

# NINTH ANNUAL REPORT 2006-07



**INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.**

# CONTENTS

<b>Company Information</b> .....	3-6
<b>Directors' Report</b> .....	7-19
<b>Auditors' Report</b> .....	20-22
(for the period April 1, 2006 to March 31, 2007)	
<b>Balance Sheet</b> .....	23
(as at March 31, 2007)	
<b>Profit &amp; Loss Account</b> .....	24
(for the period April 1, 2006 to March 31, 2007)	
<b>Schedule forming part of the Accounts</b> .....	25-39
(for the period April 1, 2006 to March 31, 2007)	
<b>Annexure: Eighth Annual Report of ISE Securities &amp; Services Ltd., the wholly-owned subsidiary of ISE</b> .....	41-64

## COMPANY INFORMATION

### BOARD OF DIRECTORS

Public Interest Directors	Shareholder Directors	Trading Member Directors	Managing Director
Shri P. V. Narasimham, Chairman	Shri M. K. Anandakumar	Shri. Jambu Kumar Jain	Shri V. Shankar (till June 16, 2007)
Dr. S. D. Israni	Shri T. N. T. Nayar		
Dr. M. Y. Khan	Shri K. D. Gupta		
	Shri V. R. Bhaskar Reddy		

**ASST. COMPANY SECRETARY  
& COMPLIANCE OFFICER**  
Shri Milind Nigam

**AUDIT COMMITTEE**  
Shri R. M. C. Rodrigues  
Dr. S. D. Israni  
Dr. M. Y. Khan

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

**INTERNAL AUDITOR**  
M/s. M. P. Chitale & Co.,  
Chartered Accountants

### BANKERS

HDFC Bank Limited  
Vashi Branch  
Sector 17, Vashi  
Navi Mumbai 400703.

UTI Bank Limited  
Vashi Branch  
Sector 17, Vashi  
Navi Mumbai 400703.

### REGISTERED OFFICE

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



## COMPANY INFORMATION

### BRANCH OFFICES

#### AHMEDABAD

Shop No. S/4, Valmik Complex  
Near Parimal Garden  
Ellisbridge  
Ahmedabad - 380006.  
(Branch Incharge: Shri Madhusudhan Soneji)

#### KOLKATA

Eastern Regional Office  
403, Mukti Chambers  
4, Clive Row  
Kolkata: 700001  
(Branch Incharge: Shri Ramesh Kumar)

#### COIMBATORE

Southern Regional Office  
Coimbatore Stock Exchange Building  
684, Stock Exchange Building  
Trichy Road  
Coimbatore - 6410 05.  
(Branch Incharge: Shri T. Umashankar)

#### TIRUNEVELI

64 - D , Nellai Plaza  
2nd Floor,  
Madurai Road  
Tirunelveli

#### DELHI

3<sup>RD</sup> Floor, R.D.Chambers,  
16/11, Arya Samaj Road,  
Karol Bagh,  
New Delhi, 110001

#### NAGPUR

F-2, First Floor, Narmada Plaza  
Dharampeth  
Nagpur: 440010  
(Branch Incharge: Shri Amit Chakravarthy)

#### HYDERABAD

Hyderabad Stock Exchange Building  
3-6-275, Himayat Nagar  
Hyderabad - 500 029  
(Branch Incharge: Shri Surendra Reddy)

#### PATNA

803, Ashiana Plaza  
8th Floor, Budh Marg  
Patna - 800 001  
(Branch Incharge: Shri Himanshu Kumar)

### INVESTOR POINTS

#### BORIVALI

Shop No. 3, Visamo Building  
57th T.P.S III Road, Borivali  
Mumbai- 400092

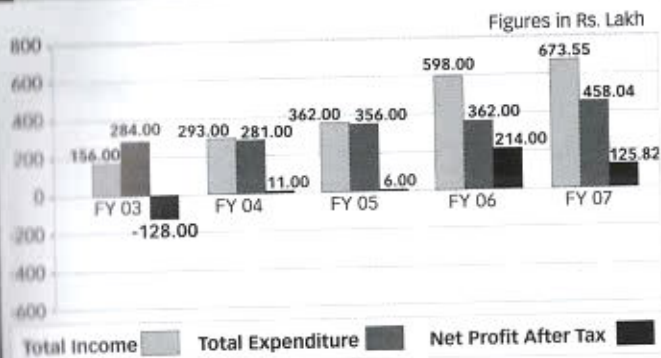
#### KARAIKUDI

Mahendra Complex,  
Jawahar Street,  
New Town,  
Karaikudi- 630001.

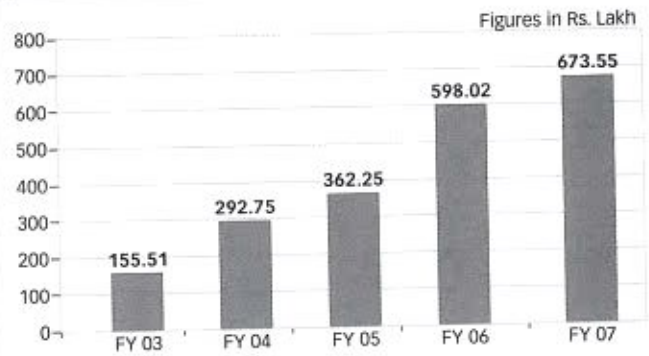
#### TIRUPUR

32-A , 2nd Floor  
Easwaran Kovil  
Tirupur

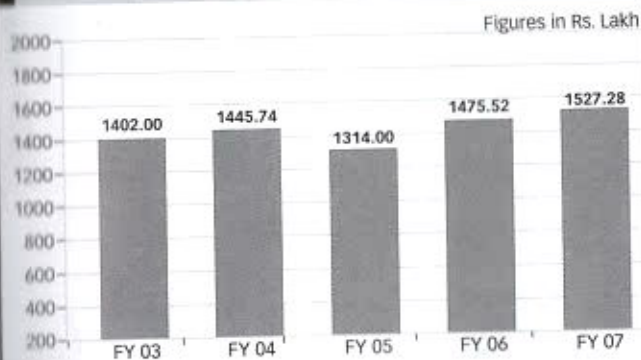
### FINANCIAL PERFORMANCE



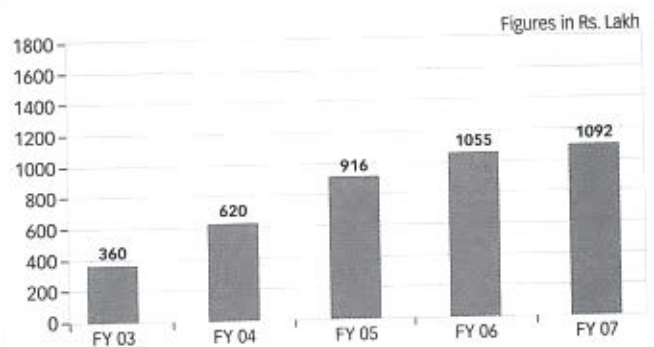
### TOTAL INCOME



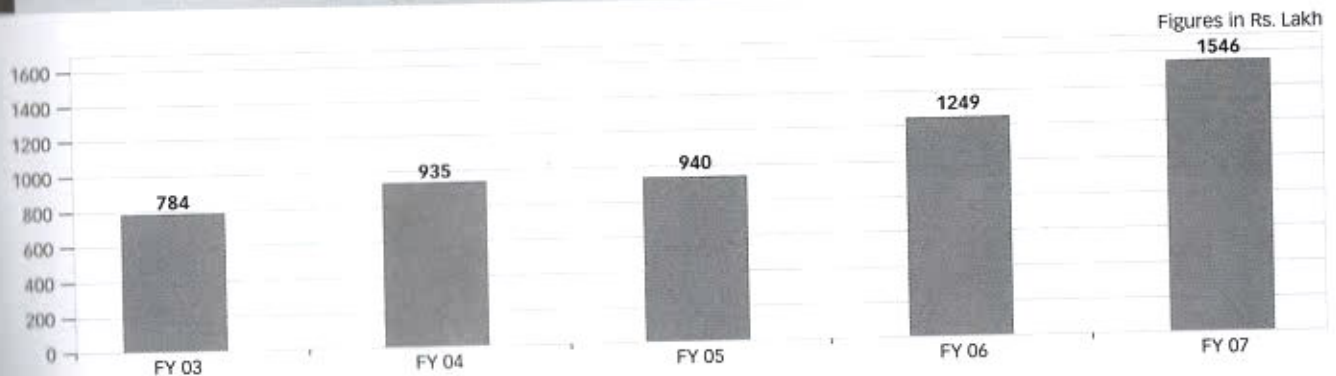
### NETWORTH ANALYSIS



### INVESTMENTS (FDR'S + MF'S): OWN FUNDS

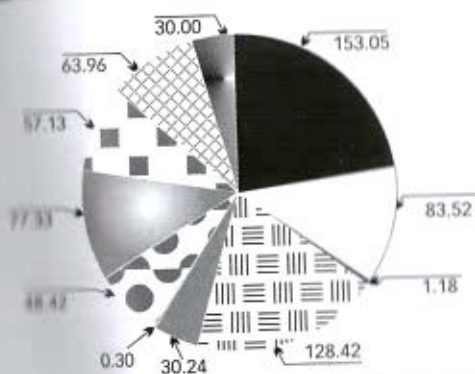


### INVESTMENT (FDRS): EARMARKED FUNDS



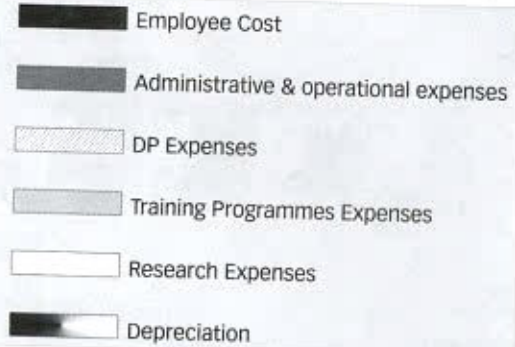
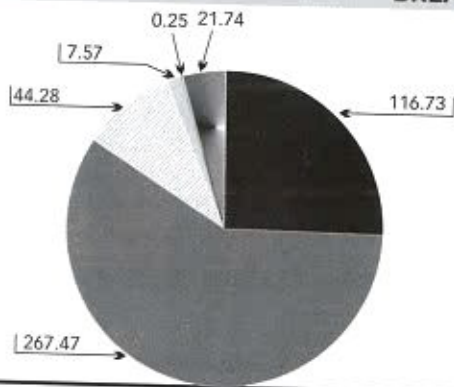
### BREAK- UP OF INCOME

Figures in Rs. Lakh

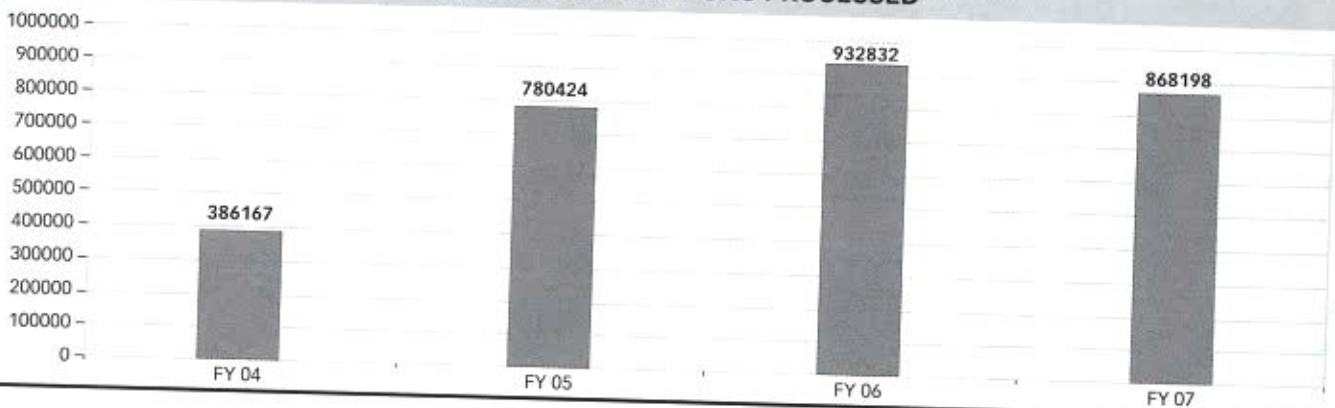


- Admission Fees from trading members
- Annual Subscriptions trading members
- Listing fees
- ▨ Income from DP Operations
- ▩ Income from Training Programmes
- ▧ Income from Research
- ▤ Income from Rent
- ▥ Interest on Bank Deposits
- ▦ Others
- ▨ Reimbursement of expenses by subsidiary company
- Management Services Fees

