



INDEPENDENT AUDITOR'S REPORTS

To the Members of
OTC EXCHANGE OF INDIA

Report on the Financial Statements

We have audited the accompanying financial statements of **OTC EXCHANGE OF INDIA** ("the Exchange"), which comprise the Balance Sheet as at **March 31, 2014**, the Statement of Income and Expenditure for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Exchange in accordance with the Accounting Standards notified under the Companies Act, 1956(the Act) read with the General circular 15/2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issue by The Institute of Chartered Accountants of India. Those standards required 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 misstatements.

An audit involves performance procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparations and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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 Exchange as at March 31, 2014;
- (b) In the case of Statement of Income and Expenditure 'Surplus' of the Company for the year ended on that date; and

Emphasis of Matter

1. We draw attention to Note 3.4 to the financial statements which indicates that some shareholders of the Company hold shares in the Company in excess of 'Share Restrictions' as specified by the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012.
2. Further, the Exchange has applied for voluntary surrender of its licence as per SEBI Circular dated May 30, 2012. However these financial statements do not include any adjustments that will give the result that the Exchange was unable to continue as a going concern. Our opinion is not qualified in respect of this matter.
3. Further we draw attention to Note 12 to the financial statements which indicate that due to continuous losses the Board has decided to close operations of subsidiary OTCEI Securities Ltd (OSL) and go for voluntary winding up of the Company.
4. The Company has made provision towards diminution in the value of its investments in its subsidiary (OSL) based on the Book value of the subsidiary company as on March 31, 2014.
5. OTCEI from this financial year has booked income on annual fees from members/dealers and listing fees from listed companies on receipt basis, due to which revenue from operations is lower by Rs.23.92 lacs. However, if the above income would have been booked on due basis, there would have been a corresponding increase in the provision for doubtful debts for the same amount.

Report on Other Legal and Regulatory Requirements

1. The report does not include a statement on the matters specified in paragraph 4 of the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Department of Company Affairs, in terms of sub-section (4A) of section 227 of the Act, since in our opinion and according to the information and explanations given to us, the said Order is not applicable to the Exchange.
2. As required by Section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Exchange so far as appears from our examination of those books of account.
 - c. The Balance Sheet and the Statement of Income and Expenditure, dealt with by this Report are in agreement with the books of account.



- d. In our opinion, the Balance Sheet and the Statement of Income and Expenditure comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13th September, 2013 of the ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013.
- e. On the basis of the written representations received from the directors as on March 31, 2014, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of Section 274(1) (g) of the Act.

MITTAL & ASSOCIATES
Chartered Accountants

Firm Registration No. 106456W



M. Mehta
Partner

M. No. 42990

Place: Mumbai

Dated: 1st September, 2014