.

b. In case of assets given on lease

The Company has not given any warehouses on rent during the year and previous year and has not earned lease rental income.

NOTES**TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15****32. a) Commitments (To the extent not provided):**

(in Rs.)

PARTICULARS	(in Rs.)	
	As at 31 March, 2015	As at 31 March, 2014
Estimated amount of contracts remaining to be executed on capital account and not provided for.	Nil	Nil
Commitment towards lease (refer note 31)	Nil	Nil

b) Contingent Liabilities (To the extent not provided):

(in Rs.)

PARTICULARS	(in Rs.)	
	As at 31 March, 2015	As at 31 March, 2014
Bank/Corporate Guarantees (Reference to note on counter party guarantee note should be given)	3,90,000	3,610,000
Contingent liabilities not provided towards -sales tax demand(Refer Note 32 (a) below)	38,08,24,993	4,437,059,254
Disputed liabilities not provided towards Income tax demand in IBMA (Refer Note 32 (b&c) below)	10,839,608	10,839,608
Income Tax liability for A.Y 2011-12 in NSEL (Refer Note 32 (d) below)	Refer note below	Refer note below

- a) Includes Rs.32,98,69,923/- (Previous year Rs.4,382,872,729) pertaining to IBMA for purchases as an agent for Member/ clients of IBMA and 5,09,550,70/- (Previous year Rs.5,09,55,070 for purchases for own merchandise activities of IBMA.
- b) The Income Tax Department had carried out a special audit of IBMA under section 142 (2A) of the Income tax Act 1961 for the period from AY 2008-09 to AY 2011-12. Subsequent to submissions by IBMA in reply to the special audit report and hearings the assessing officer has passed an order for AY 2011-12 and made an addition of Rs.3,05,25,089/- resulting in a demand of Rs.1,08,39,608/-. IBMA being aggrieved and adversely affected by such order has filed an appeal before Commissioner of Income Tax (Appeals), Mumbai. As the matter is currently under appeal the said demand liability is not admitted by IBMA and hence disclosed as contingent liability
- c) Pursuant to filing of return of income for F.Y.2012-13 (A.Y. 2013-14) a sum of Rs.1,11,34,790/- was due and refundable to IBMA. IBMA had received an intimation u/s 245 of the Income Tax Act, 1961 to appropriate such refund for F.Y.2012-13 against demand for F.Y.2010-11 (A.Y. 2011-12) for Rs.1,08,39,608/-. IBMA has objected to such adjustments to be carried out by the Income Tax department and the matter is pending before the concerned assessing officer and hence no effect has been provided in books of accounts of IBMA.
- d) Special Audit ordered u/s 142 (2A) of Income Tax Act, 1961:

The Income Tax Department had carried out a special audit of the NSEL under section 142 (2A) of the Income tax Act 1961 for AY 2011-12. Subsequent to our submissions in reply to the special audit report and hearings the assessing officer has passed an order for AY 2011-12 and made addition of Rs.89,477,504/- resulted in reduction in carried forward losses under the Income Tax Act hence there is no liability on the Company. Apart from this interest under section 234A, 234B, 234C, and 234D is also levied. Penalty proceedings under section 271 (1)(c) is also initiated which cannot be quantified at this stage hence not disclosed under contingent liability. The Company being aggrieved and adversely affected by such order and had filed an appeal on 28 November, 2014 before Commissioner of Income Tax (Appeals), Mumbai.

33. GRATUITY AND OTHER POST-EMPLOYMENT BENEFIT PLANS

Gratuity Plan: The Company has made annual contributions to the Gratuity-cum-Life Assurance (Cash Accumulation) Scheme administered by the Life Insurance Corporation of India ('LIC'), a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to fifteen days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs on completion of five years of service.

The following table sets out the status of the gratuity plan and amounts recognized in the Company's financial statements as at 31 March, 2015 and 31 March, 2014.

NOTES**TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15****STATEMENT OF PROFIT AND LOSS**

(All figures are amounts in Rs. except mentioned otherwise)

Net employee benefit expense (recognized in Employee Cost)

(In Rs.)

PARTICULARS	Gratuity	
	As at 31 March, 2015	As at 31 March, 2014
Current service cost	5,83,503	1,881,879
Interest cost on benefit obligation	4,94,458	839,291
Expected return on plan assets	(5,49,434)	(6,53,612)
Net actuarial(gain) / loss recognized in the year	332,496	(4,031,274)
Past service cost	-	-
Net benefit expense	861,023	(1,963,716)
Actual return on plan assets	4,26,428	712,522

BALANCE SHEET

Details of Provision for Gratuity

(In Rs.)

PARTICULARS	Gratuity	
	As at 31 March, 2015	As at 31 March, 2014
Defined benefit obligation	53,06,041	5,311,047
Fair value of plan assets	56,45,456	5,901,544
Plan asset / (liability)	3,39,415	5,90,497

Changes in the present value of the defined benefit obligation are as follows:

(In Rs.)

PARTICULARS	Gratuity	
	As at 31 March, 2015	As at 31 March, 2014
Opening defined benefit obligation	5,311,047	10,173,219
Interest cost	494,458	839,291
Current service cost	583,503	1,881,879
Liability transferred in	1,321,496	-
Benefits paid	(2,613,953)	(3,610,978)
Actuarial (gains) / losses on obligation	430,584	(3,972,364)
Actuarial (gains) / losses due to experience	(221,094)	-
Closing defined benefit obligation	5,306,041	5,311,047

NOTES**TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15**

Changes in the fair value of plan assets are as follows:

(In Rs.)

PARTICULARS	Gratuity	
	As at 31 March, 2015	As at 31 March, 2014
Opening fair value of plan assets	5,901,544	7,512,776
Expected return	549,434	653,612
Contributions by employer	609,941	1,287,224
Assets transferred in	1,321,496	-
Benefits paid	(2,613,953)	(3,610,978)
Actuarial gains / (losses)	(123,006)	58,910
Closing fair value of plan assets	5,645,456	5,901,544

The principal assumptions used in determining gratuity and post-employment medical benefit obligations for the Company's plans are shown below:

PARTICULARS	As at 31 March, 2015	As at 31 March, 2014
	%	%
Discount rate	7.96	9.31
Expected rate of return on assets	7.96	9.31
Employee turnover	2-6	2-6

Amounts for the current year are as follows

(In Rs.)

PARTICULARS	As at 31 March, 2015	As at 31 March, 2014
Defined Benefit Obligation	5,306,041	5,311,047
Plan Assets	5,645,456	5,901,544
Surplus/(deficit)	3,39,415	590,497
Experience adjustments on plan liabilities (Gain)/Loss	(221,094)	(3,381,486)
Experience adjustments on plan Assets Gain/(Loss)	(123,006)	58,910

During the previous year Company had reversed Rs.3,196,268 being excess provision for gratuity made in earlier year. During the previous year some employees were transferred from its subsidiary company. Subsidiary company had issued credit note during the previous year of Rs.323,309 to the give effect of transfer of liability to Company. Company had accounted above credit note and reduced gratuity expenses during the previous year. During the year subsidiary company has given debit note for actual transfer of funds from their Funds to Company's Funds on account of transfer of employees of Rs.324,441. Same has been charged off to Gratuity expenses.

However impact of above adjustments is not reflected in above Actuarial disclosures. Company expects to contribute Rs.342,505 towards contribution during next 12 months.