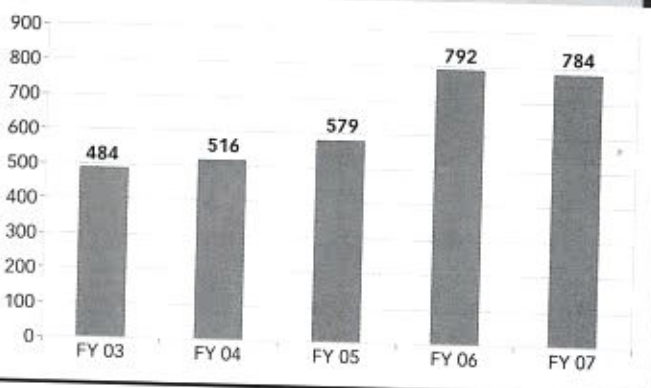
### BREAK-UP OF EXPENDITURE



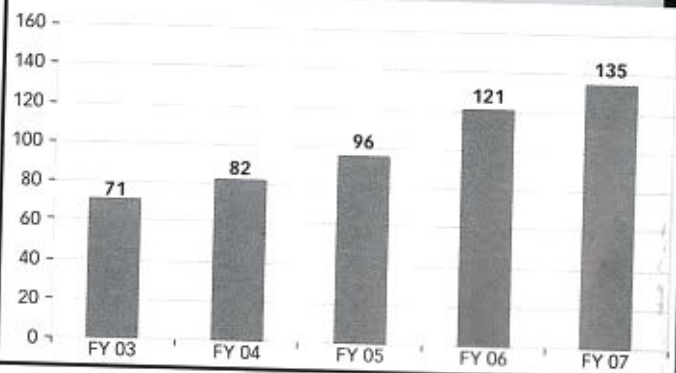
### NO. OF DP INSTRUCTIONS PROCESSED



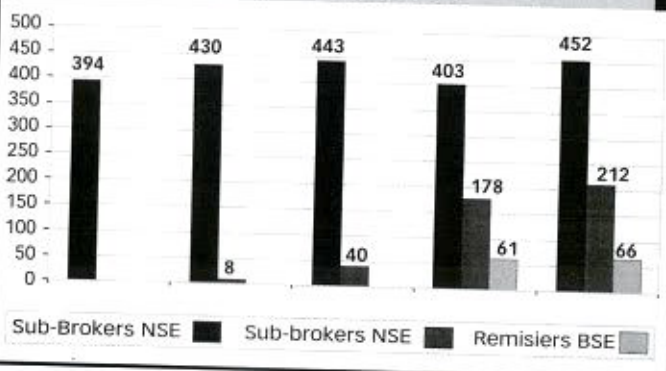
### NO. OF REGISTERED TRADING MEMBERS



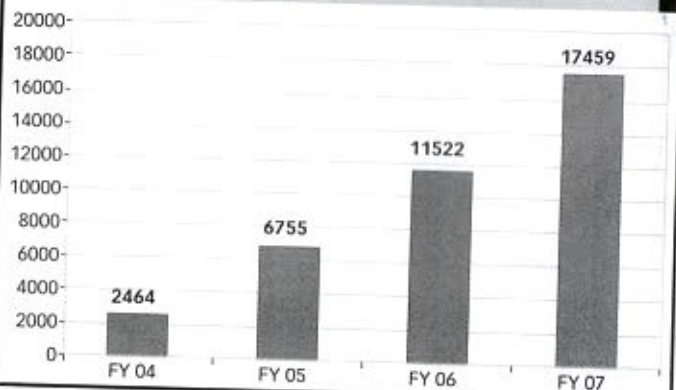
### NO. OF CITIES WHERE TRADING MEMBERS ARE SITUATED



### NO. OF REGISTERED INTERMEDIARIES FOR NSE AND BSE



### NO. OF DP BENEFICIARY ACCOUNTS





## DIRECTORS' REPORT: 2006 - 07

The Board of Directors of Inter-connected Stock Exchange of India Ltd. is pleased to present the Ninth Annual Report for the year ended March 31, 2007 together with the Audited Statement of Accounts for the financial year 2006-07.

### FINANCIAL HIGHLIGHTS

The financial performance of Inter-connected Stock Exchange of India Ltd. for the year 2006-07, together with the comparable figures for the four previous years, is presented below:

**Table 1 : Comparative Financial Performance**

(Figs. in Rs. lakh)

	2006-07	2005-06	2004-05	2003-04	2002-03
<b>INCOME</b>					
Admission Fees from trading members	153.05	5.80	0.45	0.50	0.80
Annual Subscriptions trading members	83.52	61.51	49.91	52.18	90.77
Listing Fees	1.18	1.20	1.36	0.89	1.16
Transaction Charges	-	-	-	-	0.35
Income from DP Operations	128.42	81.24	38.88	14.80	-
Income from Training Programmes	30.24	19.30	-	-	-
Income from Research	0.30	-	-	-	-
Income from Rent	48.42	38.34	27.02	16.19	-
Interest on Bank Deposits	77.33	63.34	48.46	36.12	38.74
Others	57.13	47.00	41.86	35.49	23.69
Reimbursement of expenses by subsidiary company	63.96	75.83	99.60	85.58	-
Management Services Fees	30.00	30.00	-	-	-
Application fee & Admission fee for Additional Trading Rights	-	9.40	54.72	51.00	-
Profit on sale of assets	-	165.06	-	-	-
<b>Total Income</b>	<b>673.55</b>	<b>598.02</b>	<b>362.26</b>	<b>292.75</b>	<b>155.51</b>
<b>EXPENDITURE</b>					
Employee Cost	116.73	93.68	57.87	48.23	39.48
Administrative & operational expenses	267.47	166.98	134.74	77.94	99.67
DP Expenses	44.28	36.94	20.95	11.58	-
Training Programmes Expenses	7.57	36.16	-	-	-
Research Expenses	0.25	-	-	-	-
Interest	-	-	-	-	1.91
Depreciation	21.74	28.24	142.53	143.59	142.70
<b>Total Expenditure</b>	<b>458.04</b>	<b>362.00</b>	<b>356.09</b>	<b>281.34</b>	<b>283.76</b>
<b>Profit/(Loss) before Taxation</b>	<b>215.51</b>	<b>236.02</b>	<b>6.17</b>	<b>11.41</b>	<b>(128.25)</b>
<b>Less: Provision for tax</b>	<b>89.69</b>	<b>21.56</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROFIT/(LOSS) AFTER TAXATION</b>	<b>125.82</b>	<b>214.46</b>	<b>6.17</b>	<b>11.41</b>	<b>(128.25)</b>

\* The higher profit during the year 2005-06 were because of sale of assets of Rs. 165.06 lakhs. If we take out the sales figure, the operational profits work out to Rs. 49.40 lakhs as such the exchange showed steep rise in its profits during 2006-07 on the basis of its operations.

The Exchange has improved its financial performance with its total income rising to Rs.673.55 lakh, up from Rs. 598.02 lakh earned during the year 2005-06. The main contributors to the additional income were DP income which had gone up to Rs. 128.42 lakh in 2006-07 from Rs. 81.24 lakh in 2005-06 and training income of Rs. 30.24 lakh in 2006-07 from Rs. 19.30 lakh in 2005-06. Interest income in 2006-07 was also higher at Rs. 77.33 lakh compared to Rs.63.34 lakh during the previous year.

On the expenditure side, the administrative & operational expenses and employee cost have shown increase commensurate with the larger scale of activities carried out during 2006-07, mainly for supporting the new DP branches, training programmes and Research & publications.

The net worth of your Exchange stood at Rs. 1527.28 lakh at the end of March 2007 compared to Rs. 1475.52 lakh at the end of March 2006.

#### APPROPRIATIONS

Appropriations of the net profit for the period are as under:

(Amount in Rs. lakhs)

General Reserves	12.60
Proposed Dividend	33.60
Corporate Dividend Tax	5.71
Balance carried to Reserves and Surplus	76.70

#### DIVIDEND

Considering the excellent performance during the year under review, the Board of Directors of the Company in its meeting held on June 16, 2007 recommended a dividend of Rs. 4 per equity share of Rs. 1 each (400 per cent), for the year ended March 31, 2007 and the same will be paid after the

approval at the Annual General Meeting. The total dividend payout for year 2006-07 (including dividend distribution tax) was Rs. 39.31 lakh.

#### MACRO-ECONOMIC REVIEW

##### Growth Scenario

Sterling performance of services and manufacturing sectors helped the Indian economy to register growth of 9.4 per cent in 2006-07, as compared to a rise of 9.0 per cent during 2005-06, the highest increase in 18 years, despite slowdown toward the close of the year (Table 2). The better performance during the year under review was largely contributed by the manufacturing, services, mining and quarrying sectors. The other important developments in the economy has been the increase in domestic saving rate and capital formation which facilitated the diversified growth in the economy. It has been projected that GDP growth may be around 10 per cent during 2007-08.

##### Trends in Equity Market

###### Primary Market

Resources raised through the public issues increased by 20.2 per cent to Rs.32,382 crore during 2006-07 as compared to Rs. 26940 crore year 2005-06 (Table 3). The average size of issues increased to Rs.272 crore from Rs.195 crore during the corresponding period of the previous year reflecting the entry of large companies in the market. All issues, except one, during 2006-07 were by non-Government public limited companies (private sector) and mostly by non-financial companies.

Mobilisation of resources through private placement increased by 50.8 per cent to Rs.1,03,169 crore during April-December 2006 over the corresponding period of the previous year. This was mainly on account of a nearly

Table 2 : Revised Estimates of GDP at Factor Cost by Economic Activity

Industry	(At 1999-2000 prices)	
	Percentage change over previous year	
	2005-06	2006-07
1. agriculture, forestry & fishing	6.0	2.7
2. mining & quarrying	3.6	5.1
3. manufacturing	9.1	12.3
4. electricity, gas & water supply	5.3	7.4
5. construction	14.2	10.7
6. trade, hotels, transport and communication	10.4	13.0
7. financing, insurance, real estate & business services	10.9	10.6
8. community, social & personal Services	7.7	7.8
9. GDP at factor cost	9.0	9.4

Source : CSO & RBI



Table 3 : Mobilisation of Resources from the Primary Market

(Amount in Rupees crore)

Item	2005-06		2006-07	
	No. of Issues	Amount	No. of Issues	Amount
1	2	3	4	5
<b>A. Prospectus and Rights Issues*</b>				
<b>1. Private Sector (a+b)</b>	<b>131</b>	<b>21,154</b>	<b>118</b>	<b>31,600</b>
a) Financial	11	7,746	9	2,420
b) Non-financial	120	13,408	109	29,180
<b>2. Public Sector (a+b+c)</b>	<b>7</b>	<b>5,786</b>	<b>1</b>	<b>782</b>
a) Public Sector Undertakings	-	-	-	-
b) Government Companies	1	373	-	-
c) Banks/Financial Institutions	6	5,413	1	782
<b>3. Total (1+2)</b>	<b>138</b>	<b>26,940</b>	<b>119</b>	<b>32,382</b>
Of which: (i) Equity	136	26,695	116	31,535
(ii) Debt	2	245	3	847
<b>B. Private Placement<sup>®</sup></b>				
<b>1. Private Sector</b>	<b>673</b>	<b>29,501</b>	<b>1,111</b>	<b>59,796</b>
a) Financial	281	18,191	450	35,887
b) Non-financial	392	11,310	661	23,909
<b>2. Public Sector</b>	<b>108</b>	<b>38,926</b>	<b>84</b>	<b>43,373</b>
a) Financial	84	25,677	71	35,734
b) Non-financial	24	13,249	13	7,639
<b>3. Total (1+2)</b>	<b>781</b>	<b>68,427</b>	<b>1,195</b>	<b>1,03,169</b>
Of which: (i) Equity	1	150	1	57
(ii) Debt	780	68,277	1,194	1,03,112
<b>C. Euro Issues</b>	<b>48</b>	<b>11,352</b>	<b>40</b>	<b>17,005</b>
P. Provisional				
* Excluding offers for sale - Nil/Negligible ® Data pertain to April-December.				

Source: RBI policy statement on Macroeconomic and monetary developments in 2006-07, RBI website

doubling of resources mobilised by the private sector entities to Rs.59,796 crore from Rs. 29501 crores. Resources raised by public sector entities increased by only 11.4 per cent. Private sector entities, thus, raised more resources than public sector entities in contrast to the trend in 2005-06. Financial intermediaries (both from public sector and private sector) continued to account for the bulk of resource mobilisation from the private placement market (69.4 per cent of the total during April-December 2006 as compared with 64.1 per cent during April-December 2005).

The resources raised through Euro issues - American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) - by Indian corporates increased by 49.8 per cent to Rs.17,005 crore during 2006-07.

During 2006-07, net mobilisation of resources by mutual funds increased substantially by 78.1 per cent to Rs.93,985 crore over the previous year (Table 4). Bulk of the net mobilisation of funds (68.2 per cent of total) was under income/debt-oriented schemes, while growth/equity-oriented schemes accounted for 30.0 per cent.

