

TENTH ANNUAL REPORT 2007-2008



Inter-connected Stock Exchange of India Limited



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TENTH ANNUAL REPORT 2007 - 08

CONTENTS

Particulars	Page No.
Corporate Information	3
Directors' Report	7
Compliance Certificate	21
Auditors' Report (for the period April 1, 2007 to March 31, 2008)	24
Balance Sheet (as at March 31, 2008)	27
Profit & Loss Account (for the period April 1, 2007 to March 31, 2008)	28
Schedule forming part of the Accounts (for the period April 1, 2007 to March 31, 2008)	29
Abstract	48





Inter-Connected Stock Exchange of India Limited

BRANCH OFFICES

AHMEDABAD

Shop No. 4, Valmik Complex
Near Parimal Garden
Ellisbridge, Opp. Kalipur Commercial Bank,
Ahmedabad - 380006.
(Branch Incharge: Shri Madhusudhan Soneji)

KOLKATA

Eastern Regional Office
Mukti Chambers - 306 & 403
4, Clive Road
Kolkata: 700001
(Branch Incharge: Shri Ramesh Kumar)

COIMBATORE

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

TIRUNEVELI

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

DELHI

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

NAGPUR

F-2, First Floor, Narmada Plaza
Dharampeth, Near Gini Bazar
Nagpur: 440010
(Branch Incharge: Shri Jay Kumar Mishra)

HYDERABAD

101-103, 1st Floor, Kubera Towers, 1st Floor,
Naryanguda,
Hyderabad (AP),
(Branch Incharge: Shri K. V. Nagabushan)

PATNA

Ashiana Plaza, 8th Floor, Room No. 803
Budh Marg
Patna - 800 001
(Branch Incharge: Shri Himanshu Kumar)

INVESTOR POINTS

TIRUPUR

32-A , 2nd Floor
Easwaran Kovil
Tirupur

KARAIKUDI

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



CORPORATE INFORMATION

BOARD OF DIRECTORS

PUBLIC INTEREST DIRECTORS

Shri K. Rajendran Nair, Chairman
Shri S. Ravi

SHAREHOLDER DIRECTORS

Shri K. D. Gupta
Shri T. N. T. Nayar
Shri M. K. Anadakumar
Shri Maninder Singh Grewal
Shri P. Sivakumar
Shri Sanjeev Puri

TRADING MEMBER DIRECTORS

Shri. Jambu Kumar Jain
Shri Rajiv Vohra

MANAGING DIRECTOR

Shri P. J. Mathew

COMPANY SECRETARY & COMPLIANCE OFFICER

Shri Milind Nigam

AUDIT COMMITTEE

Shri K. D. Gupta
Shri T. N. T. Nayar
Shri P. Sivakumar

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.

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

REGISTERED OFFICE

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

**Notice of the 10th Annual General Meeting of Inter-connected Stock Exchange of India Limited
to be held on Friday, September 5, 2008 at 11.30 a.m. at Hotel Atithi, Near Mumbai Domestic
Airport, Vile Parle (East) Mumbai - 99**

NOTICE is hereby given that the 10th Annual General Meeting of the Members of Inter-connected Stock Exchange of India Ltd. will be held on **Friday, September 5, 2008 at 11.30 a.m. at Hotel Atithi, Near Mumbai Domestic Airport, Vile Parle (East) Mumbai - 99** to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2008 and Profit & Loss Account for the year April 1, 2007 to March 31, 2008 and Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Public Interest Director in place of **Mr. S. Ravi**, who is liable to retire by rotation, as per the applicable provisions of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
4. To appoint a Shareholder Director in place of **Mr. K. D. Gupta**, who is liable to retire by rotation, as per the applicable provisions of the Articles of Association of the Company and being eligible, offers himself for re-appointment.
5. To appoint a Shareholder Director in place of Mr. M. K. Anandakumar, who retires by rotation and is not eligible for re-appointment.
6. To appoint a Trading Member Director in place of Mr. Jambu Kumar Jain, who retires by rotation and is not eligible for re-appointment.
7. To appoint Auditors and to fix their remuneration.

Special Business

1. **To consider and if thought fit, to pass with or without modification(s), the following resolution as an "Ordinary Resolution":**

"RESOLVED THAT Mr. P. Sivakumar, who was appointed as an Additional Director under Shareholder category, by the Board of Directors of the Company with effect from 30th August 2007, under Section 260 of the Companies Act, 1956 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Act from a member proposing his candidature for the office of a Shareholder Director, be and is hereby appointed as a Director of the Company."

BY ORDER OF THE BOARD

Date: July 25, 2008
Place: Navi Mumbai

Sd/-
MILIND NIGAM
Company Secretary

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. **THE PROXY TO BE EFFECTIVE, SHOULD BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. The explanatory statement as required under Section 173(2) of the Companies Act, 1956, in respect of the Special Business set out above is annexed hereto.
4. Members who hold Shares in dematerialized form are requested to write their Client ID and DP ID Nos. and those who hold shares in Physical form are requested to write their Folio No. in the attendance slip while attending the Meeting for easy identification of attendance at the Meeting.

5. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him and such proxy need not be a member of the company. Under the provisions of Companies Act, 1956, voting is by show of hands unless a poll is demanded by a member or members present in person, or by proxy, holding at least one-tenth of the total shares entitled to vote on the resolution or by those holding paid up capital of at least Rs. 50,000/-.
6. The Register of Members and Share Transfer Books of the Company will remain closed from 01.09.2008 to 05.09.2008 (both days inclusive). Dividend on equity shares as recommended by the directors, if declared at the ensuing Annual General Meeting, the payment of the dividend will be made to those shareholders whose name appears in the Register of Members of the Company as on 29.08.2008. In respect of the shares held in electronic form (dematerialized mode), the dividend will be payable on the basis of the details of beneficial ownership, furnished by M/s. Central Depository Services (India) Limited for this purpose as at the end of business hours on 29.08.2008.
7. Members are requested to
 - i. Write to the Company at least 7 days before the date of the meeting, in case they desire any information as regards the Audited Accounts for the financial year ended 31st March 2008, so as to enable the Company to keep the information ready.
 - ii. Bring their copy of the Annual Report and the Attendance Slip at the Annual General Meeting.
 - iii. Intimate to the Registrar & Transfer Agent (R&TA) of the Company immediately, about any change in their addresses, where the shares are held in electronic form such change is to be informed to the Depository Participant (DP) and not to the Company / R&TA.
 - iv. Quote Registered Folio Number or DP ID / Client ID in all the correspondence.
 - v. Approach the R & TA of the Company for consolidation of folios.
 - vi. Furnish bank account details to the R&TA / Depository Participant to prevent fraudulent encashment of dividend warrants.
 - vii. Avail of Nomination facility by filling in and forwarding the nomination form to the R&TA, if not already done.
 - viii. Send all share transfer lodgments (physical mode) / correspondence to the **R&TA** of the Company up to M/s. Bigshare Securities Pvt. Ltd., E/2, Ansa Industrial Estate, Saki Naka, Andheri (E), Mumbai up to the date of book closure.
8. Members/ Proxies are requested to bring the Attendance Slip duly filled up for attending the Meeting.
9. Corporate Members are requested to forward a certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
10. All the documents referred to in the Notice are open for inspection at the Corporate Office of the Company between 10.30 a.m. to 12.30 p.m. on all working days except Saturdays, Sundays and Public Holidays until the date of the Annual General Meeting or any adjournment(s) thereof.
11. Members are requested to Contact for any query related to shares, dividend and other inquiry at the following address:

Inter-connected Stock Exchange of India Ltd.