All employees of IBMA were transferred to the holding company, NSEL on 31 December, 2013. As IBMA did not have employees as on 31 March, 2014 and 31 March, 2015, IBMA did not carry out actuarial valuation. The liability pertaining to gratuity and leave encashment were transferred to NSEL on actual basis considering the period of employment, current salary cost and leave balance as on the date of transfer of employees.

In above table of Actuarial disclosures current year figures of the Company is included while previous year figures is for Company and IBMA.

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

34. SETTLEMENT GUARANTEE FUND:

(i) SGF-MC balance as at 31 March, 2015

The Company has a separate Settlement Guarantee Fund, which is created out of Members' Contribution (SGF-MC) in respect of the activities carried out on the spot trading in various contracts on Exchange. The members are required to contribute to the fund in the form of security deposit and interest free margin money in the form of cash and non-cash, which forms part of the SGF-MC. The margin money was refundable, subject to adjustments, if any and exposure of members. The cash margin money forming part of SGF-MC was Rs.37,46,08,831 (Previous year Rs.37,46,08,831) (included in Note no.9 on other current liabilities under members liabilities). The Company had also collected non cash portion of the SGF-MC comprising of collaterals such as bank guarantees, securities and fixed deposits receipts received from the members amounting to Rs. Nil (Previous year Rs.42,50,000).

The composition of SGF-MC as on 31 March, 2015 was as under:

(In Rs.)		
INITIAL MARGIN	As at 31 March, 2015	As at 31 March, 2014
Cash Margin	37,46,08,831	37,46,08,831
Non Cash Margin- FDR	-	32,50,000
Non Cash Margin- Bank Guarantee	-	10,00,000
Total	37,46,08,831	37,88,58,831

It is a practice in India among the Stock and Commodity Exchanges that SGF-MC consists of aforesaid 2 components viz. cash and non-cash, collected from the members as security deposit and margin money. Cash Component shall form part of liabilities in Balance Sheet. Non cash component is disclosed by way of "Notes to Accounts."

(ii) Utilization of SGF-MC during the year:

On 31 July, 2013 Exchange suspended all the contracts except e-series and merged the delivery and settlement of all pending contracts. Members who did not settle their settlement liability on account of unsettled contracts, their Margin money were adjusted against their settlement liability. Net liability of such members as at 31 March, 2015 was Rs.5,331.54 Crores.

Cash margin shown in note no. 34(i) above with exchange as on 31 March, 2015 was Rs.37,46,08,831. This margin money belongs to non-defaulting members. However utilized the said cash margin for payouts to other members when payment default occurred during the year by defaulting members.

(iii) The SGF-MC currently shows a net outstanding amount of Rs.37,46,08,831 (Previous year Rs.37,46,08,831) which is pertaining to the existing non-defaulting clearing Members. While the exchange has taken many legal, regulatory and commercial measures against the defaulters, it is not clear how much money would be eventually recovered and by when, as the entire process is sub-judice. In case the Exchange fails to secure the balance money or there is undue delay in recovery then the Exchange would as per the bye laws call for the balance amount as may be considered appropriate to be recovered from the all non-defaulting clearing members as per its bye law number 12.9.2 and 12.10 besides other applicable bye laws for settlement of claims. However, this decision would be taken post the legal adjudication of pending legal cases wherein this subject matter is being adjudicated or at an appropriate time when considered suitable by the Board of NSEL.

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(iv) Compliance to Byelaws

The Company had ensured SGF-MC of Rs.1,00,00,000 before commencement of trading in FY 2008-2009 and the same was always greater than Rs.1,00,00,000 as was required as per the bye-laws of the Exchange. The amount outstanding at the end of each year in SGF-MC account received from members as margin money was as under.

As on the Date	Amount (Rs. in Crores)
31.03.2009	8.95
31.03.2010	11.23
31.03.2011	70.31
31.03.2012	328.93
31.03.2013	706.90
31.03.2014	37.89

35. OTHER MATTERS PERTAINING TO SETTLEMENT DEFAULT AND RECOVERIES:

As on the balance sheet date, amounts to be recovered from defaulting members is Rs.5,331.54 Crores (Previous Year Rs.5,359.53 Crores) and amounts to be paid to non-defaulting members is Rs.4,905.60crores (Previous Year Rs.4,925.64 Crores) . Apart from this an amount of Rs.209.11 Crores (Previous Year Rs.209.11crores) is payable to certain seller Members after completion of required documentation on part of seller Members. However major portion of the same is yet to be recovered from buying members and such unrecovered amount is included in amounts recoverable from defaulting members. None of the amounts payable to members are liabilities of the Company as the Exchange is only a provider of platform to its members for trading.

36. In case of IBMA, all transactions carried out for and on behalf of constituents are carried out on an agency basis and such purchases and sales are not included in purchases/sales made by the IBMA.

37. As an ITCM the IBMA had received margin money from its constituent trading members and clients. The outstanding margin amount as on the balance sheet date was Rs.2,44,28,493/- (Previous year Rs.2,44,28,493) and is shown under the head "Other Current Liabilities".

38. In case of IBMA, As on 31 July, 2013 Rs.11,700,985,770/- was the settlement payout receivable by IBMA from the Company on account of trades executed by its affiliated members and clients that were part of the revised settlement plan. Up to 04 March, 2015, the Company has completed 65 weekly payouts and has released Rs.1,103,689,599/- towards the obligation of IBMA's affiliated members and clients. Payout after 20 November, 2013 has been made by the Company directly to constituent members and clients of IBMA. The amount receivable by affiliated members and clients were not fully received from the Company as per the revised settlement plan. On the basis of the legal opinion received by the company, and as the company acted as a member broker, the company may not have any liability on net basis towards such unsettled obligation to its members and clients. In view thereof, no provision for the same is made in the books of accounts of the IBMA.

39. In case of IBMA, an amount of Rs.312,842,609/- pertaining to VAT on unsettled trades on NSEL exchange platform is outstanding as on balance sheet date. This amount is receivable from the defaulting members on NSEL exchange platform and is in turn payable to the constituent members and clients of the company as part of outstanding settlement obligation.