Table 4: Resource Mobilisation by Mutual Funds

Mutual Fund	2005-06		2006-07	
	Net Mobilisation @	Net Assets	Net Mobilisation @	Net Assets
1	2	3	4	5
Private Sector	42,977	1,81,515	79,038	2,62,079
Public Sector	6,379	20,829	7,621	28,725
UTI	3,424	29,519	7,326	35,488
<b>Total</b>	<b>52,780</b>	<b>2,31,862</b>	<b>93,985</b>	<b>3,26,292</b>

@: Net of redemptions.

Source: Securities and Exchange Board of India.

### Secondary Market

The domestic stock markets recorded further gains during 2006-07. FIIs investments in the domestic stock markets during 2006-07 were lower than a year ago. Mutual funds investments in the domestic stock markets were also lower than a year ago.

Major stock indices and sectors showed mixed trends during 2006-07 (Chart 5). On a point-to-point basis, the BSE 500 and the BSE Mid-cap increased by 9.7 per cent and 0.7 per cent, respectively, while the BSE Small-cap declined by 1.9 per cent. Amongst major sectors, oil and gas stocks recorded gains of 30.5 per cent, followed by bank stocks (24.2 per cent), IT (21.6 per cent), consumer durables (11.1 per cent) and capital goods (11.1 per cent). However, losses were noticed in the fast moving consumer goods sector (21.4 per cent), auto sector stocks (8.7 per cent), healthcare (5.4 per cent), metals (4.3 per cent) and PSUs (3.2 per cent) (Table 5).

The price-earnings (P/E) ratio for the 30 scrips included in the

BSE Sensex declined from 20.9 at end-March 2006 to 20.3 at end-March 2007 (Table 6). The market capitalisation of the BSE increased by 17.3 per cent between end-March 2006 and end-March 2007.

Total turnover (BSE and NSE) in the cash segment during 2006-07 at Rs.29,00,830 crore was 21.7 per cent higher than that in the corresponding period of 2005-06. Total turnover (BSE and NSE) in the derivative segment increased by 53.7 per cent during 2006-2007 to Rs.74,15,448 crore. Corporate performance also provided support to the market.

Profits after tax of corporates improved sharply in each of the first three quarters of 2006-07. Profits after tax of select non-Government non-financial companies increased by 48.7 per cent during April-December 2006 on top of 36.8 per cent growth recorded in the corresponding period of 2005. Ratio of profits after tax to sales improved to 11.0 per cent during the quarter ended December 2006 from 8.6 per cent a year ago (Table 6).

Table 5: Stock Market Indicators

Indicator	BSE			NSE		
	2004-05	2005-06	2006-07	2004-05	2005-06	2006-07
1	2	3	4	5	6	7
BSE Sensex / S&P CNX Nifty*						
End-period	6493	11280	13072	2036	3403	3822
Average	5741	8280	12277	1805	2513	3572
Volatility# (Per cent)	11.2	16.7	9.0	11.3	15.6	10.5
P/E Ratio (end-period)*	15.6	20.9	20.3	14.6	20.3	18.4
Turnover (Rupees crore)	5,18,716	8,16,074	9,56,185	11,40,071	15,69,556	19,44,645
Market Capitalisation						
(Rupees crore) (end-period)	16,98,429	30,22,190	35,45,041	15,85,585	28,13,201	33,67,350

\*: For 30 scrips included in the BSE Sensex and 50 scrips included in the S&P CNX Nifty.

#: Volatility is measured by coefficient of variation.

Source: Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE).



Table 6: Corporate Financial Performance

(Growth rates in per cent)

Item	2004-05	2005-06	2005	2006	2005-06				2006-07		
			April-December		Q1	Q2	Q3	Q4	Q1	Q2	Q3
1	2	3	4	5	6	7	8	9	10	11	12
Sales	24.1	16.9	16.1	28.9	18.5	16.4	13.2	19.5	25.6	29.2	30.3
Expenditure	21.9	16.4	15.6	26.3	18.0	16.3	12.7	18.9	24.6	26.6	26.9
Depreciation Provision	11.2	10.2	7.0	16.7	4.4	7.4	10.2	13.2	14.9	16.4	16.8
Gross Profits	32.5	20.3	24.8	45.4	32.0	19.1	21.2	16.6	33.9	45.9	51.8
Interest	-6.8	1.9	-5.5	17.7	-13.5	-8.0	4.6	3.8	19.9	18.0	11.9
Profits After Tax	61.2	24.2	36.8	48.7	54.2	27.5	27.0	15.1	34.7	49.4	59.5
<b>Select Ratios (Per cent)</b>											
Gross Profits to Sales	11.9	13.0	13.8	16.1	13.1	13.0	12.8	12.7	15.6	15.9	15.8
Profits After Tax to Sales	7.2	8.7	9.1	11.1	8.6	8.5	8.6	8.7	10.6	11.0	11.0
Interest Coverage Ratio	4.6	6.4	6.1	7.8	6.0	6.2	6.2	7.3	7.2	7.8	8.0
Interest to Sales	2.8	2.0	2.3	2.1	2.2	2.1	2.1	1.7	2.2	2.0	2.0
Interest to Gross Profits	21.6	15.7	16.4	12.9	16.6	16.2	16.2	13.7	13.9	12.8	12.5
(Amount in Rupees crore)											
<b>Minor</b>											
No. of Companies	2,214	2,210	2,251	1,933	2,355	2,361	2,366	2,415	2,228	2,263	2,258
Sales	5,49,449	7,74,578	5,79,881	6,80,662	1,94,608	2,12,693	2,19,098	2,49,971	2,34,610	2,51,125	2,60,064
Expenditure	5,14,574	6,66,690	4,95,284	5,64,331	1,66,972	1,83,717	1,88,934	2,18,511	1,95,556	2,09,437	2,16,053
Depreciation Provision	22,697	28,883	22,044	24,557	7,137	7,617	7,748	8,340	8,449	8,892	9,172
Gross Profits	65,301	1,00,666	79,937	1,09,432	25,577	27,620	28,135	31,652	36,567	40,041	41,169
Interest	14,268	15,789	13,095	14,137	4,241	4,467	4,555	4,348	5,083	5,121	5,162
Profits After Tax	39,599	67,506	52,891	75,460	16,726	18,169	18,790	21,634	24,845	27,710	28,698
<b>Note</b>											
1. Growth rates are percentage changes in the level for the period under reference over the corresponding period of the previous year.											
2. Data in column (2) are based on audited balance sheets, while those in column (3) onwards are based on the abridged results of the sample non-Government non-financial companies.											
3. Data for the full year and for the nine months period may not add to the quarterly totals due to difference in the number of companies covered.											

Source: RBI policy statement on Macroeconomic and monetary developments in 2006-07, RBI website



**OPERATIONS OF THE EXCHANGE****(i) Membership Details post corporatization**

The details of the promoter stock exchanges which have subscribed to the Memorandum and Articles of Association of the Exchange and paid for the fully-paid shares of the Exchange are given in Table 7:

Sr. No.	Promoter Stock Exchange	No. of shares subscribed for	Subscription amount (Rs.)
1.	Bangalore Stock Exchange Ltd.	70,000	70,000/-
2.	Cochin Stock Exchange Ltd.	70,000	70,000/-
3.	Coimbatore Stock Exchange Ltd.	70,000	70,000/-
4.	Gauhati Stock Exchange Ltd.	70,000	70,000/-
5.	Jaipur Stock Exchange Ltd.	40,000	40,000/-
6.	Madras Stock Exchange Ltd.	30,000	30,000/-
7.	Magadh Stock Exchange Association	70,000	70,000/-
8.	Mangalore Stock Exchange	70,000	70,000/-
9.	Saurashtra Stock Exchange Ltd.	70,000	70,000/-
10.	Uttar Pradesh Stock Exchange Ltd.	70,000	70,000/-
	<b>Total</b>	<b>6,30,000</b>	<b>6,30,000/-</b>

As on date, thirteen stock exchanges are the shareholders of Inter-connected Stock Exchange of India Ltd.

**(ii) Trading Membership**

The status of registration of trading members on the Exchange is all given in Table 8 there were 808 trading members as on 31st March 2007.

The distribution of the trading members across the different geographical regions of the country as on March 31, 2007 is as given in Table 9. As such the western region has the highest number of members.

Position as on 31.03.2006	792
Fresh Registration	81
Resignation	49
Transfer	4
Default	12
Expulsion	0
Position as on 31.03.2007	808
Change (+/-)	16

Sr. No.	Region	States	Trading Members
1	West	Goa, Gujarat, Maharashtra	334
2	North	Haryana, Jammu & Kashmir, New Delhi, Punjab, Rajasthan, Uttaranchal and Uttar Pradesh	127
3	East	Assam, Bihar, Jharkhand, Orissa and West Bengal	253
4	South	Andhra Pradesh, Karnataka, Kerala and Tamilnadu	83
5	Central	Jharkhand, Chattisgarh and Madhya Pradesh	11
		<b>Total</b>	<b>808</b>

**(iii) Listing**

During the financial year 2006-07, one new company viz. Maven Biotech Limited was listed on the exchange. As at the end of March 2007, there were 12 companies listed on the Exchange and recorded, total market capitalization of Rs.674 crore (previous year: Rs.633 crore).

There was no trading on the ISE platform during the year, under review

**(iv) DP Operations**

The growth in DP Operations during the last three years of operations of the Exchange in terms of the number of demat accounts opened and number of instructions executed is presented in Table 10.

The gross income from the DP business has increased from Rs.81.24 lakh in 2005-06 to Rs.128.42 lakh in 2006-07, which

Particulars	2006-07	2005 - 06	2004 - 05
Income (Rs. lakh)	128.42	81.24	38.88
Expenditure (Rs. lakh)	44.28	36.94	20.95
<b>Net Income (Rs. lakh)</b>	<b>84.14</b>	<b>44.30</b>	<b>17.93</b>
No. of beneficiary accounts	17,459	11,522	6,755
No. of instructions processed	8,68,198	9,32,832	7,80,424
No. of collection centres	104	44	28
No. of DP branches	8	8	4
No. of investor points	3	3	2

represents an increase of 58 per cent. Likewise, there was a 90 per cent rise in the net income from DP operations in the year under review compared to the previous year (Rs.84.14 lakh during 2006-07 and Rs.44.30 lakh during 2005-06). The number of DP accounts opened with the Exchange grew from 11,522 in 2005-06 to 17,459 in 2006-07.

Inter-connected Stock Exchange of India Ltd. is registered as a clearing house DP with National Securities Depository Ltd. (NSDL) and a commercial DP with Central Depository Services (India) Ltd. (CDSL).

#### (v) Training Programme

The training courses conducted by the Exchange are aimed

at preparing the professionals for the capital market. These courses are conducted not from the point of pure commercial interest, but also with the objective of improving the level of knowledge on the various aspects of the capital market. The Exchange believes that it is essential for all the participants operating in the capital market to be fully aware of not only the operational aspects related to day-to-day functioning, but also the regulatory framework governing the operations of the intermediaries and their clients in the capital market. Training and education, therefore, are seen by your Exchange as initiatives to improve the skill level in the market.