International Infotech Park
Tower No. 7, 5th Floor
Sector 30, Vashi
Vashi, Navi Mumbai - 400 703
Ph.: +91-22-67941100

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956:

Special Business:

Mr. P. Sivakumar was appointed by the Board at its meeting held on 30th August 2007 as Additional Director of the Company under Section 260 of the Companies Act, 1956, to hold office as Shareholder Director (representing Madras Stock Exchange) up to the date of the ensuing Annual General Meeting. As required by the provisions under Section 257 of the Companies Act, 1956, notice has been received from a member (Madras Stock Exchange) proposing his appointment as Shareholder Director along with a deposit of Rs. 500/- (Rupees Five Hundred Only). The Board considers it desirable that the Company should continue to avail of the services of Mr. P. Sivakumar.

The Board commends the resolution set out at item no: 7 of the Notice for adoption

Except Mr. P. Sivakumar no other director of the Company is concerned or interested in this proposed resolution.

BY ORDER OF THE BOARD

Date: July 25, 2008
Place: Mumbai

Sd/-
MILIND NIGAM
Company Secretary

DIRECTORS' REPORT: 2007 - 08

The Board of Directors of Inter-connected Stock Exchange of India Ltd. are pleased to present the Tenth Annual Report for the year ended March 31, 2008 together with the Audited Statement of Accounts for the financial year 2007-08.

FINANCIAL HIGHLIGHTS

The financial performance of your Exchange for the year 2007-08, together with the comparable figures for the four previous years, is given below:

Comparative Financial Performance					(Figs. in Rs. lakh)
	2007-08	2006-07	2005-06	2004-05	2003-04
INCOME					
Admission Fees from trading members	16.75	153.05	5.80	0.45	0.50
Annual Subscriptions from trading members	85.18	83.52	61.51	49.91	52.18
Listing Fees	1.40	1.18	1.20	1.36	0.89
Transaction Charges	-	-	-	-	-
Income from DP Operations	185.63	128.42	81.24	38.88	14.80
Income from Training Programmes	22.72	30.24	19.30	-	-
Income from Research	1.09	0.30	-	-	-
Income from Rent	48.42	48.42	38.34	27.02	16.19
Interest on Bank Deposits	210.11	77.33	63.34	48.46	36.12
Others	15.54	57.13	47.00	41.86	35.49
Reimbursement by ISS for usage of ISE Assets	53.19	63.96	75.83	99.60	85.58
Management Services Fees	30.00	30.00	30.00	-	-
Income from Current Investments – Mutual Fund	21.41	-	-	-	-
Application fee & Admission fee for Additional Trading Rights	-	-	9.40	54.72	51.00
Profit on sale of assets	-	-	165.06	-	-
Total Income	691.44	673.55	598.02	362.26	292.75
EXPENDITURE					
Employee Cost	141.45	116.73	93.68	57.87	48.23
Administrative & operational expenses	225.38	267.47	166.98	134.74	77.94
DP Expenses	65.03	44.28	36.94	20.95	11.58
Training Programmes Expenses	8.31	7.57	36.16	-	-
Research Expenses	0.06	0.25	-	-	-
Interest	-	-	-	-	-
Depreciation	20.87	21.74	28.24	142.53	143.59
Total Expenditure	461.10	458.04	362.00	356.09	281.34
Profit/(Loss) before Taxation	230.34	215.51	236.02	6.17	11.41
Less: Provision for tax	131.40	89.69	21.56	-	-
PROFIT/(LOSS) AFTER TAXATION	98.94	125.82	214.46	6.17	11.41

Your Exchange has improved its financial performance with its total income rising to Rs.691.44 lakh, up from Rs. 673.55 lakh earned during the year 2006-07. The main contributors to the additional income were DP income which had gone up to Rs. 185.63 lakh in 2007-08 from Rs. 128.42 lakh in 2006-07 and Interest income in 2007-08 was also higher at Rs. 210.11 lakh, compared to Rs.77.33 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 2007-08, mainly for supporting the DP branches and for running the training programmes.

APPROPRIATIONS

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

	(Rs. in lakhs)
General Reserves	9.90
Proposed Dividend	14.00
Corporate Dividend Tax	2.38
Balance carried to Reserves and Surplus	165.59

DIVIDEND

Considering the excellent performance during the year under review, the Board of Directors of the Company in its meeting held on July 25, 2008 have recommended a dividend of Re.1/- per equity share of Re. 1/- each (100%), for the year ended March 31, 2008 and the same will be paid after the approval at the Annual General Meeting. The total dividend payout for year 2007-08 (including dividend distribution tax) was Rs. 16.38 lakh.

MACRO-ECONOMIC REVIEW

Growth Scenario

During 2007-08, the Indian economy continued to expand at a robust pace for the fifth consecutive year, although there was some moderation in the growth momentum during the course of the year (Table 1). According to the advance estimates released by Central Statistical Organisation (CSO), the real GDP growth rate moderated to 8.7 per cent in 2007-08 from 9.6 per cent in 2006-07. The moderation in growth occurred in all the three sectors, viz., agriculture and allied activities, industry and services. Notwithstanding the moderation, the growth performance was in tune with the high average real GDP growth of 8.7 per cent per annum during the five-year period, 2003-04 to 2007-08. India also continued to be one of the fastest growing economies of the world.