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- 40.** Sahara Q Shop Unique Products Range Ltd., was registered as a client with IBMA to trade on Exchange platform. As per the revised settlement plan IBMA had to receive obligation from Company on account of the trades executed by the client. However SEBI vide letter dated 11 March, 2014, had directed Company to retain payouts to Sahara group companies and hold the same in a deposit account with any public sector bank until further instructions. Accordingly payouts up to the balance sheet date, amounting to Rs.82,935,790/- pertaining to the client have been deposited into Fixed deposits by Company and equivalent amount is reduced from the exchange's obligation to IBMA. Accordingly IBMA has reduced such amount from both receivable from Company and payable to the said client.
- 41.** (a) IBMA had entered into an agreement with one M/s Snp Design Pvt Ltd (SNP) on 01 March, 2012 and renewed such agreement on 01 March, 2013 to carry out commodity derivative transactions for and on their behalf. As on 31 March, 2014 a sum of Rs.77,47,18,046/- is due and recoverable from SNP, as per the terms and conditions of the agreement. On demanding the amount from the party, SNP replied through their lawyers disputing the entire amount as payable to the company. IBMA's board has approved to initiate action to proceed on the matter legally. Grant Thornton India LLP had observed vide their forensic report that Mrs. Shalini Sinha, wife of Mr. Anjani Sinha, was a Managing Director and a majority shareholder of SNP. In view of the said discrepancies and irregularities investigations are in progress. Mr. Anjani Sinha had been removed from the board of directors of IBMA on 23 October, 2013 and was arrested on account of complaint against him in other matter pertaining to the Company.
- (b) Pursuant to such findings by Grant Thornton India LLP about shareholding and management interests in SNP, and on the basis of information available on the website of Ministry of Corporate Affairs, IBMA has included such transactions carried out with SNP for disclosures required to be made as per AS 18. No such communication thereto was received from such related party disclosing the requisite information to IBMA.
- 42.** IBMA had entered into a procurement agreement with Harley Carmbel Pvt Ltd. (Harley) for buying spices and other commodities in the state of Kerala. As per the terms of agreement, IBMA was to buy commodities on behalf of Harley, sell the commodities to Harley as per their needs on credit, and Harley was to pay back IBMA after the credit period. Subsequently the transactions were carried by IBMA as per the terms but Harley failed to make full payment of its obligations. An amount of Rs.29,357,807/- is outstanding from the party as on balance sheet date. IBMA had sent legal notice to the party but the party denied owing any amount to the company. An application has been made for proceeding under 156(3) of Cr P.C. 1973, before Court of additional chief metropolitan magistrate's 47th Court at Esplanade for getting process issued against Harley, under sections 409,420,465,467,468,471,474,477-A r/w 34 & 120-B of Indian Penal code.
- 43.** In case of IBMA, There is no open Interest in Commodity Futures outstanding as at the Balance Sheet date.
- 44.** (a) In Case If IBMA On writ petition filed in Hon'ble Bombay High Court by one Mr. Tarun Amarchand Jain HUF and others, the Hon'ble Court had vide their order dated 7 October, 2013 directed NSEL to not process any application for re-materialization of e-series stock in respect of entities associated with NSEL and Financial Technologies (India) Ltd (FTIL), including their employees and relatives. Further IBMA was directed to not settle any re-materialization in respect of such entities. As a result of such an order, a temporary stay was granted on rematerialization of IBMA proprietary holdings in e-series. The Hon'ble High court vide their order dated 28 October, 2013 had directed FMC to initiate a forensic audit in respect of E series contracts. M/s Chokshi & Chokshi, Chartered Accountants were accordingly appointed by FMC to conduct the forensic audit. The audit report confirmed the stock underlying the e-series to be intact and made no adverse observations of diversion of funds from contracts traded on NSEL exchange platform for buying the underlying commodities. The e-series rematerialization and financial settlement for non-associated entities was initiated by FMC post the receipt of audit report. Consequently, approximately 98.5% of the outstanding e-series contracts have been settled by 16 May, 2015 and payment made to approximately 33,000 e-Series investors through re-materialization / financial closure process.
- (b) IBMA had filed a notice of motion with Hon'ble Bombay High Court on 20 February, 2015 praying inter-alia to modify the above referred order dated 7 October, 2013, directing NSEL to process application of rematerialization if any made by the company in respect of e-series contracts and to permit NSEL to infuse capital or loan to IBMA for payment of statutory dues, amounts for preservation, maintenance and protection of their assets and wages and salaries.

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45. In Case of IBMA Post the receipt of no objection from FMC, NSEL had initiated the rematerialization process and financial close out of the E series units. As per the said process the unit holders could take physical delivery of their respective units or could participate in the financial closure process whereby their units would be auctioned to bidders as per the competitive bidding process. IBMA as an authorized dealer had to act as a facilitator for conversion of E-series units in to physical commodities. During this process the IBMA raised sales invoices at the applicable clearing rate on delivery of the underlying physical commodity to the extent of Rs.3,65,85,96,927/- in the current year .

46. BAD DEBTS AND PROVISION FOR DOUBTFUL DEBTS OF NAFED AGAINST PROCUREMENT TRANSACTIONS:

Outstanding recoverable from National Agricultural Co-operative Marketing Federation of India Limited (NAFED) against procurement of cotton as on 31 March, 2015 was Rs.1,033,367,578 (before write off and provisions for doubtful advances). NAFED had acknowledged NSEL's claim of only Rs.723,218,209 (Rs.683,703,859 for Price Support Scheme (PSS) 2012-13 and Rs.39,514,350 for PSS 2008-09) vide their letter dated 2 September, 2014, 12 September, 2014 and 11 December, 2014 in their books. Company had been interacting with NAFED officials and management estimated that an amount of Rs.264,621,819 is irrecoverable, accordingly on prudence basis written off said amount during the previous year 2013-14. Company had already made provision of Rs.45,527,548 for PSS 2008-09 during the earlier years and management believe that said provision needs to be continued in books of account.

The balance recoverable amount of Rs.698,471,837(net of provision Rs.652,944,289) (Previous Year Rs.698,471,837 (net of provision Rs.652,944,289)) has been included under "Other current Assets" and Rs.70,273,922 (Previous Year Rs.70,273,922) has been shown under Trade receivables.

47. WRITE OFF OF BAD DEBTS (other than NAFED):

Company had taken various steps including meeting with the representative of debtors, notices to the debtors for making payment, reminders to pay the dues, legal cases against dishonors of cheques etc. The Company has reviewed the recoverability of various amounts from debtors toward sales and services rendered from time to time.

In cases, where receivables are old and NSEL has taken enough steps to recover and yet there is no positive outcome of such efforts, the management is of the view that such Debts have become bad and cannot be recovered. Accordingly an amount of Rs. Nil(Previous Year Rs.4,35,23,116) has been written off as bad Debts after adjusting a provision of Rs. Nil(Previous Year Rs.4,35,23,116) which was made in earlier years. Company has written off above amounts without prejudice to its legal right to recover the same.

48. PROVISION FOR DOUBTFUL DEBTS AND LOANS AND ADVANCES (other than NAFED)

The Group have evaluated the various events and its effect on various receivables as on 31 March, 2015. The likelihood of recoverability of such receivables has been impacted due to the abrupt closure of the business, loss of credibility and several other factors. Group is following up with the parties to recover such outstanding amount and exploring legal options to proceed against them. Based on that evaluation, Group has made additional provision during the year for doubtful debts Rs.11,17,78,132 (Previous Year Rs.2,98,59,421) and provision for doubtful other receivables of Rs.19,16,86,892 (Previous Year Rs.5,36,33,4380) by charging the same to Profit & loss account.

49. The Company received an advance (net of repayment) during the previous year 2013-14 (amount outstanding as at as on 31 March, 2015 Rs.42,75,00,000) from National Bulk handling Corporation Limited (NBHC). The Company has disputed the interest accrual on such advance. Hence no provision for such interest has been made in the book of account. Amount of advance is shown under note 9 "Other current liabilities".

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50. VALUATION OF INVENTORY :

The Company had incurred losses of Rs. Nil (Previous Year Rs1,55,83,811) on account of shortage due to evaporation, moisture loss in content, spoilage and deterioration in quality of traded commodities. Such losses were incidental and were within normal range and the same have been adjusted against cost of goods sold. There was no Inventory held by the Company as on 31 March, 2015 and 31 March, 2014.