Details of training programmes conducted during 2006-07 are given in Table No. 11

**Table No. 11: Details of training programmes conducted in 2006-07**

Sr. No.	Programme	Duration	No. of Participants
1	Commodity Derivatives	April 8 & 9, 2006	20
2	Equity, Derivatives, Personal Finance Planning & Portfolio Management	April 22, 23, 29, 30 & May 7	11
3	Depository Operations	April 22, 23, 29 & 30, 2006	9
4	3 - Week Part Time Certificate Course on Capital Market.	May 8 - 30 May, 2006	40
5	1 - day Workshop on Capital market	May 13, 2006	30
6	2 - day Certificate Course on Derivatives	May 20 and 21, 2006	17
7	2 - day workshop on Depository Operations	May 23 and 24, 2006	29
8	2 - day certificate course on Fundamental & Technical Analysis	May 27 and 28, 2006	20
9	1 - day certificate course on compliance	May 28, 2006	14
10	2 - day workshop on Depository Operations	May 29 and 30, 2006	37
11	Equities, Derivatives, Portfolio Management & Personal Financial Planning	June 3, 4, 10, 11 & 18, 2006	18
12	Capital Market (two and half day)	June 10, 11 & 12, 2006	14
13	Commodity Derivatives	June 17 - 18, 2006	18
14	Derivatives - Futures & Options	June 24 - 25, 2006	14
15	Fundamental & Technical Analysis	July 8 & 9, 2006	8
16	3 - Week Part Time Certificate Course on Capital Market	July 10 - Aug 7, 2006	32
17	Equities, Derivatives, Portfolio Management & Personal Financial Planning	July 15, 16, 22, 23 & 29, 2006	8
18	Derivatives - F & O	July 29 & 30, 2006	14
19	Compliance Requirements for Stock Brokers & Sub-brokers	July 30, 2006	16
20	NCFM DP Operations	July 7 & 8, 2006	15
21	Capital Market (two and half day)	August 4 to 6, 2006	13
22	Mutual Funds	August 5 & 6, 2006	29
23	3 - Week Part Time Certificate Course on Capital Market	August 10 to Sept. 1, 2006	16
24	Equities, Derivatives, Portfolio Management & Personal Financial Planning	August 12, 13, 19, 20, & 26, 2006	12
25	Commodity Derivatives	August 19 & 20, 2006	07
26	Derivatives and F&O	September 2 & 3, 2006	13
27	Certificate Course on Mutual Fund	September 9 & 10, 2006	48
28	3 - Week Part Time Certificate Course on Capital Market	September 4 to 25, 2006	12
29	Certificate Course on Equities, Derivatives, Portfolio Management & Personal Financial Planning	September 16 to 30, 2006	9
30	Certificate Course on Fundamental & Technical Analysis	September 23 & 24, 2006	19
31	Seminar on Wealth Management	September 23 & 24, 2006	11
32	Two day, Capital Market, Kolkata	September 23 & 24, 2006	9
33	Certificate Course on Commodity, Derivatives	September 30 & October 1, 2006	12
34	Derivatives and F & O	October 7 & 8, 2006	19
35	Mutual Funds	October 7 & 8, 2006	20



Sr. No.	Programme	Duration	No. of Participants
36	3 – Week Part Time Certificate Course on Capital Market	October 3 to 20, 2006	07
37	IPO Processes & Regulations	October 14 & 15, 2006	15
38	Fundamental & Technical Analysis	October 14 & 15, 2006	07
39	Derivatives	November 4 & 5, 2006	12
40	3 – Week Part Time Certificate Course on Capital Market	November 6 - 24, 2006	21
41	Equities, Derivatives & Portfolio Management	November 11 - 25, 2006	19
42	Compliance for Broker & Sub-broker	November 12, 2006	13
43	Fundamental & Technical Analysis	November 18 - 19, 2006	6
44	Commodity Derivatives	November 25 - 26, 2006	7
45	Mutual Funds	November 25 & 26, 2006	8
46	3 – Week Part Time Certificate Course on Capital Market	Dec. 4 – 27, 2006	8
47	Derivatives – F&O	Dec. 16 – 17, 2006	6
48	IPO-Process & Regulations	Jan 6 - 7, 2007	8
49	3 – Week Part Time Certificate Course on Capital Market	Jan 8 - 27, 2007	15
50	Mutual Funds	Jan 13 - 14, 2007	8
51	Wealth Management	Jan 20 - 21, 2007	11
52	Derivatives	Jan 20 - 21, 2007	10
53	Capital Market – Diploma & certificate course at Pune	Jan 6 – March 10, 2007	40
54	Capital Market – 3 day at Oracle, Bangalore	Jan 26-28, 2007	4
55	Mutual Funds	10 – 11 Feb.	10
56	Equities, Derivatives & Portfolio Management	10 – 25 Feb.	8
57	Fundamental & Technical Analysis	17 – 18 Feb.	2
58	Derivatives	17 – 18 Feb.	16
59	Buy-back, Takeover, Mergers & Acquisitions	24 – 25 Feb.	7
60	Capital Market – Diploma & Certificate courses at Pune	10 Feb – 7 April 2007	34
61	DP Operations, Corporation Bank, Mumbai	26 – 27 Feb	30
62	D.P. operations – Corporation Bank, Mumbai	1-2 March	30
63	3 – Week Part Time Certificate Course on Capital Market	7 – 27 Mar	15
64	IPO Processes & Regulations	10 – 11 Mar.	5
65	Wealth Management	17 – 18 Mar.	7
66	Mutual Funds	24 – 25 Mar.	11
67	Capital Market - Oracle, Bangalore	17 – 21 Mar.	4

The training department has also tie-up with Indira Institute of Management, Pune an accredited institute by NBA, to start Certified / Diploma course in the Capital Market for various market intermediaries and management students. The course has been conducted in the month of January and February 2007. The exchange will further continue to conduct programmes in collaboration with other recognised institutions.

The exchange conducted seven in-house programmes for different organisations in the year 2006-07. Training department is aggressively marketing to conduct more such programmes in the future.

#### (vi) Research

The Research cell started functioning from April 2006, when the first issues of **V Share** and **ISE 500** were launched. Both these publications are fortnightlies. While V Share analyses a particular industry along with the major companies, ISE 500 offers a statistical update of important financial parameters

of 500 large cap, medium cap, small cap and micro cap companies. The cell also publishes NISE (Newsletter of the Exchange). Apart from this it has also started providing research tools like 'Techni trade - Equities' and 'Techni trade - Derivatives' based on technical analysis.

The research cell has also introduced a separate section titled 'Value bites' in its V Share magazine. The section undertakes Discounted Cash Flow (DCF) valuation of the selected stocks. The cell is having tie up with Capital Market etc. for providing data & other related material for market research.

#### (vii) Settlement Guarantee Fund

The Exchange maintains a Settlement Guarantee Fund (SGF) as per the norms stipulated by SEBI. The corpus of the SGF has grown from Rs.24.70 crore as at March 31, 2006 to Rs.26.09 crore as at March 31, 2007. The details of the SGF are given in Table 12.



**(viii) Investor Protection Fund and Investor Services Fund**

The Investor Protection Fund (IPF) and Investor Services Fund (ISF) are maintained by the Exchange in accordance with the norms stipulated by the SEBI. Details of these funds are given in Table 13.

**(ix) Investors' Grievances Cell**

The Investors' Grievances Cell attends to all complaints lodged by the investors against trading members, as well as against companies. Every complaint is followed up promptly with the concerned respondent and conciliation meetings are arranged between the parties, if required, to resolve the matter. Where such conciliation effort does not lead to an amicable settlement, the parties are advised to refer the matter to arbitration.

The investors' Services Committee monitors the status of investor grievances and takes appropriate decisions for ensuring expeditious resolution of the cases, whenever there is such a need.

**(x) Pending Legal Cases**

The status with regard to legal cases filed by the trading members or erstwhile trading members against the Exchange, along with the comparative position for the previous year, is given in Table 14.

Regarding the five cases pending against the Exchange at the beginning of the year 2006-07, adequate legal measures to defend the Exchange are being taken.

There are no arbitration cases pending against the Exchange.

**FUTURE PROSPECTS**

In addition to strengthening and streamlining the current activities of DP, Research and Training, the Exchange had proceeded to expedite the demutualisation process of Stock Exchange.

**OFFICE INFRASTRUCTURE**

The head office of the Exchange is situated at Vashi, Navi Mumbai. Apart from the head office. There are eight branch offices at Ahmedabad, Coimbatore, Kolkata, Delhi, Nagpur, Patna, Hyderabad and Tirunelveli, which are staffed by the personnel appointed by the Exchange. These branch offices offer DP services to clients and brokers, providing administrative and technical support to trading members located in these regions.

**INSURANCE**

All assets and properties of the Exchange at the head office, branch offices and the investor points are provided adequately insurance cover.

**Table 12: Status of Settlement Guarantee Fund**

(Figures in Rs. crore)

Sr. No.	Item	As on 31.3.2007	As on 31.3.2006
1	Cash contribution from promoter Exchanges	1.30	1.30
2	SGF admission fees paid in cash by trading members	5.65	5.17
3	BMC of trading members maintained in the form of cash	7.73	6.38
4	BMC of trading members maintained in the form of FDRs/ BGs/ securities	3.43	4.04
5	BMC of trading members maintained in the form of undertakings from the promoter Exchanges	2.97	3.07
6	Interest accrued on the cash component of SGF	5.01	4.74
	<b>Total corpus</b>	<b>26.09</b>	<b>24.70</b>

**Table 13: Status of Investors Protection Fund (IPF) and Investors Services Fund (ISF)**

Investors Protection Fund (IPF)		(Figures in Rs.)	
Particulars	2006-07	2005-06	
Opening balance	98,588	94,669	
Accretion during the year	1,750	3,919	
<b>Closing balance as on March 31<sup>st</sup></b>	<b>100,338</b>	<b>98,588</b>	
Investors Services Fund (ISF)		(Figures in Rs.)	
Particulars	2006-07	2005-06	
Opening balance	23,17,018	6,85,707	
Accretion during the year	104,735	16,31,311	
(Less) Expenses incurred on Investor Awareness Programmes	-	-	
(Less) Expenses incurred for refund	(168,394)	-	
(Less) Transfer to P&L (for claims serviced)	(621,625)	-	
<b>Closing balance as on March 31<sup>st</sup></b>	<b>16,31,734</b>	<b>23,17,018</b>	



**PARTICULARS OF THE SUBSIDIARY COMPANY**

As required under Section 212 of the Companies Act, 1956, annexed hereto are copies of the Audited Statement of Accounts for the year ended March 31, 2007, Report of the Board of Directors and the Report of the Auditors for the year ended March 31, 2007 for ISE Securities & Services Ltd., the wholly-owned subsidiary of the Exchange. The statement of the holding company's interest in the subsidiary company as specified under sub-section (3) of Section 212 of the Companies Act, 1956 also forms part of this Annual Report.

ISE Securities & Services Ltd (ISS). has registered a total income of Rs.738.24 lakh for the year 2006-07, which shows a 7.0 per cent increase over the figure of Rs. 684.62 achieved in 2005-06. On the other hand the expenditure increased from Rs. 469.26 lakh to Rs.561.62 lakh by 20 per cent resulting in a reduced profit i.e. from Rs. 113 lakh to Rs. 74 lakh the main reason attributable for this decline is the additional expenditure which was incurred due to the shift to Direct Dealing Business Model (D2BM) as directed by SEBI through SEBI (Stock Broker and Sub-broker) Regulations, 2003.

The investment of the Exchange in the subsidiary (at Rs. 5.50 crore) has not changed during the year under review.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of the annual accounts for the financial year ended March 31, 2007:

- the applicable accounting standards have been followed and no material departures have been made from the same;
- appropriate accounting policies have been formulated and applied consistently and have made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of your Exchange as at March 31, 2007 and Profit & Loss Account for the year ended March 31, 2007;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in

**Table 14: Details of Legal Cases**

Period	Pending at the beginning of the year	Fresh cases filed during the year	Resolved during the year	Pending at the end of the year
2004-05	5	11	10	6
2005-06	6	Nil	1	5
2006-07	5	Nil	Nil	5

**Table 15: Details of Board Meeting**

Meeting No.	Date	Venue
62	May 27, 2006	Registered Office of the Exchange
63	June 24, 2006	Registered Office of the Exchange
64	August 5, 2006	Hotel Days Inn, Vashi Navi Mumbai
65	September 15, 2006	Hotel Samrat, Near Churchgate, Mumbai
66	September 29, 2006	Hotel Days Inn, Vashi Navi Mumbai
67	December 2, 2006	Registered office of the Exchange
68	March 9, 2007	Hotel Avion, Near Airport
69	April 29, 2007/May 19, 2007	Hotel Atithi, Vile Parle, Mumbai
70	June 16, 2007	Hotel Tansit, Vile-Parle, Mumbai
71	June 27, 2007	Hotel Atithi, Vile Parle, Mumbai

**Table 16: Changes in Directors during 2006-07**

Sr. No.	Name of Director	Particulars	Date of appointment / resignation/ retirement
1	Shri P.V. Narasimham	Re-appointed as Public Interest Director	Sept. 29, 2006
2	Dr. S. D. Israni	Re-appointed as Public Interest Director	Sept 29, 2006
3	Dr. M. Y. Khan	Re-appointed as Public Interest Director	Sept. 29, 2006
4	Shri P. J. Mathews	Re-appointed as Shareholder Director	Sept. 29, 2006
5	Shri R. M. C. Rodrigues	Re-appointed as Shareholder Director	Sept. 29, 2006
6	Shri. M. K. Anandakumar	Re-appointed as Shareholder Director	Sept. 29, 2006
7	Shri K.D. Gupta	Appointed as Shareholder Director	Sept. 29, 2006
8	Shri T.N.T. Nayar	Appointed as Shareholder Director	Sept. 29, 2006
9	Shri V. R. Bhaskar Reddy	Appointed as Shareholder Director	Sept. 29, 2006
10	Shri Jambu Kumar Jain	Appointed as Trading Member Director	Sept. 29, 2006

accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Exchange and for preventing and detecting frauds and other irregularities, and;

- d. the annual accounts have been prepared on a going-concern basis.

#### BOARD OF DIRECTORS

From April 1, 2006 till date, ten meetings of the Board of Directors were held, as detailed in Table 15.

The changes which have taken place in the Board of Directors from April 1, 2006 till date are presented in Table 16

#### 14. CONSTITUTION OF THE STATUTORY AND OPERATIONAL COMMITTEES

The Exchange constituted the various Statutory and Operational Committees, as required by SEBI. Details of the composition of these Committees for the year 2006-07, as well as for the previous year, are given in Table 17.