Table 1: Revised Estimates of GDP at Factor Cost by Economic Activity (At 1999-2000 prices)

Industry	Percentage change over previous year	
	2007-08#	2006-07*
1. Agriculture, Forestry & Fishing	2.6	3.8
2. Mining & Quarrying	3.4	5.7
3. Manufacturing	9.4	12.0
4. Electricity, Gas & Water supply	7.8	6.0
5. Construction	9.6	12.0
6. Trade, Hotels, Transport and Communication	12.1	11.8
7. Financing, Insurance, Real estate & Business services	11.7	13.9
8. Community, Social & Personal services	7.0	6.9
9. GDP at factor cost	8.7	9.6

*Quick estimate

#Advance estimate

Source: RBI policy statement on Macroeconomic and monetary developments in 2007-08

TRENDS IN EQUITY MARKET

Primary Market

Resources raised through public issues by the corporate sector increased sharply by 158.5 per cent to Rs. 83,707 crore during 2007-08 over those in last year. The number of issues remained unchanged at 119 in 2007-08 (Table 2). The average size of public issues, however, increased from Rs.272 crore in 2006-07 to Rs.703 crore in 2007-08. All public issues during 2007-08 were in the form of equity, barring three which were in the form of debt. Out of 119 issues, 82 issues were initial public offerings (IPOs), accounting for 47.7 per cent of total resource mobilisation.

Mobilisation of resources through private placement increased by 34.9 per cent to Rs.1,49,651 crore during April-December 2008 over the corresponding period of the previous year (Table 2). Resources mobilised by private sector entities increased by 49.4 per cent, while those by public sector entities increased by only 15.5 per cent during April-December 2007. Financial intermediaries (both from public sector and private sector) accounted for the bulk (68.3 per cent) of the total resource mobilisation from the private placement market during April-December 2007 (69.0 per cent during April-December 2006).

Resources raised through Euro issues American Depository Receipts (ADRs) and Global Depository Receipts (GDRs) by Indian corporates during 2007-08 at Rs.26,556 crore were higher by 56.2 per cent than those during the previous year (Table 2).

Item	2007-08 P		2006-07	
	No. of Issues	Amount	No. of Issues	Amount
1	2	3	4	5
A. Prospectus and Rights Issues*				
1. Private Sector (a+b)	115	63,638	117	30,603
a) Financial	11	14,676	8	1,425
b) Non-financial	104	48,692	109	29,178
2. Public Sector (a+b+c)	4	20,069	2	1,779
a) Public Sector Undertakings	-	-	1	997
b) Government Companies	2	2,516	-	-
c) Banks/Financial Institutions	2	17,553	1	782
3. Total (1+2)	119	83,707	119	32,382
of which:				
(i) Equity	116	82,398	116	31,532
(ii) Debt	3	1,309	3	850
B. Private Placement				
2007-08 (April-December) P				
2006-07 (April-December)				
1. Private Sector	1,248	94,746	1,145	63,418
a) Financial	696	64,438	462	38,159
b) Non-financial	552	30,308	683	25,259
2. Public Sector	111	54,905	96	47,549
a) Financial	74	37,709	18	9,189
b) Non-financial	37	17,196	18	9,189
3. Total (1+2)	1,359	1,49,651	1,241	1,10,910
of which:				
(i) Equity	-	-	1	57
(ii) Debt	1,359	1,49,651	1,240	1,10,910
Memo:				
C. Euro Issues	26	26,556	40	17,005

P: Provisional *Excluding offer for sale

Source: RBI policy statement on Macroeconomic and monetary developments in 2007-08

During 2007-08, net mobilisation of resources by mutual funds increased by 63.6 per cent to Rs. 1,53,802 crore over those in 2006-07 (Table 3). However, resource mobilisation declined to Rs. 40,978 crore between September 2007 and March 2008 due to volatile conditions in the stock market. About 67.5 per cent of net mobilisation of funds by mutual funds during 2007-08 was under income/debt market-oriented schemes, out of which bulk of the resources were mobilised through debt other than assured return schemes. Growth-oriented schemes accounted for only 30.5 per cent of net resource mobilisation during 2007-08.

Mutual Fund	2007-08		2006-07	
	Net Mobilisation	Net Assets #	Net Mobilisation @	Net Assets #
1	2	3	4	5
Private Sector	1,33,304	4,15,621	79,038	2,62,079
Public Sector	20,498	89,531	14,947	64,213
Total	1,53,802	5,05,152	93,985	3,26,292

@: Net of redemption #: End Period
 Note: Data exclude funds mobilized under Fund of Funds Schemes

Source: Securities and Exchange Board of India

Secondary Market

The domestic stock markets, which remained generally firm up to early January 2008, witnessed a sharp decline beginning January 11, 2008. Liquidity support from foreign institutional investors (FIIs), strong macroeconomic fundamentals, healthy corporate earnings, upward trend in EMEs equity markets and other sector and stock specific news helped to boost the market sentiment during April-December 2007. Although the domestic stock markets during this period witnessed declines in mid-August, mid-October and mid-December 2007, they again recovered to reach new high. Reflecting this, the BSE Sensex reached an all-time high of 20873.33 on January 8, 2008. Beginning January 11, 2008, the domestic stock markets witnessed severe bouts of volatility due to heightened concerns over the severity of sub-prime lending crises in the US and its spill-over to other market segments and in other countries.

Fears of recession in the US economy on account of contraction in the US service industry, weak earnings growth reported by some of the leading US companies, home foreclosures climbing to record high levels and lacklustre retail sales in the US also impacted the sentiment. Liquidity squeeze from the secondary market in the wake of the IPO issuances, heavy sales by FIIs in the Indian equity market, hike in short-term capital gains tax from 10 per cent to 15 per cent announced in the Union Budget 2008-09, increase in domestic inflation rate, rise in global crude oil prices to record highs and decline in ADR prices in the US markets were some of the other factors that adversely affected the market sentiment. Between end-March 2007 and March 31, 2008, the BSE Sensex moved in a wide range of 12455.37-20873.33. The BSE Sensex and the S&P CNX Nifty, closed at 15544.44 and 4734.50 (table 4), respectively, on March 31, 2008 registering gains of 19.7 per cent and 23.9 per cent, respectively, over end-March 2007. The BSE sensex was 16698.04 on April 23, 2008.

Indicator	BSE			NSE		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
1	2	3	4	5	6	7
BSE Sensex / S&P CNX Nifty*						
End-period	11280	13072	15544.44	3403	3822	4734.50
Average	8280	12277	15644	2513	3572	4735
Volatility# (Per cent)	16.7	9.0	1.93	15.6	10.5	2.02
P/E Ratio (end-period)*	20.9	20.3	20.11	20.3	18.4	20.63
Turnover (Rupees crore)	8,16,074	9,56,185	1578855	15,69,556	19,44,645	3551038
Market Capitalisation (Rupees crore) (end-period)	30,22,190	35,45,041	5138014	28,13,201	33,67,350	4858122

*: 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).