51. During the previous year, the Company's holding Company, FTIL had provided an additional corporate guarantee of Rs.225,00,00,000 on behalf of the Company for availing banking facility in relation to procurement of cotton on behalf of NAFED. In view of the developments during the previous year 2013-14, the bank had invoked the said guarantee on 19 September, 2013 to the extent of outstanding balance of Rs.31,43,25,188 (which included interest) and had collected the said amount directly from the FTIL's bank account. FTIL had debited Company's account with an equivalent amount of Rs.31,43,25,188 as interest bearing loan during the previous year.

52. The commodities lying in the designated delivery centers relating to transactions carried out by Members on Exchange platform were not the property of the Company and hence such inventory of commodities is not getting reflected in the books of accounts of the Company. Similarly, such inventory was never purchased by the Company and hence any liability thereto was neither liability of the Company nor contingent liability of the Company requiring any disclosure. This is an admitted fact in various proceedings pending before various forums. This is also the industry practice.

53. With regard to internal controls relating to storage of goods and issuance of warehouse receipts, pertaining to previous year, it is the case of NSEL that the concerned officials in management prima facie might have colluded with the defaulting members and apparently facilitated issuance of warehouse receipts purportedly without adequate underlying stocks, which is under investigation. It is a fact that there were cases where stocks were available and in some cases adequate stock was not available. The Members were satisfied with the same, without any demur as some of them in fact visited the concerned warehouses. The verification of reconciliation of the commodities claimed to have been made available by erstwhile management with the other corroborative documents, contemporaneously maintained at various levels is possible only after investigations are concluded. The relevant documents and other records have been seized by investigation agencies and the exact nature of malfeasance and mismatch if any, cannot be ascertained at this stage. Investigating agencies are investigating genuineness of the warehouse receipts issued by the Exchange and impact on financials if any can be ascertained after investigations are concluded and orders are obtained from the Court. Enforcement Directorate has applied provisions of Prevention of Money Laundering Act 2002 (PMLA) on defaulting members and the Company.

54. The Company during the previous year appointed SGS & Group 4 securities to survey & secure stocks at various warehouses. Wherever the agency could find the commodities, the Company took said commodities in its possession for liquidating the same. The Company is in process of liquidating the commodities by following auction process under supervision and direction from FMC and HCC.

55. In respect of Previous Year, as reported by members that there are large number of small clients of the Members who had to receive money from the respective defaulting members, NSEL had requested its Holding company (FTIL) to provide for interest bearing bridge loan of Rs.1,793,980,927 without admission of the liability of the company to pay the dues on behalf of defaulters. Accordingly, FTIL, purely as a goodwill gesture, without admitting any liability and without prejudice, granted interest bearing bridge loan of Rs.1,793,980,927 to the Company, repayable to FTIL from future income/accrual/recoveries. Out of such loan, the Company had paid, without prejudice, to small clients of the Members in full whose dues were less than or up to Rs.200,000 and 50% of the amount to those,

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whose dues were between Rs.200,000 and Rs.1,000,000. The same was executed under intimation to the FMC and under guidance from the FMC. Your company has a right to recompense from the proceeds of recovery of the defaulted members. It is stated that such dues were the amounts payable by the buying members (pay-in) to selling members (pay-out) and that since buying members had defaulted in making payments to selling members and in the larger interest of the small clients of the selling members, the Company had made such payments to Members and in turn to small clients of such Members, under intimation to the FMC and under guidance from the FMC/Ministry of Consumer Affairs, Government of India.

56. LEGAL & REGULATORY FRAMEWORK AND RELATED ISSUES:

NSEL had commenced trading on 15 October, 2008 pursuant to a notification of exemption no. S.O. No. 906 (E) dated 5 June, 2007 issued by the Department of Consumer Affairs, Ministry of Consumer Affairs, Govt. of India (MCrA) ("Notification"). The Forward Markets Commission (FMC) was nominated as the Designated Agency w.e.f. 5 August, 2011 by the Ministry of Consumer Affairs vide letter S.No.(3)/f.No. 12/3/2003-IT(Pt).

The 2007 notification has been withdrawn by the Central Government through Notification SO 2529(E) on 19 September, 2014 with immediate effect; consequently the Notification SO 228(E) dated 6 February, 2012 and Notification SO 2406(E) dated 6 August, 2013 cease to be in force w.e.f. 19 September, 2014.

NSEL received Show Cause Notice (SCN) dated 27 April, 2012 from the Ministry of Consumer Affairs, Food and Public Distribution, Government of India, alleging inter-alia that NSEL was running contracts with more than 11 days delivery period and enabling short sales. NSEL filed detailed reply to the SCN vide its letter dated 23 May, 2012 and followed up later on dated 11 August, 2012 and 8 July, 2013. The market was also informed about the show-cause notice dated 27 April, 2012, and its response vide Communication dated 3 October, 2012.

Ministry of Consumer Affairs, Food And Public Distribution, Government of India, vide its letter dated 12 July, 2013 directed NSEL to submit an undertaking in the context of the said SCN stating that:

- a) No further/fresh contracts shall be launched until further instructions from the concerned authority.
- b) All the existing contracts will be settled on the due dates.

Accordingly, NSEL submitted an undertaking on 22 July, 2013, stating that:

- a) We undertake not to launch any further/fresh contracts in new commodities and/or at new places till further instruction from concerned authority.
- b) We undertake that we shall settle all the contracts traded on the Exchange on their respective 'settlement due dates', as per contract specification notified by the Exchange.

In view of the above, there was loss of trading interest among the participants due to uncertainties leading to trade in-equilibrium. There was possibility of payment and settlement defaults at NSEL exchange platform by some Members, which came to the notice of Board on 30 July, 2013. Therefore, NSEL issued a circular on 31 July, 2013, informing its members inter-alia that with immediate effect all one day forward contracts would be suspended till further instructions; however the trading in e-series contracts, e-auction, e-procurement, MSP operations on behalf of Government agencies (NAFED and SFAC), etc. would continue.

The operating activities of the Company was suspended w.e.f. 7 August, 2013 under directive from the Ministry of Consumer Affairs, Food & Public Distribution, Government of India dated 6 August, 2013 in continuation of its earlier directive dated 12 July, 2013. The Company has been also facing enquiries/investigations from Government agencies in relation to alleged fraud at NSEL. Further, MCrA has issued notification vide no. F.No.12/3/2003-IT (Vol. II) dated 6 August, 2013 to the company to stop e-series.

The Government by Gazette Notification SO 2529(E) dated 19 September, 2014 has withdrawn the Gazette Notification SO 906 (E) dated 5 June, 2007 (by which NSEL was granted exemption u/s. 27 of the FCR Act, 1952 for trading of forward contracts of one day duration) with immediate effect and consequently the notification SO(E) 228 dated 6 February, 2012 and notification SO 2406 (E) dated 6 August, 2013 ceased to be in force w.e.f. 19 September, 2014, as informed to the Company by the FMC vide letter dated 5 November, 2014.

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57. IRREGULARITIES IDENTIFIED

In view of the alleged fraud perpetrated by the defaulting members in collusion with the erstwhile MD & CEO of the Company and other senior officials. Due to sudden stoppage of the trading activities on Exchange platform, settlement payment default to the tune of Rs.5,689.50 Crores occurred. NSEL has launched complaints against the ex-MD & CEO and other senior officials with Mumbai Police. Relevant documents and other records have been seized by investigating agencies and the exact nature of malfeasance and mismatch, if any, as to commodities cannot be ascertained at this stage. Without completion of investigation, impact if any, of the said irregularities on the Company, cannot be ascertained. Since matter is under investigation by EOW, CBI and ED, neither the nature of irregularity involved in such misuse of powers, nor the amount involved can be presently ascertained as in all matters investigation is under progress or matter is sub judice. The Company also suspended services of erstwhile MD & CEO and other senior officials of the Company on 20 August, 2013 and terminated services immediately thereafter, as remedial measures.