**Table 17: Details of Committees**

##### *Central Arbitration Panel*

Sr. No.	2006-2007		2005-2006	
	Name	Category	Name	Category
1	Justice (Retd.) A. B. Palkar	Public Representative	Justice (Retd.) A. D. Tated	Non-trading member, Chairman
2	Justice (Retd.) (SMT.) Katy Ketu Baam	Public Representative	Dr. D. K. Bhatia	Non-trading member
3	Shri. T.D.Joshi.	Public Representative	Dr. P. Asthana	Non-trading member
4	Dr. B.Samal	Public Representative	Shri V. H. Pandya	Non-trading member
5	Shri. N.C.Jain.	Public Representative	Shri J. J. Bhatt	Non-trading member
6	Shri. J.J.Bhatt	Public Representative	Shri Kirit P. Mehta	Non-trading member
7	Shri. Kirit P. Mehta.	Public Representative	Shri Sunil Dalal	Non-trading member
8	Shri. Subhash Chhajad	Public Representative	Shri Subash Chhajad	Non-trading member
9	Shri. Sanjeev Khemani.	Trading Member	Shri Sanjeev Khemani	Trading member
10	Shri. Ganesh Shanbag	Trading Member	Shri Ganesh Shanbhag	Trading member

##### *Defaults Committee*

Sr. No.	2006-2007		2005-2006	
	Name	Category	Name	Category
1	Shri. T. N. T. Nayar	Shareholder Director- Chairman	Shri R. M. Joshi	Non-trading member, Chairman
2	Shri R. M. Joshi	Public Representative	Dr. Sallendra Narain	Non-trading member
3	Dr. Shailendra Narain.	Public Representative	Shri Subash Chhajad	Non-trading member
4	Shri. Subhash Chhajad	Public Representative	Shri R. H. Sarma	Non Trading member
5	Shri. G.D.Mundra	Trading Member	Shri G. D. Mundra	Trading member
6	Shri. V.Shankar.	Managing Director	Shri V. Shankar	Managing Director

##### *Disciplinary Action Committee*

Sr. No.	2006-2007		2005-2006	
	Name	Category	Name	Category
1	Shri. K.D.Gupta	Shareholder Director- Chairman	Justice (Retd.) A. D. Tated	Non-trading member, Chairman
2	Shri. T. D. Joshi	Public Representative	Shri J. J. Bhatt	Non-trading member
3	Shri. J. J. Bhatt	Public Representative	Dr. Shailendra Narain	Non-trading member
4	Shri. A. Lahiri	Public Representative	Shri Jayant Vidwans	Trading member
5	Shri. Jayant Vidwans	Trading Member	Shri V. Shankar	Managing Director
6	Shri V. Shankar	Managing Director		



**Screening (i.e. Membership Selection) Committee**

Sr. No.	2006-2007		2005-2006	
	Name	Category	Name	Category
1	Shri R. M. Joshi	Public Representative – Chairman	Shri R. M. Joshi	Non-trading member, Chairman
2	Shri. A. Lahiri	Public Representative	Prof. P. V. Narasimham	Public Interest Director
3	Prof. P. V. Narasimham	Public Interest Director.	Shri S. D. Israni	Public Interest Director
4	Dr. M.Y.Khan.	Public Interest Director.	Prof. R. H. Sarma	Non-trading member
5	Shri V. Shankar	Managing Director.	Shri V. Shankar	Managing Director

**Audit Committee**

Sr. No.	2006-2007		2005-2006	
	Name	Category	Name	Category
1	Shri R. M. C. Rodrigues	Shareholder Director, Chairman	Shri R. M. C. Rodrigues	Shareholder Director, Chairman
2.	Dr. S. D. Israni	Public Interest Director	Dr. M. Y. Khan	Public Interest Director
3	Dr. M. Y. Khan	Public Interest Director	Dr. S. D. Israni	Public Interest Director
4	Shri. P.J.Mathew	Shareholder Director		

**Ethics Committee**

Sr. No.	2006-2007		2005-2006	
	Name	Category	Name	Category
1	Prof. P. V. Narasimham	Public Interest Director	Prof. P. V. Narasimham	Public Interest Director
2	Dr. M. Y. Khan	Public Interest Director	Dr. M. Y. Khan	Public Interest Director
3	Shri. M.K.Anandakumar	Shareholders Director	Dr. S. D. Israni	Public Interest Director
4	Shri V. Shankar	Managing Director	Shri V. Shankar	Managing Director

**Investors Services Committee**

Sr. No.	2006-2007		2005-2006	
	Name	Category	Name	Category
1	Dr. S. D. Israni	Public Interest Director- Chairman	Dr. M. Y. Khan	Public Representative, Chairman
2	Prof. P. V. Narasimham	Public Interest Director	Prof. P. V. Narasimham	Public Representative
3	Shri. P.J.Mathew	Shareholders Director	Dr. S. D. Israni	Public Representative
4	Shri V. Shankar	Managing Director	Shri V. Shankar	Managing Director

**SEBI Inspection Compliance Committee**

Sr. No.	2006-2007		2005-2006	
	Name	Category	Name	Category
1	Dr. M. Y. Khan	Public Interest Director- Chairman	Dr. M. Y. Khan	Public Representative, Chairman
2	Shri. R.M.C.Rodrigues.	Shareholders Director	Prof. P. V. Narasimham	Public Representative
3	Dr. S.D. Israni.	Public Interest Director	Dr. S. D. Israni	Public Representative
4	Shri P.J.Mathew	Shareholders Director	Shri V. Shankar	Managing Director

**Human Resource Committee.**

Sr. No.	2006-2007	
	Name	Category
1	Prof. P. V. Narasimham	Public Representative-Chairman
2	Shri. Rudolph Rodrigues.	Shareholders Director
3	Shri. R. Sadanandam	Public Representative.
4	Shri R.M.Joshi.	Public Representative
5	Shri. V. Shankar.	Managing Director

**AUDITORS**

M/s. A. J. Shah & Co., Chartered Accountants, were appointed by the Members of the Exchange in the Eighth Annual General Meeting as statutory auditors of the Exchange to till the conclusion of the Ninth Annual General Meeting.

The Auditors' Report relating to the accounts for the year ended March 31, 2007 does not contain any qualification.

**PARTICULARS OF EMPLOYEES**

The Exchange had total staff strength of 47 on its roll as on March 31, 2007. In addition, 24 contractual / outsourced staff are working for the Exchange. However, none of the employees was in receipt of remuneration in excess of the limits specified in Section 217(2A) of the Companies Act, 1956, and as such no disclosure is required to be made in the Directors Report.

**STATUTORY DISCLOSURE OF PARTICULARS**

The disclosures required in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, regarding Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outflows, do not apply to the Exchange, and therefore, no details have been provided.

**CORPORATE GOVERNANCE**

The Exchange is committed to following good corporate governance practices. The Board of Directors, Chairman, Managing Director and the entire staff working for the

Exchange have endeavored to adhere to the highest levels of corporate governance.

**PUBLIC DEPOSIT**

The Exchange has not accepted any deposit from its shareholders or the public.

**ACKNOWLEDGEMENTS**

The Board of Directors of the Exchange wishes to place on record its deep sense of gratitude to SEBI for the support and encouragement extended to the Exchange. The Board of Directors also thanks all the promoter exchanges and the trading members for their unstinted support and continued co-operation.

The Exchange would like to take this opportunity to express its sincere thanks to all its valued customers for their continued patronage

Thanks are also due to the officers and staff of the Exchange who have displayed dedication and commitment in implementing the decisions of the Board and in carrying out the day-to-day operations in a sincere manner.

**By order of the Board of Directors**

**Date :** July 05, 2007  
**Place :** Vashi, Navi Mumbai

Sd/-  
**P. V. Narasimham**  
Chairman





**Annexure to the Auditor's Report**

With reference to the Annexure referred to in paragraph 3 of the report of the Auditors' to the Members of **Inter-Connected Stock Exchange of India Limited (Re-registered u/s. 32 of Companies Act, 1956)** on the accounts for the period ended 31<sup>st</sup> March, 2007, we report that:

- i) The nature of the Company's business/activities during the period have been such that clauses (ii), (viii), (xiii), and (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- ii)
  - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
  - (b) All the fixed assets have been physically verified by the management during the year. According to the information and explanations given to us no material discrepancies were noticed on such verification.
  - (c) The company has not disposed off substantial part of fixed assets during the year.
- iii. The Company has not granted or taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly the sub-clauses (a), (b),(c), (d), (e), (f) and (g) of clause (iii) are not applicable to the company.
- iv. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of fixed assets and for the sale of services. The activities of the Company do not involve Purchase of inventory and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v. According to the information and explanations given to us, there were no contract or arrangements during the year that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly sub-clause (b) of clause (v) is not applicable to the company.
- vi. According to the information and explanations given to us, the Company has not accepted any deposit during the year from public within the meaning of the provisions of Section 58A and Section 58AA of the Companies Act, 1956 and the rules framed there under. Hence, clause 4(vi) of the Order is not applicable.
- vii. In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- viii. According to the information and explanations given to us and on the basis of our examination of the books of account,
  - (a) The Company has generally been regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities during the period.
  - (b) According to the information and explanation given to us, there are no dues of sales tax/ income tax/ customs duty/ wealth tax/service tax/ excise duty and cess, which have not been deposited on account of disputes.
- ix. The company does not have any accumulated losses. The company has not incurred any cash losses during the period, under audit.
- x. In our opinion and according to the information and explanation given to us, during the year the Company has not defaulted in repayment of dues to banks.
- xi. According to the information and explanation given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
- xii. According to the information and explanation given to us, the company has not given any guarantees for loans taken by others from banks and financial institutions.
- xiii. According to the information and explanation given to us, there are no term loans obtained by the Company.
- xiv. According to the information and explanations given to us and on an overall examination of the balance sheet of the



company, funds raised on short-term basis have, prima facie, not been used during the period for long-term investment (fixed assets, etc.,)

- xv. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xvi. The Company has not issued any debentures during the year.
- xvii. The Company has not raised any money by public issues during the year.
- xviii. According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

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

sd/-

**(Hiren Shah)**

Partner

Membership No. 100052

Place : MUMBAI

Date : June 16, 2007

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**Inter-connected Stock Exchange of India Ltd.**

(Re-registered u/s. 32 of Companies Act, 1956)

**Balance Sheet as at March 31, 2007**

	Schedule	As at March 31, 2007 (Rupees)	As at March 31, 2006 (Rupees)
<b>Sources of funds</b>			
<b>Shareholders' funds</b>			
Share Capital	1	840,000	840,000
Reserves and Surplus	2	210,789,783	200,862,230
Unsecured Loans	3	-	22,000,000
Deferred Tax Liability(Net) (Refer Note 13 of Schedule 15)		9,326,928	9,765,059
<b>Total</b>		<b>220,956,711</b>	<b>233,467,289</b>
<b>Fixed assets</b>			
Gross block (at cost)	4	52,751,906	51,552,152
Less: Depreciation		16,217,314	14,020,139
Net block		36,534,592	37,532,014
Capital work-in-progress		1,610,378	-
		38,144,970	37,532,014
<b>Investments</b>	5	63,200,000	64,200,000
<b>Current Assets, Loans and Advances</b>			
<b>Current Assets</b>			
Cash and Bank Balances	6	256,747,930	253,062,973
Sundry Debtors	7	2,583,924	1,967,984
Loans and Advances	8	25,018,369	35,491,415
		284,350,223	290,522,372
<b>Less: Current Liabilities and Provisions</b>			
Current liabilities	9	147,410,373	154,471,428
Provisions	10	17,328,109	4,315,669
		164,738,482	158,787,096
<b>Net Current Assets</b>		119,611,741	131,735,276
<b>Profit and Loss Account</b>		-	-
<b>Total</b>		<b>220,956,711</b>	<b>233,467,289</b>
<b>Significant Accounting Policies and Notes forming part of the Accounts</b>	15		

As per our attached Report of even date

**FOR A. J. SHAH & COMPANY,**  
Chartered Accountantssd/-  
**(Hiren Shah)**  
Partner  
Membership No. 100052Place: MUMBAI  
Date : June 16, 2007

For and on behalf of Board of Directors

sd/-  
**P. V. Narasimham**  
Chairmansd/-  
**V. Shankar**  
Managing Directorsd/-  
**Milind Nigam**  
Assistant Company SecretaryPlace: MUMBAI  
Date : June 16, 2007



**Inter-connected Stock Exchange of India Ltd.**

(Re-registered u/s. 32 of Companies Act, 1956)