According to the data released by the Securities and Exchange Board of India (SEBI), FIIs have invested Rs.52,574 crore (US \$ 12.7 billion) in the Indian stock markets during 2007-08 as compared with net purchases of Rs.26,031 crore (US \$ 5.7 billion) during 2006-07. Between April 1, 2007 and January 8, 2008, FIIs invested Rs.66,898 crore (US \$ 16.3 billion) in the Indian stock markets. However, FIIs made net sales of Rs. 14,324 crore (US \$ 3.6 billion) between January 9, 2008 and March 31, 2008. Mutual funds made net investments of Rs. 15,775 crore during 2007-08 as compared with net investments of Rs.9,062 crore during 2006-07.

Reflecting the upward trend in stock prices, the price-earnings (P/E) ratios of the 30 scrips included in the BSE Sensex rose from 20.3 at end-March 2007 to 28.5 by January 8, 2008 before sliding to 20.1 by end-March 2008 (Table 4). The market capitalisation of the BSE increased sharply by 44.9 per cent between end-March 2007 and end-March 2008. Market capitalisation to GDP ratio improved from 85.5 per cent at end-March 2007 to 156.7 per cent on January 8, 2008 before declining to 109.5 per cent by end-March 2008. The combined turnover of BSE and NSE in the cash segment during 2007-08 was higher by 76.8 per cent than that during 2006-07.

The performance of non-government non-financial companies moderated during 2007-08 (up to December 2007) relative to the previous year, but still remained healthy (Table 5). Sales growth, which slowed down in the first two quarters of the year, accelerated somewhat in the third quarter of 2007-08. On the whole, however, sales growth during the first nine months of 2007-08 at 17.4 per cent was lower than 29.1 per cent in the corresponding period of the previous year. While growth in gross profits and net profits also decelerated during April-December 2007 as compared with the corresponding period of the previous year, gross profits to sales ratio improved marginally over the same period.

Item	2005-06	2006-07	2006-07	2007-08	2006-07				2007-08		
			April - December	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
			1	2	3	4	5	6	7	8	9
Sales	16.3	26.2	29.1	17.4	25.6	29.2	30.3	22.5	19.2	16.0	18.0
Other Income	17.3	7.1	20.9	75.5	21.6	15.5	9.2	0.4	106.7	45.2	70.2
Total expenditure	16.7	23.4	26.3	17.2	24.0	27.7	25.7	20.0	18.0	15.3	18.9
Depreciation	8.1	15.4	17.2	17.1	14.9	16.4	16.8	18.1	18.1	15.8	17.9
Gross profits	24.6	41.9	44.7	25.0	32.7	46.0	52.9	35.5	31.9	22.5	20.4
Interest payments	-2.0	17.4	18.5	23.9	19.9	18.0	11.9	32.3	4.4	18.4	45.7
Profits after tax	32.8	45.2	46.6	29.8	34.7	49.4	59.5	39.6	33.9	22.7	29.4
Select Ratios (per cent)											
Gross Profits to Sales	12.2	15.5	15.9	16.8	15.2	15.6	15.8	15.4	16.7	16.3	16.2
Profits After Tax to Sales	8.2	10.7	11.1	12.2	10.6	11.0	11.0	10.6	11.6	11.5	12.2
Interest to Sales	2.2	2.1	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.5
Interest to Gross Profits	18.1	13.4	13.0	13.1	14.2	13.1	12.6	12.9	11.8	12.8	15.3
Interest Coverage (Times)	5.5	7.5	7.7	7.6	7.0	7.6	7.9	7.7	8.5	7.8	6.5
Memo: (Amount in Rs. Crore)											
No of Companies	2,730	2,388	1,871	1,989	2,228	2,263	2,258	2,356	2,342	2,228	2,329
Sales	7,35,216	10,41,894	6,73,056	8,14,569	2,34,610	2,51,125	2,60,064	2,94,223	2,80,814	2,97,110	3,06,238
Other Income*	17,088	23,895	13,021	25,074	4,304	5,282	4,927	8,466	9,151	8,057	9,221
Total Expenditure#	6,43,826	8,78,645	5,64,464	6,83,468	2,00,120	2,11,043	2,17,472	2,49,133	2,37,698	2,49,194	2,57,472
Depreciation provision	28,961	37,095	24,392	8,449	8,449	8,892	9,172	10,338	10,173	10,576	10,961
Gross profits	90,179	1,61,006	1,06,898	1,36,643	35,761	39,055	40,995	45,424	46,780	48,296	49,717
Interest Payments	16,302	21,500	13,870	17,951	5,083	5,121	5,162	5,862	5,504	6,194	7,609
Profits after tax	60,236	1,11,107	75,036	99,272	24,845	27,710	28,698	31,251	32,699	34,266	37,470
<p>*: Other Income excludes extraordinary income if reported explicitly. #: The increase or decrease in stock in trade is accounted under total income instead of total expenditure as was hitherto done. Notes: 1. Data for 2005-06 are based on audited balance sheet, while those for 2006-07 and 2007-08 are based on abridged financial results of the select non-Government public limited companies. 2. Growth rates are per cent changes in the level for the period under reference over the corresponding period of the previous year for common set of companies. 3. The quarterly data may not add up to annual data due to differences in the number and composition of companies covered in each period.</p>											

Source: RBI policy statement on Macroeconomic and monetary developments in 2007-08

OPERATIONS OF THE EXCHANGE

(i) Corporatisation & Demutualisation

In compliance of "The Inter-connected Stock Exchange of India Limited (Corporatisation and Demutualisation) Scheme, 2005" as approved by SEBI on September 15, 2005 the Governing Board of Inter-connected Stock Exchange of India Ltd. (ISE) at its Meeting held on September 13, 2007 allotted shares to public so that the holding of the existing promoter exchanges will be reduced to the extent of 49% of the total paid-up capital and successfully completed the process of Demutualisation.

The Governing Board with the approval of SEBI allotted fresh equity shares to the extent of 5,60,000 shares and transferred 1,69,400 equity shares of Re. 1/- each from the existing members to the new investors.

With this, the total paid-up capital of the Exchange is now 14,00,000 equity shares of Re. 1/- each of which 52.10 % i.e., 7,29,400 equity shares are being held by the new investors and the balance 6,70,600 equity shares would be held by the Promoting Stock Exchanges.

(ii) Trading Membership

The status of registration of trading members on the Exchange is as given in Table 6.

Table 6: Status of Trading Members	
Position as on 31.03.2007	799
Fresh Registration	25
Resignation	31
Default	Nil
Expulsion	Nil
Position as on 31.03.2008	793
Change (+/-)	(-6)

The distribution of the trading members across the different geographical regions of the country as on March 31, 2008 is as given in Table 7.