The availability of commodities sold and purchased by members on the exchange platform on 31 March, 2013 was not under any doubt since there were no disputes on the availability of stock and all settlement obligations were smoothly completed including the delivery of commodities. The erstwhile management had regularly provided details of warehouse receipts assigned to different trades. The Members were satisfied with the same, without any demur, as some of them in fact visited the concerned warehouses to verify the physical stock. The then MD & CEO submitted to the Board of NSEL as well as FMC, the stock position as on 31 July, 2013 which has reported adequacy of value of stock to cover the trades. Further then MD & CEO and other senior official always maintained in various reports that the seller had deposited stocks in the designated warehouses. We understand that the reconciliation of the commodities claimed to have been available by erstwhile management team with the other corroborative documents contemporaneously maintained at various levels is possible only after investigations are concluded. The relevant documents and other records have been seized by investigation agencies and the exact nature of malfeasance and mismatch, if any cannot be ascertained at this stage. Investigating agencies are investigating genuineness of the warehouse receipts issued by the Exchange and impact on financials, if any, can be ascertained after investigations are concluded and orders are obtained from the Court. Enforcement Directorate has applied provisions of the Prevention of Money Laundering Act 2002 (PMLA) on defaulting members and exchange and investigation are in progress.

58. VIEWS ON MCRA POSITION ON TRADES DONE IN NSEL:

All contracts traded on the exchange platform were proper and in consonance with the applicable laws and there were no violations in this regard. NSEL had obtained a legal opinion on the legality of the contracts. In this regard NSEL refers to the affidavit filed by Department of Consumer Affairs (DCA) in writ petition no. 2340/2013, wherein the following points are mentioned:

View of Ministry of Consumer Affairs (MCRA) on Legality of NSEL contracts

- Extracts from Affidavit of MCRA in Writ Petition (Lodge) No. 2340 of 2013
 - Para 28, Pg 31 "The NSEL instead of adhering to the conditions of exemption quoted practical difficulties and also contended that the exemption is not confined to any specific section of FCRA, rather it extends to all provisions of FCRA was taken into account. Also the fact which emanated from FMC's communication that the other exchange that is, NCDEX Spot Exchange, which was also granted exemption under section 27 of FCRA was violating the conditions of the exemption order."
 - Para 29, Pg 31 "pending legal advice with respect to withdrawal of exemption granted under section 27 of the FCR Act, the answering respondent on 12.07.2013 directed NSEL to give an undertaking"
 - Para 31, Pg 32 "FMC in its detailed response dated 19.07.2013 has stated..... exemption from operation of the provisions of the said Act .. are silent whether the exemption is applicable to all or specific provisions of the Act"
 - Para-wise Reply 9, Pg 54 "this direction was issued in public interest to ensure that all the existing obligation is honoured on due date and the exchange is stopped from entering any fresh contract as to ensure that till a proper decision in the matter is taken, the exchange should not be allowed to invite and promote fresh contracts."

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- It may be highlighted here that Government while issue the further notifications dated 06.08.2013 and 19.09.2014 didn't adjudicate the SCN dated 27.04.2012 by declaring the NSEL contracts illegal.
 - Para-wise Reply 9, Pg 57 "it was appropriately thought by the answering respondent that additional conditions be imposed to restore the market sanctity as well as to allay the fears in the minds of the people that NSEL is unregulated."
- This proves the point that in the eye of the Ministry of Consumer Affairs, the NSEL was a regulated entity even in August 2013.

The above comments of Ministry of Consumer Affairs confirms that:

1. There were differences in views between NSEL and FMC as to the extent of the exemption notification dated 05.06.2007.
2. FMC finally confirmed by its letter dated 19.07.2013 that the exemption is silent as to whether it is from all or specific provisions of FCRA
3. NCDEX Spot Exchange was also having contracts with deliveries beyond 11 days.
4. FMC/MCrA were monitoring/regulating NSEL and other Spot Exchanges
5. As on 12.07.2013 when directions were issued by MCrA to stop market, MCrA had not even taken legal opinion whether NSEL was in violation. In fact MCrA's view was that after final decision taken, new contracts may be allowed (Pg 54 of affidavit).

59. AVAILABILITY OF COMMODITIES:

As far as availability of commodity is concerned, it was confirmed by earlier management that there were systems and processes in place for deposit of commodities and generation of warehouse receipts and charging for the same. NSEL believed existence of commodities in warehouses on the following grounds:

- a. The depositing members' declarations offering the commodity for warehousing.
- b. Invoices submitted by the depositing Members along with proof of paying VAT on the commodities deposited,
- c. The Officials concerned in NSEL at the relevant time satisfying themselves, that there were commodities deposited,
- d. Generation of warehouse receipts by the concerned officials for assigning to trades

It has come to the notice later when the matter was investigated by Audit/others that there were instances where the commodities were found missing and there were instances of commodities being available partly or fully. This is now part of the investigations by EOW and other investigation agencies.

The commodities lying in the designated delivery centers relating to transactions carried out by Members on Exchange platform were not the property of the Company and hence such inventory of commodities is not getting reflected in the books of accounts of the Company. Similarly, such inventory was never purchased by the Company and hence any liability thereto was neither liability of the Company nor contingent liability of the Company requiring any disclosure in the accounts or notes to account of the Company.

60. NOTICES / INSPECTIONS / AUDITS / INVESTIGATIONS:

- a) Company has been served with notices/letters/summons from various statutory authorities/regulators/ government departments and some purported aggrieved parties. Most of the matters against the Company are sub-judice before different forums. The Company may have civil/criminal liability arising out of one or more of the proceedings initiated against the Company.
- b) Company is in process of surrendering Agriculture Produce Market Committee (APMC) licenses in view of the fact that it is no more operational and has initiated the process for the same.
- c) An inspection of the Company under section 209A of the Companies Act, 1956 was carried out. Pursuant to such inspection, the Company has received certain notices of non-compliances with certain provision of the Companies Act, 1956 from the Ministry of Corporate Affairs and prosecution has been launched. The Company

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has replied to all such notices. The Company has filed applications for compounding of all compoundable violations as per the provisions of the Companies Act, 1956. These proceedings may result in payment of certain monetary penalties under the Companies Act 1956. The amount of penalty cannot be accurately ascertained at this stage. The company has taken suitable steps to avoid such non compliances.