**Profit and Loss Account for the period April 01, 2006 to March 31, 2007**

	Schedule		Year ended March 31, 2007 (Rupees)	Period ended November 24, 2005 to March 31, 2006 (Rupees)
<b>Income</b>				
Income from Operations	11		33,761,366	9,359,461
Other Income	12		33,594,044	6,744,369
<b>Total</b>			<b>67,355,410</b>	<b>16,103,830</b>
<b>Expenditure</b>				
Employee Costs	13		11,672,709	1,922,679
Administration and Operational Expenses	14		31,957,593	10,991,870
Depreciation/Amortisation			2,220,134	766,464
Less : Adjusted against Capital Reserve (Refer Note 7 of Schedule 15)			(46,460)	(11,529)
Claims serviced		621,625	2,173,674	754,935
Less: Transferred from Investor Service Fund		(621,625)	-	-
<b>Total</b>			<b>45,803,976</b>	<b>13,669,484</b>
<b>Profit before tax</b>				
Less : Provision for taxation			21,551,434	2,434,345
- Current tax (including taxation provision on interest credited to earmarked funds account of Rs. 2,062,985/- (previous year: Rs. 1,245,819/-))			(9,215,000)	(1,600,000)
- Deferred Tax Adjustment			438,131	(486,041)
- Fringe Benefit Tax			(192,158)	(69,767)
<b>Net profit after tax</b>			12,582,407	278,537
<b>Add: Balance brought forward from last year</b>			278,537	-
<b>Profit available for Appropriation</b>			12,860,944	278,537
Less: Proposed Dividend		3,360,000		
Less: Tax on Proposed Dividend		571,032	3,931,032	-
Less: Transfer to General Reserve			1,260,000	-
<b>Balance carried to the Balance sheet</b>			7,669,912	278,537
<b>Earning Per Share (Rs.) (Basic &amp; Diluted)</b>			<b>14.98</b>	<b>0.33</b>
<b>Significant Accounting Policies and Notes forming part of the Accounts</b>				
	15			

As per our attached Report of even date

For and on behalf of Board of Directors

FOR A. J. SHAH & COMPANY,  
Chartered Accountantssd/-  
(Hiren Shah)  
Partner  
Membership No. 100052sd/-  
P. V. Narasimham  
Chairmansd/-  
V. Shankar  
Managing DirectorPlace: MUMBAI  
Date : June 16, 2007sd/-  
Milind Nigam  
Assistant Company Secretary  
Place: MUMBAI  
Date : June 16, 2007

**Inter-connected Stock Exchange of India Ltd.**

(Re-registered u/s. 32 of Companies Act, 1956)

**Schedules forming part of Accounts****SCHEDULE 1: SHARE CAPITAL**

Particulars	As at March 31, 2007 (Rupees)	As at March 31, 2006 (Rupees)
<b>Authorised Capital</b> (20,00,000 Equity shares of Re 1/- each)	2,000,000	2,000,000
<b>Issued, Subscribed And Paid Up</b> (8,40,000 Equity shares of Re 1/- each fully paid up)	840,000	840,000
<b>Total</b>	<b>840,000</b>	<b>840,000</b>

**SCHEDULE 2 : RESERVES & SURPLUS**

Particulars	As at March 31, 2007 (Rupees)	As at March 31, 2006 (Rupees)
<b>PART A : RESERVES &amp; SURPLUS (before November 24, 2005)</b>		
<b>Free Reserves</b>		
Profit & Loss Account Balance		
Opening Balance	11,888,319	21,167,337
Less : Deferred Taxation adjustment on account of initial adoption of Accounting Standard 22.	-	(9,279,018)
<b>Total Free Reserves</b>	<b>11,888,319</b>	<b>11,888,319</b>
<b>Capital Reserves</b>		
<b>Infrastructure Development Contribution</b>		
Opening Balance	91,900,000	91,900,000
Add: Additions during the year	-	-
Less: Deductions during the year	-	-
	91,900,000	91,900,000
<b>Networking Equipment Contribution</b>		
Balance transferred from erstwhile Company, Inter-connected Stock Exchange of India Ltd., limited by gaurantee	1,565,062	1,576,591
Less : Adjustment towards Depreciation (Refer Note 7 of Schedule 15)	46,460	11,529
	1,518,602	1,565,062
<b>Dealer Admission Fees</b>		
Opening Balance	38,328,857	38,328,857
Add: Additions during the year	-	-
Less: Deductions during the year (Refer Note 15.4 of Schedule 15)	-	-
	38,328,857	38,328,857
<b>Total Capital Reserves</b>	<b>131,747,459</b>	<b>131,793,919</b>
<b>Total of PART A : RESERVES &amp; SURPLUS</b>	<b>143,635,778</b>	<b>143,682,238</b>



<b>PART B : RESERVES &amp; SURPLUS (after November 24, 2005)</b>		
<b>Free Reserves</b>		
Profit & Loss Account Balance	7,669,912	278,537
General Reserves		
As per last Balance Sheet	-	-
Add: Transfer from Profit & Loss Account	1,260,000	-
	1,260,000	-
<b>Total Free Reserves</b>	<b>8,929,912</b>	<b>278,537</b>
<b>Capital Reserves</b>		
<b>Dealer Admission Fees</b>		
Balance as per Balance Sheet	2,750,000	-
Add: Received during the period	-	2,750,000
Less : Transferred to P&L (Refer Note 8.2 of Schedule 15)	2,750,000	-
Total Capital Reserves	-	2,750,000
<b>Total of PART B : RESERVES &amp; SURPLUS</b>	<b>8,929,912</b>	<b>3,028,537</b>

Particulars	As at March 31, 2007 (Rupees)	As at March 31, 2006 (Rupees)
<b>PART C : EARMARKED RESERVES</b>		
<b>Settlement Guarantee Fund</b>		
Opening Balance	51,735,849	48,428,363
Add: Additions during the period: (accretion by way of interest of Rs.3,996,171/-, (previous year: Rs.2,439,464/-) net of income tax of Rs. 20,27,602/- (previous year Rs. 1,237,086/-) for the period on deposits etc made out of such funds in accordance with the Rules and Bye-laws of the Company, contributions from the Dealers: Rs.7,15,000/- (previous year: Rs. 1,95,000/-), contributions from Traders: Rs. 45,000/- (previous year Rs.10,000/-))	4,756,171	3,307,486
	56,492,020	51,735,849
<b>Investor Protection Fund</b>		
Opening Balance	98,588	98,338
Add: Additions during the period (accretion by way of appropriation from the listing fee income during the period)	1,750	250
	100,338	98,588
<b>Investor Services Fund</b>		
Opening Balance	2,317,018	1,727,850
Add : Additions during the period	104,735	589,168
Additions during the period: Rs.Nil ((previous year: Rs. 568,267/- on transfer of credit balances of expelled trading members) and accretion by way of interest of Rs. 105,118/- net of income tax Rs.35,383/- (previous year: Rs. 15,901/- net of income tax Rs. 8,733/-, for the period on deposits, etc made out of such funds in accordance with the Rules and Bye-laws of the Company and appropriation from listing fee income during the period: Rs. 35,000/-, previous year: Rs.5,000/-))		
Less : Expenses incurred for refund	(168,394)	-
Less : Transfer to P&L (for claims serviced)	(621,625)	-
Less : Expenses incurred on Investor Awareness Programme	-	-
	1,631,734	2,317,018
<b>Total of PART C : Earmarked Reserves</b>	<b>58,224,093</b>	<b>54,151,455</b>
<b>Total Reserves and Surplus (TOTAL OF PART A+B+C)</b>	<b>210,789,783</b>	<b>200,862,230</b>

**SCHEDULE 3 : UNSECURED LOANS**

Particulars	As at March 31, 2007 (Rupees)	As at March 31, 2006 (Rupees)
Temporary Overdraft against Company's Bank Fixed Deposits	-	22,000,000
<b>Total</b>	<b>-</b>	<b>22,000,000</b>

## SCHEDULE 4 : FIXED ASSETS

PARTICULARS	GROSS BLOCK (At Cost)			DEPRECIATION			NET BLOCK		
	As at 01-04-2006	Additions	Deductions	As at 31-03-2007	As On 01-04-2006	For the period	Deductions/ Adjustments 31-03-2007	As at 31-03-2007	As at 01-04-2006
<b>Tangible Assets</b>									
Leasehold Land	870,626	-	-	870,626	104,745	14,191	-	751,690	765,881
Leasehold Premises	32,585,962	-	-	32,585,962	4,465,088	531,151	-	27,589,723	28,120,874
Machinery and Electrical Equipments	1,740,821	247,966	-	1,988,787	590,222	96,122	-	1,302,443	1,150,599
Furniture and Fixtures	5,287,440	400,804	-	5,688,244	2,445,034	354,671	-	2,799,705	2,842,406
Vehicles	1,145,809	-	-	1,145,809	349,023	108,857	-	457,880	796,786
Office Equipments	1,602,310	127,355	-	1,729,665	493,001	96,954	-	589,955	1,109,309
Computer Equipments including networking equipments	5,127,429	260,339	-	5,387,767	3,429,344	400,011	-	1,558,412	1,698,084
<b>Intangible Assets</b>									
Computer Software	3,191,756	301,040	137,750	3,355,046	2,143,681	618,177	22,958	616,147	1,048,075
<b>Total</b>	<b>51,552,152</b>	<b>1,337,504</b>	<b>137,750</b>	<b>52,751,906</b>	<b>14,020,138</b>	<b>2,220,134</b>	<b>22,958</b>	<b>16,217,314</b>	<b>37,532,014</b>
Capital Work in Progress									
								1,610,378	
								<b>Total</b>	<b>38,144,971</b>

## Note :

1. Leasehold Premises represent cost of office premises, including improvements to premises, taken from CIDCO under lease for a period of 60 years, in respect of which a Lease Deed has been executed.



**SCHEDULE 5 : INVESTMENTS**

Particulars	As at March 31, 2007 (Rupees)	As at March 31, 2006 (Rupees)
<b>Long Term Investments (unquoted, at cost):</b>		
In the shares of the wholly-owned subsidiary company, ISE Securities & Services Limited (5,500,000 equity shares of Rs. 10/- each, fully paid up)	55,000,000	55,000,000
<b>Current Investments</b>		
In Mutual Funds (unquoted, lower of net asset value or cost)		
- HSBC Advantage India Fund (312958 units)	8,200,000	9,200,000
- SBI Blue Chip Fund (100000 units)		
- Standard Chartered Grindlays Bank Fund (150000 units)		
(Total Net Asset Value = Rs. 8,943,573/-, previous year (Rs. 9,652,548/-))		
<b>Total</b>	<b>63,200,000</b>	<b>64,200,000</b>

**SCHEDULE 6 : CASH & BANK BALANCES**

Particulars	As at March 31, 2007 (Rupees)	As at March 31, 2006 (Rupees)
<b>Cash-in-hand</b>		
<b>Bank Balances:</b>		
<b>With Scheduled Banks</b>		
- in Current Accounts		
* in Free Fund Accounts	958,081	1,600,868
* in Earmarked Fund Accounts (Refer Note 11 of Schedule 15)	146,245	153,821
- in Deposit Accounts		
* in Free Fund Accounts	101,038,843	110,010,282
* in Earmarked Fund Accounts (Refer Note 11 of Schedule 15)	154,604,761	141,298,003
<b>Total</b>	<b>256,747,930</b>	<b>253,062,973</b>

**SCHEDULE 7 : SUNDRY DEBTORS**

Particulars	As at March 31, 2007 (Rupees)	As at March 31, 2006 (Rupees)
<b>Unsecured</b>		
Debts outstanding for a period exceeding six months		
- Considered Good	62,000	-
- Considered Doubtful	133,695	-
Other Debts		
- Considered Good	2,521,924	1,967,984
- Considered Doubtful	13,770	-
Less : Provision for Doubtful Debts	2,731,389	1,967,984
	147,465	-
<b>Total</b>	<b>2,583,924</b>	<b>1,967,984</b>

**SCHEDULE 8 : LOANS & ADVANCES**

Particulars	As at March 31, 2007 (Rupees)	As at March 31, 2006 (Rupees)
<b>Unsecured Considered Good</b>		
Advances given to the subsidiary company/ expenses recoverable from subsidiary company	3,569,847	24,350,407
Trade Deposits	4,623,496	4,098,104
Advances recoverable in cash or kind or for value to be received	1,435,365	859,998
Staff Advances	368,264	176,797
Advance Tax/ Income Tax refund receivable	15,021,397	6,006,109
<b>Total</b>	<b>25,018,369</b>	<b>35,491,415</b>

**SCHEDULE 9 : CURRENT LIABILITIES**

Particulars	As at March 31, 2007 (Rupees)	As at March 31, 2006 (Rupees)
<b>Sundry Creditors</b>		
- Small Scale Industrial undertakings (Refer Note 4 of Schedule 15)	-	-
- Others	5,518,052	4,822,091
	5,518,052	4,822,091
Rent Deposit from Subsidiary Company	4,400,000	1,278,200
<b>Refundable Deposits as per the Rules and Bye-laws of the Company</b>		
- Base Minimum Capital of trading members	77,345,059	63,774,260
- Settlement Stabilisation Fund	13,000,000	13,000,000
Advance towards admission fees, annual fees, etc from trading members, pending registration / approval of SEBI	43,362,365	71,596,876
Depository Participant income received in advance	3,784,897	-
<b>Total</b>	<b>147,410,373</b>	<b>154,471,428</b>