Table 7: Geographical distribution of Trading Members			
Sr. No.	Region	States	Trading Members
1	West	Goa, Gujarat, Maharashtra	317
2	North	Haryana, Jammu & Kashmir, Delhi, Punjab, Rajasthan, Uttarakhand and Uttar Pradesh	139
3	East	Assam, Bihar, Orissa and West Bengal	229
4	South	Andhra Pradesh, Karnataka, Kerala and Tamilnadu	84
5	Central	Jharkhand, Chattisgarh and Madhya Pradesh	24
		Total	793

(iii) Listing

During the financial year 2007-08, one new company viz. **Zen Technologies Limited** was listed on our exchange. As at the end of March 2008, there were 13 companies listed on our Exchange, having a **total market capitalization of Rs. 792 crore** (previous year: Rs. 674 crore).

There was no trading on the ISE platform during the year.

(iv) DP Operations

The growth in DP Operations during the last three years of operations of your Exchange in terms of the number of demat accounts opened and number of instructions processed are shown in Table 8.

Particulars	2007-08	2006-07	2005-06
Income (Rs. lakh)	185.63	128.42	38.88
Expenditure (Rs. lakh)	65.03	44.28	20.95
Net Income (Rs. lakh)	120.60	84.14	17.93
No. of beneficiary accounts	29347	17,459	6,755
No. of instructions processed	1,42,0835	8,68,198	7,80,424
No. of collection centres	138	104	28
No. of DP branches	8	8	4
No. of investor points	2	3	2

The gross income from the DP business has increased from Rs.128.42 lakh in 2006-07 to Rs.185.63 lakh in 2007-08, which represents an increase of 45 per cent. Likewise, there was a 43 per cent rise in the net income from DP operations in the year under review compared to the previous year. The number of DP accounts opened with your Exchange grew from 17,459 in 2006-07 to 29347 in 2007-08 i.e. 11888 new BO accounts were opened in 2007-08 as compared to 5937 accounts opened in 2006-07.

Your Exchange 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 your Exchange are aimed at improving the financial literacy levels in the securities industry. These courses are conducted not from the point of pure commercial interest, but also with the objective of increasing the level of knowledge on the various aspects of the securities market. Your Exchange believes that it is essential for all the participants operating in the securities industry to be fully aware of not only the practical aspects related to day-to-day functioning, but also the regulatory framework governing the operations of the intermediaries and their clients. Training and education, therefore, are seen by your Exchange as initiatives to help reduce operational risks and improve confidence levels in the market.

Details of training programmes conducted during 2007-08 are given in Table No. 9

Sr. No	Programme	Duration	No. of Participants
1	Capital Market (Part time)	9 – 27 April, 2007	11
2	Equities, Derivatives & Portfolio Management	14 – 29 April, 2007	8
3	Fundamental & Technical Analysis	21 – 22 April, 2007	5
4	Mutual Funds	28 – 29 April, 2007	9
5	Capital Market – Khasla College	12 – 19 April, 2007	46
6	MBA Project Work at Hyderabad (Batch 1)	April – July 2007	25
7	MBA Project Work at Hyderabad (Batch 1)	April – July 2007	12
8	Capital Market (Part time)	7 – 27 May, 2007	11
9	Buy-back, Mergers & Acquisitions	12 – 13 May, 2007	8
10	Derivatives – Futures & Options	19 – 20 May, 2007	7
11	Mutual Funds	19 – 20 May, 2007	7
12	Wealth Management	26 – 27 May, 2007	9
13	Capital Market (Part time)	4 – 22 June, 2007	13
14	Equity Research & Valuation	9, 10 & 17 June, 2007	11
15	Capital Market (Part time)	9 – 27 July, 2007	28
16	Derivatives – Futures & Options	14 – 15 July, 2007	15
17	Wealth Management	28 – 29 July, 2007	6
18	Fundamental & Technical Analysis (Hyderabad)	28 – 29 July, 2007	15
19	Equities, Derivatives & Portfolio Management	11 – 26 August, 2007	17
20	Mutual Funds	25 – 26 August, 2007	34
21	IPO Processes & Regulations	1 – 2 September, 2007	19

Sr. No	Programme	Duration	No. of Participants
22	Capital Market (Part time)	3 – 24 September, 2007	18
23	Derivatives – Futures & Options	29 –30 September, 2007	15
24	Capital Market (Part time)	8 – 30 October, 2007	9
25	Equity Research & Valuation	12,13, 14 October, 2007	8
26	Mutual Funds	27 – 28 October, 2007	18
27	Capital Market – S.I.E.S. College	22 – 30 October, 2007	69
28	Capital Market (Part time)	15 Nov. – Dec. 7, 2007	22
29	Derivatives – Futures & Options	24 –25 November, 2007	6
30	Capital Market (Part time)	10 Dec. – Jan. 3, 2007	15
31	Equity Research & Valuation	14,15,16 December, 2007	15
32	MBA Project Work at Hyderabad	31 Dec. – 30 Jan. 2008	25
33	Capital Market (Part time)	7 – 28 January, 2008	29
34	MBA Project Work at Hyderabad	7 Jan. – 6 Feb. 2008	25
35	Depository Operations – Corporation Bk.	7 – 8 January, 2008	30
36	Capital Market (Full time)	19,20& 21, January, 2008	11
37	Fundamental & Technical Analysis	26 – 27, January, 2008	7
38	MBA Project Work at Hyderabad	28 Jan. – 27 Feb. 2008	30
39	Capital Market – ICICI Direct	9 – 10 February, 2008	18
40	Capital Market (Part time)	14 Feb. – Mar. 7, 2008	7
41	MBA Project Work at Hyderabad	February 2008	33
42	Mutual Funds	23 – 24 February, 2008	7
43	Derivatives	1 – 2 March, 2008	7
44	Capital Market (Marathi)	29, 30 & 31 March, 2008	18

The training department has tie-up arrangements with Trinity Academy, Kurla, Mumbai in addition to the Indira Institute of Management, Pune to start Certified / Diploma course in the Capital Market for various market intermediaries and management students. Your exchange will further continue to conduct programmes in collaboration with other recognised institutions/management colleges.

Your exchange has conducted four in-house programmes with different organisations in the year 2007-08.

The Training department is aggressively marketing to conduct programmes in future with special emphasis on In-house Programmes in Colleges and Financial Institutions.

(vi) Research Centre

Research cell has started functioning from April 2006, when the first issues of V Share and ISE 500 were launched. Both these publications were fortnightly. While V Share analysed a particular industry along with the major companies which are part of this industry every fortnight, ISE 500 offered a statistical update of important financial parameters of 500 large cap, medium cap, small cap and micro cap companies. The cell was also continuously publishing NISE (Newsletter of the Exchange).