- d) On the direction of the FMC, the Company had appointed Grant Thornton LLP (GT), a forensic auditor for carrying out audit of the affairs of Company for the preceding 5 quarters ended 30 June, 2013. GT had furnished their forensic audit and a detailed response was sent to the FMC with its observations on most of the issues raised in the said audit report.
- e) The Company had appointed M/s Sharp and Tannan, Chartered Accountants for verifying physical stocks of precious metals & base metals traded under e-Series contracts. As per their report no discrepancies were observed in the physical stock positions of these metal contracts except minor issues relating to reconciliation on account of rounding off etc. These commodities did not belong to the Company.
- f) Further the FMC had appointed M/s Chokshi & Chokshi, Chartered Accountants, to conduct forensic audit pursuant to the order dated 28 October, 2013 passed by the Hon'ble Bombay High Court. The said audit did not bring out any adverse finding with reference to the e-Series contracts. Consequently, as per directives of the FMC, as on date, about 98% e-Series free holdings have been settled to approximately 40,000 e-Series investors by way of re-materialization/financial closure.
- g) Some of the irregularities which have been observed arising out of misuse of power by ex-MD and CEO and erstwhile senior officials of the Company, are under investigation by Mumbai police in response to complaint made by the Company and other against such employees as also by others against the employees and Company. They were seemingly involved in misinforming the Board of Directors about risk management steps taken by them including collection of margin money, security deposit and availability of commodities. They had also colluded and conspired with defaulting members to defraud the members other than the defaulting members. Relevant documents and other records have been seized by investigating agencies and the exact nature of malfeasance and mismatch if any as to commodities of members cannot be ascertained at this stage. Without completion of investigation, impact if any, of the said irregularities on the Company, cannot be ascertained. Since matter is under investigation by EOW, CBI, ED etc., neither the nature of irregularity involved in such misuse of powers, nor the amount involved can be presently ascertained as either investigation is under progress or matter is sub judice.

61. CIVIL SUITS / COMPLAINTS / WRITS / PUBLIC INTEREST LITIGATIONS:

- a) Some of the defaulting members of the Exchange have filed cases against the Company. These cases are in the nature of:
 - (i) disowning their pay in liability for the trades executed on Exchange platform
 - (ii) counter claim from NSEL
 - (iii) claims by clients of the trading/clearing members
- b) There are some writ petitions, Public Interest Litigations (PILs), Civil Suits including in representative capacity have been filed by and against the Company.
- c) NSEL filed third party claims against the defaulting Members in the existing civil litigation for recovery of their pay-in obligation.
- d) These matters are currently sub judice before Bombay High Court and other forums and are at various stages. The writ petitions and civil suits are primarily against the various defaulting members of NSEL.

However, claims have also been made against the Company alleging that the Company was responsible as guarantor of such settlement and payment as also alleging deficiency of certain services rendered. The Company had disputed all such claims, inter-alia on the ground that, the obligation of the Company is to settle the trade using the SGF-MC created out of members' contribution and the procedures stipulated in the bye laws is to be followed for obtaining the additional contribution from non-defaulter members to complete the pay-outs.

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TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

- e) Post the defaults that occurred in July/Aug 2013, it has been revealed that the contracts in respect of which the default occurred may be hit by the proviso to bye-laws 5.26 of bye-laws* of the Exchange. The Company has contested various claims from various parties that it ever acted as central counterparty to the contracts. The matters are currently sub-judice. NSEL would follow the procedure stipulated in Chapter 12 of bye-laws to call in required contribution from the non-defaulter members, after excluding the transactions which are hit by proviso to bye-law 5.26. The company had not offered any corporate guarantee to complete the settlement out of its funds, therefore there is no liabilities of the company on these grounds.
- f) The Company received a legal opinion to the effect that the Company is not liable for payment under the provisions of SGF in the bye-laws. Further, in case of e-Series contract related transactions, no major infirmity in underlying physical stock was observed. Therefore, at this stage and in the opinion of the Management of the Company, relying upon the legal advices, and as per the provisions of bye-laws of the exchange, there are no direct ascertainable financial claims against the Company, is sought to be made in the books of accounts of the Company. The Company may be exposed to liabilities in case of any adverse outcome of these investigations/enquiries or legal cases or any other investigations/enquires or suits which may arise at a later date.
- g) NSEL took various actions including, arranging a joint meeting of Members with outstanding and receivable dues with FMC, appointing SGS & Group 4 securities to survey & secure stocks at various warehouses, appointing Sharp and Tannan Associates for audit of outstanding dues, appointed officer on special duty to assist the management of NSEL, declaring members as defaulters under bye-laws, terminating the services of ex-MD & CEO and other few senior officials, filed criminal complaints against the defaulters and ex-senior officials of NSEL and initiated various recovery proceedings against defaulting members. The High court of Bombay is seized of the recovery matter and has appointed a committee to assist them in recovery proceedings. The High court appointed a Committee (HCC) with powers mentioned in the Bombay High Court order dated 2 September, 2014.

Your Company is fully cooperating with HCC in the recovery proceedings. The proceedings against defaulting members are at various stages and no tangible recovery could be done so far.

62. On 21 October, 2014, the Ministry of Corporate Affairs, Government of India, issued a draft order suggesting that NSEL be amalgamated with FTIL as it is essential in public interest under Section 396 of Companies Act 1956.

The government's draft order has been challenged by FTIL and certain shareholders of FTIL by way of Writ Petition in the Bombay High Court. Hon'ble Bombay High Court in its order passed on 4 February, 2015 has inter alia ordered that the Central Government may consider passing final order after hearing contentions of NSEL and all other interested parties. NSEL is required to file their objections to the said draft order within 30 days and within 4 weeks thereafter Central Government to pass order after giving hearing to all interested parties. The High Court has further clarified that if any adverse order is passed by the Central Government, the same shall not be notified for a period of two weeks after the order is communicated.

63. STEPS TAKEN BY THE COMPANY, POST SETTLEMENT DEFAULT:

- a) While the Company had internal control system commensurate with the size of the Company and nature of the business carried on by the Company, based on an internal investigation and enquiry conducted by the Internal Inquiry Committee (IIC) appointed by the Board of directors of the Company between late August 2013 and October 2013, forensic audits conducted by M/s Grant Thornton LLP and M/s Chokshi and Chokshi, Chartered Accountants and special audit conducted by M/s Sharp and Tannon Chartered Accountants, certain irregularities were identified.
- b) The investigations also revealed that few of the senior officials of the Company headed by the former MD & CEO (hereinafter referred to as the erstwhile Management) had adopted improper methods, by allowing trading in contracts wrongfully, not verifying the underlying commodities lying at warehouses attached to the members etc. The investigations further prima facie found that the above was done by the erstwhile Management in collusion with various defaulting members. The findings of the investigations prima facie suggest that the

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TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

erstwhile Management was hand in glove with the defaulting members and had carried out such irregularities for some extraneous gains from members which are also stated in the charge sheet filed by the EOW on 6 January, 2014, against the employees and some of the defaulting members.