**SCHEDULE 10 : PROVISIONS**

Particulars	As at March 31, 2007 (Rupees)	As at March 31, 2006 (Rupees)
Gratuity	614,529	352,973
Employees' Leave	680,672	965,646
Expenses	165,006	292,532
Bonus	1,121,870	4,179
Taxation	10,815,000	1,600,000
Sales tax	-	1,100,339
Proposed Dividend	3,360,000	-
Tax on Proposed Dividend	571,032	-
<b>Total</b>	<b>17,328,109</b>	<b>4,315,669</b>

**SCHEDULE 11 : INCOME FROM OPERATIONS**

Particulars	For the period ended March 31, 2007 (Rupees)	For the period ended November 24, 2005 to March 31, 2006 (Rupees)
Depository Participant (DP) Operations	12,842,158	3,232,987
Training Programmes	3,024,390	1,030,519
Subscription for Research Publications	30,011	-
Annual Subscription from trading members	8,351,750	1,803,583
Listing Fees	117,500	40,266
Reimbursement of Expenses from Subsidiary Company	6,395,557	2,246,726
Management Services Fee	3,000,000	1,005,380
<b>Total</b>	<b>33,761,366</b>	<b>9,359,461</b>



**SCHEDULE 12 : OTHER INCOME**

Particulars	For the period ended March 31, 2007 (Rupees)	For the period ended November 24, 2005 to March 31, 2006 (Rupees)
Gross Interest on Bank Deposits (TDS : Rs. 2,983,800/-, Previous Year : Rs. 880,369/- )	11,833,591	5,522,997
Less : Interest earned on Earmarked Funds (net of Income Tax Rs. 2,062,985/-, previous year: Rs.1,245,819/-)	4,100,906	2,577,979
	7,732,685	2,945,018
Admission Fees: (Refer Note 8 of Schedule 15)	15,305,001	180,000
Dividends from Mutual Funds	136,376	51,454
Dividend from Subsidiary Company	2,750,000	-
Interest on short-term loan from subsidiary company	1,122,621	65,096
Interest on delayed payments from trading members	68,415	514,842
Rent (TDS : Rs.1,086,684/-; Previous Year : 394,125/-)	4,842,600	1,483,047
Miscellaneous Income (including prior year income: Rs.1,28,143/-, previous year: Nil)	1,346,521	649,411
Connectivity Charges	75,625	270,000
Sundry credit balances, written back	214,200	65,905
Profit on sale of computer	-	519,596
<b>Total</b>	<b>33,594,044</b>	<b>6,744,369</b>

**SCHEDULE 13 : EMPLOYEE COST**

Particulars	For the period ended March 31, 2007 (Rupees)	For the period ended November 24, 2005 to March 31, 2006 (Rupees)
Salaries and allowances [Net of recovery: Rs. 1,25,12,473/-, previous year: Rs. 33,53,218/-]	9,488,330	1,979,129
Contribution to Provident and other funds [Net of recovery : Rs. 912,045/-, previous year: Rs. 147,933/-]	723,771	170,247
Leave Encashment [Net of recovery: Rs. 422,927/-, previous year: Rs. Nil/-]	(257,593)	(98,748)
Gratuity [Net of recovery: Rs. 154,305/- previous year: Rs. Nil/-]	370,165	(363,487)
Staff Welfare	1,348,036	235,539
<b>Total</b>	<b>11,672,709</b>	<b>1,922,679</b>

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## SCHEDULE 14 : ADMINISTRATIVE &amp; OPERATIONAL EXPENSES

Particulars	For the period ended March 31, 2007 (Rupees)	For the period ended November 24, 2005 to March 31, 2006 (Rupees)
Telephone and Fax	1,107,768	320,002
Printing and Stationery	4,569,345	1,627,315
DP Operations	4,428,385	1,218,082
Training Programmes	756,709	1,924,718
Remuneration to Auditors (Refer Note 3 of Schedule 15)	404,064	262,362
Legal and Professional Charges	1,897,986	835,039
Power, Fuel & Water Charges	2,876,918	882,612
Board / Committee Meeting	241,890	185,040
Rent, Rates and Taxes	2,894,251	471,759
Repairs and Maintenance - Leasehold Premises	331,149	110,216
Repairs and Maintenance - Others	2,150,796	547,159
Travelling and Conveyance	1,182,726	337,918
Postage and Courier	3,480,414	1,073,006
Security	412,988	139,336
Insurance	78,593	3,758
Advertisement and Publicity	3,289,099	634,081
Books, Newspapers and Periodicals	57,686	20,436
Vehicle Maintenance	123,775	45,804
Bank Charges	13,188	1,432
Miscellaneous Expenses	878,107	167,528
Lodging & Boarding Exp	182,138	-
Research - Printing Charges	25,000	-
Bad Debts	399,093	-
Provision for Doubtful Debts	147,465	-
Sales Tax	28,060	-
Sundry balance written off	-	184,268
<b>Total</b>	<b>31,957,593</b>	<b>10,991,870</b>



**Inter-connected Stock Exchange of India Ltd.**

(Re-registered u/s. 32 of Companies Act, 1956)

**Schedules forming part of Accounts**

**SCHEDULE 15 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS**

**1. Significant Accounting Policies**

**1.1 Basis of preparation of Financial Statements**

The accompanying financial statements have been prepared using the historical cost convention in accordance with generally accepted accounting principles and the provisions of the Companies Act, 1956. Accounting policies are consistently applied, except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

**1.2 Use of Estimates**

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

**1.3 Revenue Recognition**

Admission fees, annual fees and contributions towards the Settlement Guarantee Fund received from trading members are accounted on the basis of the date of grant of registration certificate by SEBI, as it signifies the conclusive point of entry of trading members into the Company.

In appropriate circumstances, revenue is recognised when no significant uncertainty as to determination and realisation exist.

The revenue in respect of a settlement is accounted on the funds pay-in date of the settlement.

The interest income on investments of the Earmarked Funds, being accretions to the said funds, is credited to the funds, in accordance with the Rules, Bye-laws and Regulations of the Company.

**1.4 Fixed Assets**

Fixed Assets are valued at cost. They are stated at historical cost including incidental expenses. The improvements to leased premises have been capitalised along with leasehold premises.

**1.5 Depreciation and Amortisation**

- i. Depreciation is provided on straight-line basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- ii. Depreciation on assets acquired/purchased during the period is provided on pro-rata basis.
- iii. Leasehold Land and Premises, including improvements, are amortised over the period of the lease.
- iv. Depreciation on networking equipment is charged to the Networking Equipment Contribution in the proportion of the total capital cost incurred and the amounts recovered from trading members (Refer Note 7).
- v. Intangible assets, comprising computer software, have been amortised on a straight-line method over 3 years from the year of acquisition or installation.

**1.6 Borrowing Costs**

Borrowing costs attributable to the acquisition of a fixed asset upto the date it is ready for use are capitalised as part of the cost of the fixed asset. Other borrowing costs are recognized as expenses in the period in which they are incurred.

**1.7 Investments**

Investment in the subsidiary company being of long-term nature is stated at cost and no loss is recognised in the fall of its net worth unless it is a permanent fall. Current investments are valued at lower of cost or Net realisable value of such investments.

## 1.8 Retirement Benefits

Company's contribution to the provident fund of the employees is charged to revenue. The Company's liability for gratuity is funded through Life Insurance Corporation of India (LIC) and is charged to revenue on the basis of LIC's actuarial valuation.

## 1.9 Settlement Transactions

The transactions pertaining to settlement, which are conducted in a fiduciary capacity, do not form part of the Accounts of the Company.

## 1.10 Networking Equipment Contributions

The recoveries made by the Company from trading members towards the networking equipment cost represent one-time charges collected towards the capital cost of the networking equipments installed to connect the trading members with the central computer of the Company and are considered as Capital Reserves.

## 1.11 Taxation

Provision for current Income Tax is computed on the taxable income after considering allowances; deductions and exemptions determined in accordance with the prevailing tax laws.

Deferred tax assets and liabilities are recognised for the timing differences between profit as per financial statements and the taxable profits based on the tax rates that have been enacted or substantially enacted at the Balance Sheet date. Deferred tax assets are recognised only if there is reasonable certainty that sufficient future taxable income will be available against which tax assets can be realised.

## 1.12 Accounting for Provisions, Contingent Liabilities and Contingent Assets

As per AS 29, norms for Provisions, Contingent Liabilities and Contingent Assets, the Company recognises provisions only when it has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and when a reliable estimate of the amount of the obligation can be made.

No provision is recognised for any possible obligation that arises from past events and the existence of which will be confirmed only by that occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

## 1.13 Interest receivable on Fixed deposits is subject to confirmations.

2. **Managerial Remuneration**

Particulars	April 1, 2006 to March 31, 2007	November 24, 2005 to March 31, 2006
Salaries & Allowances	8,71,548	2,99,648
Contribution to Provident Fund and other Funds	87,155	29,965
Monetary Value of Perquisites	NIL	NIL
Commission	NIL	NIL
<b>Total</b>	<b>9,58,703</b>	<b>3,29,613</b>

3. **Remuneration to Auditors**

Particulars	April 1, 2006 to March 31, 2007	November 24, 2005 to March 31, 2006
Audit Fees	336,720	2,02,742
For other services in respect of		
- Consultancy charges	-	-
- Others (including certification matters)	-	-
For Tax Audit		
For Taxation matters	67,344	56,120
<b>Total</b>	<b>4,04,064</b>	<b>2,62,362</b>



The information provided in respect of sundry creditors to small-scale industrial undertakings is at on the basis of information made available by the Company.

Shares, fixed deposits and bank guarantees received from trading members in compliance with the Base Minimum Capital requirements (viz. capital adequacy norms), as prescribed in the Rules, Bye-laws and Regulations, have been held as collateral securities, and accordingly, have not been accounted in the books of the Company.

SEBI, vide its Circular No. SEBI/SMD/SE/Cir-24/2003/18/06 dated June 18, 2003, has permitted the Company to refund Base Minimum Capital in excess of Rs. 1,00,000/- to its trading members after complying with the procedures prescribed there under, including obtaining No Objection Certificates (NOCs) from SEBI. Accordingly, in response to applications made by certain trading members, the Company after receiving necessary approvals from SEBI, has during the period refunded an aggregate amount of Rs. 8,97,492/- in cash, excluding bank guarantees / fixed deposit receipts / securities to such trading members. The Base Minimum Capital for such trading members, after the refund of excess Base Minimum Capital, is maintained at Rs. 1,00,000/-.

The Base Minimum Capital is being maintained in the form of cash, bank fixed deposit receipts, approved securities and/or undertakings from the Promoter Exchanges, as permitted by SEBI.

During the period, an amount of Rs. 46,460/-, being the proportionate amount of depreciation for the central networking equipments, has been withdrawn from the Networking Equipment Contribution (referred to as Capital Reserves in Schedule 2) and has also been disclosed as deduction from the Depreciation for the period.

#### **Change in accounting policy**

During the period the Company has changed the accounting policy with respect to admission fees paid by the trading members who have been registered by SEBI. This change has been effected retrospectively from the date of re-registration of the company u/s 32 of the Companies Act, 1956, ie. from 24.11.2005. The admission fees are considered as income because the Company has been re-registered u/s 32 of the Companies Act, 1956 as a company limited by shares. Hitherto, the same had been classified as Dealer Admission Fees under Reserves and Surplus. The admission fees represent onetime payments received from the trading members for acquiring the right to trade on the Company.

During the period, admission fees of Rs. 1,46,50,001/- has been accounted as income due to the change in accounting policy and the Profit & Loss Account for current period is higher to that extent (out of this Rs. 27,50,000/- represents admission fees received in the period November 24, 2005 to March 31, 2006 which has been transferred from Capital Reserves to P&L).

The admission fees includes amounts received from the acquirers of the Additional Trading Rights from the transferors at the rate of Rs. 5,000/- each aggregating to Rs. 6,10,000/- (previous year Rs. 1,70,000/-).

The admission fees includes amounts received from Trading Members at the rate of Rs. 5,000/- each aggregating to Rs. 45,000/- (previous year Rs. 10,000/-).

Sundry Debtors (Schedule 7) include Rs. 25,83,924/- on account of various charges recoverable from trading members and DP clients which are outstanding. The said debts are considered good for recovery by the Management in view of the various amounts deposited by the trading members with the Company, which are available for adjustment against the dues, as per the applicable Rules, Bye-laws and Regulations.

An amount of Rs. 3,99,093/- payable by certain inactive DP clients and trading member have been considered as bad for recovery by the Company and accordingly, this amount has been written off in the books.

During the period, the Company has encashed fixed deposits/bank guarantees/securities of defaulters/expelled trading members and the surplus arising after adjustment of their respective dues have been transferred as per the Rules, Bye-laws and Regulations of the Company to the following Earmarked Reserves.