The Research Cell has gone through many changes to provide prudent and systematic information on vibrant activities of share markets. The 'V Share' a financial magazine was restructured and started publishing as monthly magazine instead of fortnightly. ISE 500 was merged with V Share to give a compact look of financial magazine.

The research cell has also introduced a separate section titled 'Value bites' in its V Share magazine. The section would undertake Value Investing (by Benjamin Graham) of the selected stocks. Apart from this it has also started providing research tools like 'Tech trade Equities' and 'Techni trade Derivatives'. The cell is having tie up with Capital Market etc. for providing data and other related material for market research.

(vii) Settlement Guarantee Fund

Your Exchange maintains a Settlement Guarantee Fund (SGF) as per the norms stipulated by SEBI. The corpus of the SGF has grown from Rs. 14.68 crore as at March 31, 2007 to Rs. 15.94 crore as at March 31, 2008. The details of the SGF are given in Table 10.

Sr. No.	Item	31.3.2008	31.3.2007
1	Cash contribution from promoter Exchanges	130.00	130.00
2	Settlement Guarantee Fund (including accretions from levy on transactions)	65.36	63.81
3	Contribution towards Base Minimum Capital (Cash component) from Registered Trading Member's	795.89	773.45
4	Interest accrued on the cash component of SGF	603.56	501.11
	Total corpus	1594.81	1468.37

(viii) Investor Protection Fund and Investor Services Fund

Your Exchange maintains Investor Protection Fund (IPF) and Investor Services Fund (ISF) in accordance with the norms stipulated by SEBI. Details of these funds are given in Table 11.

Investors Protection Fund (IPF)		
Particulars	2007-08	2006-07
Opening balance	100,338	98,588
Accretion during the year	1,300	1,750
Closing balance as on March 31st	101,638	100,338
Investors Services Fund (ISF)		
Particulars	2007-08	2006-07
Opening balance	16,31,734	23,17,018
Accretion during the year	115,101	104,735
(Less) Expenses incurred on Investor Awareness Programmes	-	-
(Less) Expenses incurred for refund	-	(168,394)
(Less) Transfer to P&L (for claims serviced)	-	(621,625)
Closing balance as on March 31st	17,46,835	16,31,734

(ix) Investors' Grievance Cell

The Investors' Grievance Cell attends to all complaints lodged by the investors against trading members, as well as against companies. Every complaint is followed up promptly by your Exchange 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 of your Exchange 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 your Exchange, along with the comparative position for the previous year, is given in Table 12.

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
2005-06	6	Nil	1	5
2006-07	5	Nil	Nil	5
2007-08	5	Nil	2	3

Regarding the five cases pending against your Exchange at the beginning of the year 2007-08, adequate legal measures to defend your Exchange are being taken.

There are no arbitration cases pending against your Exchange.

FUTURE PROSPECTS

In addition to strengthening the current activities of DP, Research and Training, the Exchange in association with its promoting exchanges is planning to revive its Trading Platform and to create a Common Trading Platform (CTP) and Common Clearing Corporation (CCC), to provide a liquid & vibrant national level market for all the companies listed on respective stock exchange and also contesting for providing trading platform to Small and Medium Enterprises (SMEs).

OFFICE INFRASTRUCTURE

The head office of your 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 personnel of your Exchange. These branch offices offer DP services to clients and brokers, provide administrative and technical support to trading members located in these regions.

INSURANCE

All assets and properties of your Exchange at the head office, branch offices and the investor points are adequately covered by insurance.

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, 2008, Report of the Board of Directors and the Report of the Auditors for the year ended March 31, 2008 for ISE Securities & Services Ltd., the wholly-owned subsidiary of your 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. has registered a total income of Rs.962.60 lakh for the year 2007-08, which is a 30.39 per cent increase over the figure of Rs. 738.24 achieved in 2006-07. While income increased by 30.39%, the expenditure increased from Rs. 562.45 lakh to Rs. 670.66 lakh by 19% only thereby resulting in an increase in profit. Finance cost reduced by 3.72 lakhs thus adding more profit. The profit increased to Rs. 196 lakh from Rs. 73 lakh last year. the administrative expenses is increased on account provision for doubtful debts created for two of the sub brokers who have defaulted and some other debts which were not covered by the securities or broker margin to the tune of Rs. 83.94 lakh. Also we had paid Rs. 10 lakh towards the trade guarantee fund in the financial year 2007-08.

The investment of your Exchange in the subsidiary has not changed during the year. The entire shareholding of Rs. 5.50 crore is with your Exchange.

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, 2008:

- a. the applicable accounting standards have been followed and no material departures have been made from the same;
- b. 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, 2008 and Profit & Loss Account for the year ended March 31, 2008;
- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your 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, 2007 till date, fourteen meetings of the Board of Directors were held, as detailed in Table 13.

Meeting No.	Date	Venue
71	June 27, 2007	Hotel Atithi, Vileparle, Mumbai
72	July 28, 2007	Hotel Transit, Vileparle, Mumbai.
73	August 22, 2007	Hotel Avion, Vileparle, Mumbai
74	September 5, 2007	Hotel Avion, Vileparle, Mumbai
75	September 13, 2007	Hotel Avion, Vileparle, Mumbai
76	September 26, 2007	Hotel Atithi, Vileparle, Mumbai
77	November 3, 2007	Hotel Bawa International, Vileparle, Mumbai
78	December 5, 2007	Registered Office of the Company, Vashi
79	December 28, 2007	Registered Office of the Company, Vashi
80	February 8, 2008	Registered Office of the Company, Vashi
81	March 7, 2008	ABW Infrastructure Co. Ltd., Delhi
82	April 28, 2008	Registered Office of the Company, Vashi
83	June 20, 2008	Registered Office of the Company, Vashi
84	July 25, 2008	Registered Office of the Company, Vashi

The changes which have taken place in the Board of Directors from April 1, 2007 till date are presented in Table 14:

Sr. No.	Name of Director	Particulars	Date of appointment / resignation/ retirement
1.	Shri R. M. C. Rodrigues	Ceased to be a Shareholder Director	May 19, 2007
2.	Shri P. J. Mathew	Appointed as Managing Director	July 28, 2007
3.	Shri Jambu Kumar Jain	Re-appointed as a Trading Member Director	July 28, 2007
4.	Shri T. N. T. Nayar	Re-appointed as Shareholder Director	July 28, 2007
5.	Shri P. V. Narasimham	Ceased to be a Public Interest Director	July 28, 2007
6.	Shri V. R. Bhaskar Reddy	Ceased to be a Shareholder Director	Sept. 24, 2007
7.	Dr. S. D. Israni	Ceased to be a Public Interest Director	January 30, 2008
8.	Dr. M. Y. Khan	Ceased to be a Public Interest Director	January 30, 2008
9.	Shri K. Rajendran Nair	Appointed as a Public Interest Director	January 30, 2008
10.	Shri S. Ravi	Appointed as a Public Interest Director	January 30, 2008
11.	Shri Maninder Singh Grewal	Appointed as a Shareholder Director	January 30, 2008
12.	Shri Sanjeev Puri	Appointed as a Shareholder Director	January 30, 2008
13.	Shri Rajiv Vohra	Appointed as a Trading Member Director	January 30, 2008

14. CONSTITUTION OF THE STATUTORY AND OPERATIONAL COMMITTEES

Your Exchange has constituted the various Statutory and Operational Committees, as required by SEBI. Details of the composition of these Committees for the year 2007-08, as well as for the previous year, are given in Table 15.