- c) The Mumbai Police, EOW has been investigating the matter and had arrested few of the employees of the Company and two Directors of the Company for interrogation. Two charge sheets have been filed against erstwhile MD and CEO and one Director and other officers of the Company under the provisions of Maharashtra Protection of Interest of Depositors (in Financial Establishments) Act, 1999 (MPID) and under Indian Penal Code, 1860 (IPC). Similarly investigations are also under progress by Central Bureau of Investigation (CBI) and Enforcement Directorate (ED), the Registrar of Companies (ROC), Mumbai, the Ministry of Corporate Affairs.
- d) The forensic audits as above were carried out during August 2013 to February 2014 focused on the period from 1 April, 2012 to 31 July, 2013. In certain instances, the forensic auditors conducted investigation procedures outside this period. The forensic investigations prima-facie reveal that the (acting through the erstwhile Management) some of the well-defined internal control systems in the Company of verifying commodity with members, the trade positions taken by them, correctness of declaration by members about availability of commodities were circumvented. The current Management is of the view that these irregularities were perpetrated by the erstwhile Management in charges of the affairs of the Company (i.e., Former MD & CEO) aided and abetted by few other senior officials and employees of the Company and in collusion with various defaulting members of the Exchange.
- e) As a result of the above, the current management had to put in significant efforts to adopt appropriate measures to rectify the same.
- f) The current management, in the light of the report of internal committee and the reports of two forensic auditors, has evaluated the effectiveness of the Company's internal control systems and controls over the financial reporting. It was noted that many established controls had been circumvented by the erstwhile management which colluded with, and was aided and abetted by, some of its employees and the defaulting trading and clearing members (TCM). The current management understands that the controls that were circumvented by the erstwhile management were as follows:
- Lack of compliance with Rules, Bye-laws and Business Rule of the Exchange by the defaulting members
 - Laxity in terms of exemption from margin requirements
 - Oversight over commodities which were stored in the warehouses managed by the defaulting Members.
 - MD & CEO at the relevant time failed to disclose non-compliance issues to the Board of Directors of the Company and as also to the statutory auditors.
 - As per the Rules and Bye-laws of the Company all powers and responsibilities had vested with the MD & CEO of the Company. Thus, the entire operations of the Company were under direct supervision and control of the then MD & CEO and his team members consisting of different heads of departments. Cases have been filed against the aforesaid employees by EOW as also by several other parties. Charge sheets have been filed against few of the aforesaid employees by EOW and the matter is at various stages of admission, hearing, and adjudication before several courts.
 - Misuse of powers vested with ex-MD & CEO of the Company in terms grant of third party guarantees, turning blind eye to the Members' violation of Rules and Bye-laws of the Company unilateral relaxation in Rules pertaining to certain Exchange related transactions.

64. During the year, the management on prudent basis written-off service tax credit amount of Rs.2,69,37,775. The decision is based on the review and reconciliation of books of account with service tax returns filed with the service-tax department and corresponding lapse of service tax credit benefit to the Company. Although, the Company is trying its best to resolve the issue and get the credit benefit of the same.

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TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2014-15

65. As per the assessment of the Management necessary disclosures arising from the irregularities as stated above have been made in the financial statements. Since matters relating to several of the irregularities are sub judice and the various investigations are on-going, any further adjustments/disclosures, if required, be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified. However following risks are still not fully covered.

Risk of un-identified financial irregularities

In view of the specific scope of the forensic audits and the limitations in the forensic audits and investigations, there is inherent a risk that material errors, fraud and other illegal acts may exist that could remain undetected.

Risk of adverse outcome of investigation/enquiry by law enforcement agencies

Several agencies such as the Police (EOW), Ministry of Corporate Affairs (MCA), Enforcement Directorate (ED), CBI and the Income Tax Department etc. are currently investigating/enquiring the extent of alleged irregularities and any breach of law. The matters are also sub judice before various forums including the Hon'ble Mumbai High Court. The Company may be exposed to liabilities in case of any adverse outcome of these investigations or any other investigations which may arise at a later date.

66. PREVIOUS YEAR COMPARATIVES:

Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure. NSEL did not have any business operations during the current year but had business operation for part of the year during previous year and in case of IBMA there were business operations only for part of the current year and hence the figures for the current financial year are not comparable with the earlier financial year.

As per our report of even date
For Mahendra Sharma & Co
 Chartered Accountants
 Firm Registration No. 132162W

**For and on behalf of the Board of Directors of
 National Spot Exchange Limited**

S. Rajendran
 Non-Executive Director
 DIN No. 02686150

Saji Cherian
 Managing Director & CEO
 DIN No. 02512505

Prakash Chaturvedi
 Joint Managing Director
 DIN No. 00516694

Mahendra Sharma
 Proprietor
 Membership No. 139399

Subramanya Kusnur
 Non-Executive Director
 DIN No. 02534022

Ashok Nag
 Non-Executive Director
 DIN No. 06796476

Amarendra Sahoo
 Non-Executive Director
 DIN No. 06741280

Niraj Gupta
 Independent Director
 DIN No. 00334002

Varghese Jacob
 Independent Director
 DIN No. 01966765

Ravikant Baheti **Sandip Rahane**
 Chief Financial Officer Company Secretary

Place : Mumbai
 Date : 18/05/2015

Place : Mumbai
 Date : 18/05/2015

NATIONAL SPOT EXCHANGE LIMITED

Annexure A

Business Segmental Reporting

(in Rs.)

	Exchange		Warehousing		Procurement		Trading		Consolidated Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue	857,650,614	1,631,681,883	(3,380,939)	79,901,583	771,572,892	102,468,893	1,026,954,060	2,920,421,291	2,652,796,627	4,734,473,649
Allocable Expenses	551,138,614	631,143,988	44,830,516	53,698,729	1,017,484,472	7,757,660	1,345,737,329	3,414,837,637	2,959,190,931	4,107,438,015
Segment Result	306,512,000	1,000,537,895	(48,211,455)	26,202,854	(245,911,580)	94,711,234	(318,783,268)	(494,416,346)	(306,394,304)	627,035,635
Unallocated Corporate Expenses									142,144,973	89,822,998
Operating Profit/(loss)									(448,539,276)	537,212,638
Dividend Income									67,263,744	154,084,628
Interest Income									104,902,984	495,527,923
Financial Expense									113,490,401	3,492,613
Income Tax									(11,867,898)	369,507,131
Net Profit									(377,995,052)	813,825,446
Other Information										
Segment Assets	3,141,231,063	1,336,355,629	45,714,021	93,254,562	738,989,269	2,861,135,076	451,503,637	2,453,229,377	4,377,437,989	6,743,974,644
Unallocated Corporate Assets									193,534,544	2,667,776,474
Total Assets	3,141,231,063	1,336,355,629	45,714,021	93,254,562	738,989,269	2,861,135,076	451,503,637	2,453,229,377	4,570,972,533	9,411,751,118
Segment Liabilities	3,379,286,465	6,767,518,180	6,915,672	1,671,827	95,300,853	407,272,278	43,065,592	486,115,982	3,524,568,581	7,662,578,266
Unallocated Corporate Liabilities									84,426	324,858,274
Total Liabilities	3,379,286,465	6,767,518,180	6,915,672	1,671,827	95,300,853	407,272,278	43,065,592	486,115,982	3,524,653,007	7,987,436,540
Other Segment Information										
Capital Expenditure										
Tangible assets									3,270,846	13,585,287
Intangible Assets									164,214	2,927,477
Unallocated Capital expenditure										
Depreciation										
Tangible assets									7,859,256	5,605,603
Intangible Assets									51,759,684	51,759,684
Unallocated Depreciation on Capital expenditure										

9MPRENTWHS

NATIONAL SPOT EXCHANGE LIMITED
Annexure B

Related Party Disclosure

Sr. No.	Nature of Transactions	Holding company or group of individuals having control or significant influence over the Company and relatives of such individuals		Fellow Subsidiaries		Enterprise on which relative of Key Management Personnel is able to exercise significant influence		Associates of holding company		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1	Advances taken										
a	Balance as at the start of the year NBHC	-	-	427,500,000	-					427,500,000	-
b	Taken during the year-NBHC			-	1,050,000,000					-	1,050,000,000
c	Repaid/adjusted during the year-NBHC										622,500,000
d	Balance payable as at the end of the year -NBHC					427,500,000	427,500,000			427,500,000	427,500,000
2	Long term borrowings										
a	Balance as at the start of the year	2,143,306,115	-							2,143,306,115	-
b	Taken during the year	109,875,810	2,143,306,115							109,875,810	2,143,306,115
c	Repaid/adjusted during the year										-
d	Balance as at the end of the year	2,253,181,925	2,143,306,115							2,253,181,925	2,143,306,115
3	Allotment of Equity shares to Holding company	150,000,000	-							150,000,000	-
3	Loan Given										
4	Deposit received										
	From Holding company	700,000	-							700,000	-
5	Income:										
(ii)	Sale of Commodities-NBHC				96,946,257						96,946,257

(in Rs.)