Particulars	April 1, 2006 to March 31, 2007	November 24, 2005 to March 31, 2006
Settlement Guarantee Fund	Nil	Nil
Investor Services Fund	Nil	5,68,267
<b>Total</b>	<b>Nil</b>	<b>5,68,267</b>

11. The details of the Earmarked Funds are as given hereunder:

i) **Settlement Guarantee Fund (including pending registration under current liabilities)**

Particulars	April 1, 2006 to March 31, 2007	November 24, 2005 to March 31, 2006
Settlement Guarantee Fund (including accretions from levy on transactions)	63,80,819	56,20,819
Settlement Stabilisation Fund	1,30,00,000	1,30,00,000
Contribution towards Base Minimum Capital (Cash component) from Registered Trading Members'	7,73,45,059	6,37,74,260
Contribution towards SGF/BMC from Trading Members' pending registration	85,76,766	2,26,48,732
Interest accrued on above	5,21,38,803	4,73,52,115
<b>Total</b>	<b>15,74,41,447</b>	<b>15,23,95,926</b>

The balances as on March 31, 2007 in the Settlement Guarantee Fund are earmarked in accordance with the Rules and Bye-laws of the Company as under.

Particulars	April 1, 2006 to March 31, 2007	November 24, 2005 to March 31, 2006
With Bank in Fixed Deposits	1,52,987,656	13,91,09,027
With Bank in Current Account	10,405	10,405
<b>Total of Deposits and Bank Balance</b>	<b>15,29,98,061</b>	<b>13,91,19,432</b>
<b>Amount outstanding as on March 31, 2007</b>	<b>44,43,386*</b>	<b>1,32,76,494*</b>
* Subsequently transferred (In Fixed deposit)		

The balance on account of the non-cash components (not accounted in the Books, refer Note 6) of the Settlement Guarantee Fund is as under (certified by the management and relied upon by the auditor).

Particulars	April 1, 2006 to March 31, 2007	November 24, 2005 to March 31, 2006
<b>Bank Guarantees from trading members</b>		
- Registered	1,00,000	4,00,000
- Unregistered	Nil	Nil
<b>Fixed Deposits under lien</b>		
- Registered	95,45,491	1,04,28,409
- Unregistered	1,75,000	6,61,470
<b>Securities pledged, (at market value)*</b>		
- Registered	2,46,31,300	2,95,89,235
- Unregistered	18,000	Nil
<b>Undertakings given by the regional stock exchanges on behalf their trading members</b>		
- Registered	2,97,00,000	3,07,00,000
- Unregistered	1,34,00,000	1,32,00,000
<b>Total Non-Cash Component</b>		
- Registered	<b>6,39,76,791</b>	<b>7,11,17,644</b>
- Unregistered	<b>1,35,93,000</b>	<b>1,38,61,470</b>

\* The market value of the securities deposited by the trading members towards their Base Minimum and Additional Capital, which form part of the Settlement Guarantee Fund, has been computed after applying the appropriate margin on the stock prices prevailing at NSE on the last day of the financial year.



ii) **Investor Protection Fund**

Particulars	April 1, 2006 to March 31, 2007	November 24, 2005 to March 31, 2006
Accretion by way of appropriation from the listing fee income	100,338	98,538

The balances as on March 31, 2007 in the Investor Protection Fund are earmarked in accordance with the Rules, Bye-laws and Regulations of the Company as under.

Particulars	April 1, 2006 to March 31, 2007	November 24, 2005 to March 31, 2006
With Bank in Fixed Deposits	Nil	Nil
With Bank in Current Account	1,07,254	1,06,454
<b>Total of Deposits and Bank Balance</b>	<b>1,07,254</b>	<b>1,06,454</b>
<b>Amount outstanding as on March 31, 2007</b>	<b>Nil</b>	<b>Nil</b>

The balances as on March 31, 2007 in the Investor Services Fund are earmarked in accordance with the Rules and Bye-laws of the Company as under.

iii) **Investor Services Fund**

Particulars	April 1, 2006 to March 31, 2007	November 24, 2005 to March 31, 2006
(Including Rs. 168,394/- (previous year: Nil) as refund of dues of Trading Members made out of such funds in accordance with the Rules, Bye-laws and Regulations of the Company, Rs. 621,625/- (previous year: Nil) of claims serviced, Rs. 35,000/- (previous year: Rs. 5,000/-) appropriation from listing fee income during the period and Rs. 105,118/- (previous year: Rs. 54,385/-) accretions by the way of interest on fixed deposit.	1,631,734	23,67,478

The balances as on March 31, 2007 in the Investor Services Fund are earmarked in accordance with the Rules and Bye-laws of the Company as under.

Particulars	April 1, 2006 to March 31, 2007	November 24, 2005 to March 31, 2006
With Bank in Fixed Deposits	16,17,105	22,24,544
With Bank in Current Account	28,585	36,961
<b>Total of Deposits and Bank Balance</b>	<b>16,45,690</b>	<b>22,61,505</b>
<b>Amount outstanding as on March 31, 2007</b>	<b>Nil</b>	<b>1,05,973*</b>
* Subsequently transferred (In Fixed deposit)		

The company had received a claim for refund of shares deposited as Base Minimum Capital by a trading member who was expelled. The Board of Directors of the company decided to meet this claim out of the corpus of the Investor Services Fund. Accordingly, this fund was debited to the extent of the current value of the said shares and the same is reflected in the Accounts separately. The action taken by the Company is in accordance with its Rules, Bye-laws and Regulations.

**12. Related party transactions:**

Disclosures as required by the Accounting Standard 18 (AS-18) "Related Party Disclosures" are given below:

The Company has entered into transactions with the following related parties

Sr. No.	Name of the Related Parties	Relationship	Country
1	ISE Securities & Services Ltd.	Subsidiary	India
2	Mr. V. Shankar – Managing Director	Key Managerial Personnel	

## Transactions with related parties during the period:

(Amount in Rupees)

Sr. No.	Nature of Transactions	Subsidiaries	Key Management Personnel	Total as on March 31, 2007	Total as on March 31, 2006
1	Rendering of Services (net of Service Tax)	30,00,000	-	30,00,000	10,05,380
2	Finance (Including loans and equity contributions in cash or in kind)				
	- Loans (incl. interest)	Nil	-	Nil	4,40,00,000
	- Investment in Equity	Nil	-	Nil	Nil
	- Provision for diminution in value of Investment	Nil	-	Nil	Nil
3	Interest Income	11,22,621	-	11,22,621	98,332
4	Managerial Remuneration	-	9,58,703	9,58,703	3,29,613
5	Amt Outstanding as at March 31, 2007	-	-	-	-
	Loans (incl. interest) (Maximum outstanding during the year)	Nil 2,50,00,000	-	Nil 2,50,00,000	2,20,00,000
	Investment in Equity	5,50,00,000	-	5,50,00,000	5,50,00,000
	Managerial Remuneration	-	Nil	Nil	Nil
	Recovery of expenditure	35,69,847	-	35,69,847	23,50,407
6	Reimbursement of Expenses	63,95,557	-	63,95,557	22,46,726
7	Deposit from subsidiary	44,00,000	-	44,00,000	12,78,200

13. **Deferred Taxation**

Pursuant to Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has recorded a net deferred tax adjustment of Rs. 4,38,131/- adjusted from the profits and loss account.

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

Particulars	(Rupees)	(Rupees)
	April 1, 2006 to March 31, 2007	November 24, 2005 to March 31, 2006
<b>Deferred Tax Liability</b>		
- Depreciation	93,76,564	97,65,059
<b>Deferred Tax Assets</b>		
- Provision for doubtful debts	49,636	Nil
<b>Net Deferred Tax Liabilities</b>	<b>93,26,928</b>	<b>97,65,059</b>

14. **Earnings Per Share:**

Sr. No.	Particulars	April 1, 2006 to March 31, 2007	November 24, 2005 to March 31, 2006
1.	Profit After Tax (Rs.)	12,582,407	278,537
2.	Number of shares outstanding at the end of the year	840,000	831,797
3.	Basic Earnings Per Share for face value of Rs.1/- each	14.98	0.33

15. **Re-registration of the Company under Corporatisation and Demutualisation Scheme approved by SEBI**

- 15.1 SEBI, vide its order no. SEBI/MRD/49560/2005, dated September 15, 2005, has approved the ISE (Corporatisation & Demutualisation) Scheme, 2005 under section 4B(2) of the Securities Contracts (Regulation) Act 1956, whereby the Exchange was required to get converted into a corporate entity within 3 months from the date of the order. The approved scheme provides for re-registration of Inter-connected Stock Exchange of India Ltd. as a company limited by shares under section 12 of the Companies Act 1956, segregation of ownership, management and trading rights on the Exchange, restriction on voting rights of the shareholders who are also trading members, composition of the Governing Board etc. Accordingly, the Company was re-registered under the Companies Act, 1956 on November 24, 2005. The financial statements of the Company have been drawn up for the period from November 24, 2005 to March 31, 2006, i.e. from the date of re-registration in accordance with the scheme of corporatisation and demutualisation.



Pursuant to the aforesaid scheme, on and from the reregistration date i.e. November 24, 2005, all assets, properties, undertakings, funds, reserves, intellectual property rights, obligations, liabilities, contracts, agreements, employees, notices, actions, resolutions passed, claims, etc. belonging to or in the possession or control of the erstwhile company shall vest and be in the possession or control of the re-registered Company.

Pursuant clause 11 of the aforesaid scheme, Assets and Reserves as on November 23, 2005 are not available for the distribution to the Members of the Company and accordingly the same have been segregated from the re-registered Company's Reserves and Surplus.

Dealer Admission Fee transferred from erstwhile company, Inter-connected Stock Exchange of India Ltd., limited by guarantee, is after adjusting accumulated Profit & Loss account debit balance of erstwhile company.

In terms of the Corporatisation and Demutualisation Scheme of the Company approved by SEBI, the Company is required to complete the process of ensuring that atleast 51% of its shareholding is with the public, i.e. persons/ entities other than the existing Promoter Exchanges and trading members, by September 14, 2007. Failure to comply with this requirement will result in the de-recognition of the Company as a stock exchange. The Company is taking necessary steps to complete the process of demutualisation before the given date.

Previous year figures have been regrouped wherever necessary. Previous period/ year figures are not comparable because previous period/ year financial statements had been prepared for the period November 24, 2005 to March 31, 2006.

### Signatures to Schedules 1 to 15

per our attached Report of even date

For and on behalf of Board of Directors

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

sd/-  
**Pranesh Shah**  
Partner  
Membership No. 100052

sd/-  
**P. V. Narasimham**  
Chairman

sd/-  
**V. Shankar**  
Managing Director

Office: MUMBAI  
Date: June 16, 2007

sd/-  
**Milind Nigam**  
Assistant Company Secretary  
Place : MUMBAI  
Date : June 16, 2007

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE****I. REGISTRATION DETAILS**

Registration No.:	<input type="text" value="U 67120 MH 2005 PLC 157556"/>	State Code:	<input type="text" value="11"/>
Balance Sheet Date:	<input type="text" value="31.03.2007"/>		

**II. CAPITAL RAISED DURING THE YEAR**

Public Issue	<input type="text" value="NIL"/>	Rights Issue	<input type="text" value="NIL"/>
Bonus Issue	<input type="text" value="NIL"/>	Private Placement	<input type="text" value="NIL"/>

**III. POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS  
(AMOUNT IN RS. THOUSANDS)**

Total Liabilities	<input type="text" value="3,85,695"/>	Total Assets	<input type="text" value="3,85,695"/>
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**SOURCES OF FUNDS**

Paid up Capital	<input type="text" value="840"/>		
Deferred Tax Liability (Net)	<input type="text" value="9,327"/>	Reserves & Surplus	<input type="text" value="2,10,790"/>
Secured Loan	<input type="text" value="NIL"/>	Unsecured Loan	<input type="text" value="NIL"/>

**APPLICATION OF FUNDS**

Net Fixed Assets	<input type="text" value="38,145"/>	Investments	<input type="text" value="63,200"/>
Net Current Assets	<input type="text" value="1,19,612"/>	Misc. Expenditure	<input type="text" value="NIL"/>
Accumulated Losses	<input type="text" value="NIL"/>		

**IV. PERFORMANCE OF THE COMPANY (AMOUNT IN RS. THOUSANDS)**

Turnover	<input type="text" value="67,355"/>	Total Expenditure	<input type="text" value="45,804"/>
Profit/(Loss) before Tax	<input type="text" value="21,551"/>	Profit/(Loss) after Tax	<input type="text" value="12,582"/>
Earnings per share	<input type="text" value="14.98"/>	Dividend Rate	<input type="text" value="400%"/>

**V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY**

Item Code No.	<input type="text" value="NIL"/>
Product Description	<input type="text" value="NA"/>



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## ISE Service Suite

Stock Trading, Clearing & Settlement



Publication Cell



Listing of Securities



Training & Research Centre



Depository Services



Investor Education