Table 15: Details of Committees

Arbitration Panel

Sr. No.	2007-2008		2006-2007	
	Name	Category	Name	Category
1	Shri Sanjeev Puri	Shareholder Director	Justice (Retd.) A. B. Palkar	Public Representative
2	Shri S. Ravi	Public Interest Director	Justice (Retd.) Smt. Katy Ketu Baam	Public Representative
3	Shri K. D. Gupta	Shareholder Director	Shri T. D. Joshi	Public Representative
4	Shri T. D. Joshi	Public Representative	Dr. B. Samal	Public Representative
5	Shri J. J. Bhatt	Public Representative	Shri N. C. Jain	Public Representative
6	Shri Kirit P. Mehta	Public Representative	Shri J. J. Bhatt	Public Representative
7	Shri Subhash Chhajad	Public Representative	Shri Kirit P. Mehta	Public Representative
8	Dr. D. K. Bhatia	Public Representative	Shri Subhash Chhajad	Public Representative
9	Shri Ganesh Shanbag	Trading Member	Shri Sanjeev Khemani	Trading Member
10	Shri Sanjeev Khemani	Trading Member	Shri Ganesh Shanbag	Trading Member

Defaults Committee

Sr. No.	2007-2008		2006-2007	
	Name	Category	Name	Category
1	Shri T. N. T. Nayar	Shareholder Director- Chairman	Shri T. N. T. Nayar	Shareholder Director- Chairman
2	Dr. Shailendra Narain	Public Representative	Shri R. M. Joshi	Public Representative
3	Shri Subhash Chhajad	Public Representative	Dr. Shailendra Narain	Public Representative
4	Shri R. M. Joshi	Public Representative	Shri Subhash Chhajad	Public Representative
5	Shri Ashish Parikh	Trading Member	Shri G.D.Mundra	Trading Member
6	Shri P. J. Mathew	Managing Director	Shri V. Shankar.	Managing Director

Disciplinary Action Committee

Sr. No.	2007-2008		2006-2007	
	Name	Category	Name	Category
1	Shri K. D. Gupta	Shareholder Director	Shri. K. D. Gupta	Shareholder Director- Chairman
2	Shri D. K. Bhatia	Public Representative	Shri. T. D. Joshi	Public Representative
3	Shri J. J. Bhatt	Public Representative	Shri. J. J. Bhatt	Public Representative
4	Shri A. Lahiri	Public Representative	Shri. A. Lahiri	Public Representative
5	Shri Arunachalam	Trading Member	Shri. Jayant Vidwans	Trading Member
6	Shri P. J. Mathew	Managing Director	Shri V. Shankar	Managing Director

Investors Services Committee

Sr. No.	2007-2008		2006-2007	
	Name	Category	Name	Category
1	Shri S. Ravi	Public Interest Director	Dr. S. D. Israni	Public Interest Director- Chairman
2	Shri Rajendran Nair	Public Interest Director	Prof. P. V. Narasimham	Public Interest Director
3	Shri R. M. Joshi	Public Representative	Shri P. J. Mathew	Shareholders Director
4	Shri Mahesh Soneji	Public Representative	Shri V. Shankar	Managing Director
5	Shri Ganesh Shanbag	Treading Member		
6	Shri P. J. Mathew	Managing Director		

Audit Committee

Sr. No.	2007-2008		2006-2007	
	Name	Category	Name	Category
1	Shri K. D. Gupta	Shareholder Director, Chairman	Shri R. M. C. Rodrigues	Shareholder Director, Chairman
2.	Shri T. N. T. Nayar	Shareholder Director	Dr. S. D. Israni	Public Interest Director
3	Shri P. Sivakumar	Shareholder Director	Dr. M. Y. Khan	Public Interest Director
			Shri P. J. Mathew	Shareholder Director

Ethics Committee

Sr. No.	2007-2008		2006-2007	
	Name	Category	Name	Category
1	Shri S. Ravi	Public Interest Director	Prof. P. V. Narasimham	Public Interest Director
2	Shri Rajendran Nair	Public Interest Director	Dr. M. Y. Khan	Public Interest Director
3	Shri M. K. Anandakumar	Shareholders Director	Shri M. K. Anandakumar	Shareholders Director
4	Shri P. J. Mathew	Managing Director	Shri V. Shankar	Managing Director

Screening (i.e. Membership Selection) Committee

Sr. No.	2007-2008		2006-2007	
	Name	Category	Name	Category
1	Dr. M. Y. Khan	Public Interest Director, Chairman	Shri R. M. Joshi	Public Representative – Chairman
2	Shri R. M. Joshi	Public Representative	Shri A. Lahiri	Public Representative
3	Shri A. Lahiri	Public Representative	Prof. P. V. Narasimham	Public Interest Director
4	Shri Mahesh Soneji	Public Representative	Dr. M. Y. Khan	Public Interest Director
5	Shri P. J. Mathew	Managing Director	Shri V. Shankar	Managing Director

Listing Committee.

Sr. No.	2007-2008	
	Name	Category
1	Shri S. Ravi	Public Interest Director
2	Shri P. Sivakumar	Shareholder Director
3	Shri P. J. Mathew	Managing Director

HR Committee.

Sr. No.	2007-2008		2006-2007	
	Name	Category	Name	Category
1	Shri S. Ravi	Public Interest Director	Prof. P. V. Narasimham	Public Representative- Chairman
2	Shri Maninder Singh Grewal	Shareholder Director	Shri Rudolph Rodrigues.	Shareholder Director
3	Shri P. J. Mathew	Managing Director	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 Ninth Annual General Meeting as statutory auditors of your Exchange to hold office till the conclusion of the Tenth Annual General Meeting.