Sr. No.	Nature of Transactions	Holding company or group of individuals having control or significant influence over the Company and relatives of such individuals		Fellow Subsidiaries		Enterprise on which relative of Key Management Personnel is able to exercise significant influence		Associates of holding company		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
6	Reimbursement of expenses charged to :										
	b Financial technologies (l) Ltd.		240,411								240,411
7	Expenses:										
	a Business support charges	808,773	139,999,171	-						808,773	139,999,171
	b Rent	2,696,640	19,465,908	49,578						2,696,640	19,515,486
	c Interest	195,698,442	111,468,912							195,698,442	111,468,912
	d Furnigation Expenses-NBHC			138,841							138,841
	e QC Expenses-NBHC			6,798							6,798
	f Warehouse & Storage Expenses-NBHC			81,362							81,362
	g Bad debts Written Off-NBHC-NBHC			191,511							191,511
	h Provision for doubtful Debts- NBHC- NBHC			(191,511)							(191,511)
	k Provision for diminution other than temporary in value of long term investments in										
(i)	IBMA										
(ii)	FAIDA										
(iii)	WGAGL										
l	VSAT Connectivity Charges-Multi Commodity Exchange of India Ltd.									448,149	1,015,482
n	Leased Line Expenses Financial Technologies Communication					2,195,054					2,195,054

(in Rs.)

Sr. No.	Nature of Transactions	Holding company or group of individuals having control or significant influence over the Company and relatives of such individuals		Fellow Subsidiaries		Enterprise on which relative of Key Management Personnel is able to exercise significant influence		Associates of holding company		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Repairs-others										
	(i) ATOM Technologies Ltd			2,286							2,286
	p Data Feed Expenses Tickerplant Limited			561,800							561,800
	q Loss on account of constituent trades in future commodity contracts					204,257,146					204,257,146
	8 Reimbursement of expenses charged by:										
	a National Bulk Handling Corporation Ltd.			86,102							86,102
	b Financial Technologies India Ltd.	453,336	9,378,987							453,336	9,378,987
	9 Guarantees given by Holding company to company										
	a Increase during the year	-	2,250,000,000								2,250,000,000
	b Decrease during the year	-	2,350,000,000								2,350,000,000
	10 Fixed Assets:										
	a Fixed Assets Purchased	-	-								-
	Financial technologies (l) Ltd	18,491								18,491	-
	11 Sundry Debtors and other receivable Balance as at the end of the year										
	e Sundry Debtors Balance as at the end of the year					7,970,478	7,970,478			7,970,478	7,970,478
	Less Provision for doubtful trade receivable					3,985,240	1,992,619			3,985,240	1,992,619
	Net carrying value of Trade receivables					3,985,238	5,977,859			3,985,238	5,977,859

(in Rs.)

Sr. No.	Nature of Transactions	Holding company or group of individuals having control or significant influence over the Company and relatives of such individuals		Fellow Subsidiaries		Enterprise on which relative of Key Management Personnel is able to exercise significant influence		Associates of holding company		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Other receivables at the end of the year					766,747,568	766,747,568			766,747,568	766,747,568
	Less: Provision for doubtful other receivables					383,373,784	191,686,892			383,373,784	191,686,892
	Net carrying value of Other receivables					383,373,784	575,060,676			383,373,784	575,060,676
12	Sundry Creditors										
	Balance as at the end of the year	441,864,805	261,110,300	1,431,151	1,406,207					443,295,956	262,516,507
13	Deposit payable	700,000	-							700,000	-
14	Advance receivable as at the end of the year- Atom				1,351,175						1,351,175

Route Map to the Venue of the AGM





Electronic Spot Market

NATIONAL SPOT EXCHANGE LIMITED

(CIN: U51100MH2005PLC153384)

Regd. Office: 4th Floor, FT Tower, Suren Road, Chakala, Andheri (E), Mumbai - 400 093.

e-mail: ls@nationalspotexchange.com | website: www.nationalspotexchange.com

ATTENDANCE SLIP

I/We hereby record my/our presence at the 'Ninth Adjourned Annual General Meeting' of the Company to be held on 4 September, 2015 at 3:00 p.m. at 4th Floor, FT Tower, Suren Road, Chakala, Andheri (E), Mumbai - 400093.

Full Name of the Member(s)/Proxy.....

(In Block Letters)

No. of Shares held.....

Folio No./DP ID and Client ID.....

Signature(s) of the Member(s)/Proxy 1 2

Note: Members attending the meeting in-person or by proxy are requested to complete the attendance slip and deposit with the Company Officials at the venue of the Meeting.

Form No. MGT-11

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

NATIONAL SPOT EXCHANGE LIMITED

(CIN: U51100MH2005PLC153384)

Regd. Office: 4th Floor, FT Tower, Suren Road, Chakala, Andheri (E), Mumbai - 400 093.

e-mail: ls@nationalspotexchange.com website: www.nationalspotexchange.com

Table with 2 columns: Label (Name of the Member (s), Registered address, E-mail ID, Folio No./Client ID- DP ID) and empty space for input.

I/We, being the member (s) of _____ shares of the above named company, hereby appoint

- 1. Name: Address: E-mail Id: Signature:
2. Name: Address: E-mail Id: Signature:
3. Name: Address: E-mail Id: Signature:

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Ninth Adjourned Annual General Meeting of the company, to be held on the 4 September, 2015 at 3:00 p.m. at 4th Floor, FT Tower, Suren Road, Chakala, Andheri (E), Mumbai - 400093 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.:

Ordinary Business:

- 1. To consider and adopt: a) the Audited Standalone Financial Statements for the Financial Year ended 31 March, 2015, the Reports of the Auditors and the Board of Directors thereon; and (b) the audited consolidated Financial Statements of the Company for the Financial Year ended 31 March, 2015
2. To appoint M/s. Patel, Shah & Joshi, Chartered Accountants, Mumbai, (Firm Registration No. 107768W) as the Statutory Auditors
3. To appoint a Director in place of Dr. Amarendra Sahoo, who retires by rotation and being eligible, offer himself for re-appointment

Signed this _____ day of _____ 2015.

Signature of shareholder: _____

Signature of Proxy holder (s) : _____



Note: This proxy form in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.



National Spot Exchange Limited

Regd. Off.: FT Tower, CTS No. 256 & 257, 4th Floor, Suren Road, Chakala, Andheri (East), Mumbai - 400 093.
Tel: +91-22-6761 9900 | Fax: +91-22-6761 9931 | ls@nationalspotexchange.com | www.nationalspotexchange.com