The Auditors' Report relating to the accounts for the year ended March 31, 2008 does not contain any qualification.

PARTICULARS OF EMPLOYEES

Your Exchange had total staff strength of 48 on its rolls as on March 31, 2008. In addition, 30 contractual / outsourced staff are working for your 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 disclosure 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 your Exchange, and therefore, no details have been provided.

CORPORATE GOVERNANCE

Your Exchange is committed to following good corporate governance practices. The Board of Directors, Chairman, Managing Director and the entire staff working for your Exchange have endeavored to adhere to the highest levels of corporate governance.

PUBLIC DEPOSIT

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

ACKNOWLEDGEMENTS

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

Your 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 your 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 25, 2008
Place: Mumbai

Sd/-
K. Rajendran Nair
Chairman

RAO SAKLECHA & CO.

Company Secretaries

210, Rajani Bhavan, 569, Mahatma Gandhi Marg, **Indore** (M.P.)
Ph.0731-2542994 **Tele Fax**-2538710, **Cell No.**9826027611, 9826941425,
E-mail: pankajsaklecha@yahoo.com, neeleshcs2004@yahoo.co.in

CIN No. : U671020MH2005PLC157556

Nominal Capital: 20 Lacs

COMPLIANCE CERTIFICATE

(Rule 3 of Companies (Compliance Certificate) Rules, 2001)

To,
The Members,
Inter- connected stock exchange of India, Ltd.,
Infotech Park, Tower No. 7, 5th Floor,
Above Vashi Railway Station
Vashi, Navi Mumbai,

We have examined the registers, records, books and papers of **Inter-Connected Stock Exchange of India, Limited** as required to be maintained under the Companies Act, 1956 (the Act) and the Rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2008. In our opinion and to the best of our information and according to the examinations carried out by us and explanations, information and certifications furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in **Annexure 'A'** to this Certificate, as per the provisions of the Act and the Rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **Annexure 'B'** to this Certificate with the Registrar of Companies, Mumbai, within the time prescribed under the Act and the Rules made there under.
3. The Company being Public Limited Company the provision of this clause is not applicable.
4. The Board of directors met Eleven (11) times during the financial year on 27th June 2007, 28th July 2007, 22nd August 2007, 5th September 2007, 13th September 2007, 26th September 2007, 3rd November 2007, 5th December 2007, 28th December 2007, 8th February 2008 and 7th March 2008 respectively in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has not closed its Register of Members, during the financial year.
6. The Annual General Meeting for the Financial Year ended on 31st March 2007 was held on 28th July, 2007 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. One Extra Ordinary General Meeting was held on 30th January 2008 during the financial year..
8. The Company has not advanced loans to its Directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into contracts falling within the purview of section 297 of the Act.
10. The Company has made necessary entries in the Register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any

approvals from the Board of Directors, Members or Central Government, as the case may be.

12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company
 - (i) has delivered share certificates after allotment and transfer of shares further there was no transmission of securities during the financial year.
 - (ii) has paid the dividend by issuing the account payee cheques in the name of concerned shareholder after declaration of dividend during the financial year.
 - (iii) Has delivered cheques in lieu of dividend warrants to members of the Company within 30 days from the date of declaration of dividend.
 - (iv) as informed by the management company was not required to transfer any amounts in Unpaid dividend account, application money due for the refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of 7 years to Investor Education and Protection Fund.
 - (v) has duly complied with the requirement of Section 217 of the Act.
14. The Board of Directors of the company is duly constituted. The appointment and resignation of the directors was made during the financial year.
15. The Company has appointed Managing Director/Whole time Director or Manager during the financial year.
16. The company has not appointed any sole selling agents during the financial year.
17. The Company was not required to obtain any approvals of Company Law Board, Registrar of Companies and /or such other authorities as may be prescribed under any of the provisions of the Act except Central Government and Regional Director.
18. The Directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
19. The Company has allotted 5,60,000 shares in the Board meeting held on 13th September 2007 during the financial year.
20. The Company has not bought back any shares during the financial year.
21. There was no redemption of preference shares/debentures during the financial year. The Company has not issued any preference shares.
22. There were no transactions necessitating the Company to keep in abeyance rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited/accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company has not made borrowings during the year under Section 293(1)(d) of the Act.
25. The Company has made investments amounting to Rs.73,65,575/- in the mutual fund of the various companies.
26. The Company has not altered the provisions of the Memorandum with respect to the situation of the Company's Registered Office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the Objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the Name of the Company during the year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to the Share Capital of the Company during the year under scrutiny.

30. The Company has not altered its Articles of Association during the financial year.
31. There was no prosecution initiated against or show cause notices received by the Company during the financial year for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The Company has deposited the contributions towards Provident Fund during the financial year.

For Rao Saklecha & Co.
Company Secretaries

Place: Indore
Date: 25/07/2008

Sd/-
CS. Neelesh Gupta
Partner
C.P.No.6846

ANNEXURE A

Registers as maintained by the Company:

1. Register of Members.
2. Minute's books of the meeting of the Board and Shareholders.
3. Register of Contracts, companies and firms in which directors of the companies are interested u/s 301 of the Act.
4. Register of Directors, Managing Director, Manager and Secretary u/s 303(1) of the Act.
5. Register of Directors' shareholding u/s 307 (1) of the Act.
6. Register of Directors' attendance at the meetings of the Board (Regulation 71 of Table A).
7. Register of Shareholders' attendance at their meeting.

ANNEXURE B

Sr. No.	FORM NO./RETURN	FILED U/S	FOR	Filing Date [Receipt No.]
1.	Form 32	Section 257	15.07.2007	20.08.2007 (A20431581)
3.	Form 32	Section 257	18.06.2007	22.08.2007 (A20549960)
4.	Form 32	Section 257	27.08.2007	22.08.2007 (A20550810)
5.	Form 32	Section 257	27.08.2007	12.09.2007 (A22062632)
6.	Form 2	Section 75	12.10.2007	13.09.2007 (A22219828)
7.	Form 23	Section 192	27.08.2007	17.09.2007 (A22386650)
8.	Form 23AC	Section 220	27.08.2007	20.09.2007 (P09860602)
9.	Form 23ACA	Section 220	27.08.2007	20.09.2007 (P09860602)
10.	Form 20B	Section 159	27.09.2007	20.09.2007 (P09861477)
11.	Form 23	Section 192	27.08.2007	25.09.2007 (A22910384)
12.	Form 25C	Section 269	27.10.2007	4.10.2007 (A23590342)
13.	Form 32	Section 257	30.09.2007	18.10.2007 (A24567505)
14.	Form 32	Section 257	23.10.2007	19.10.2007 (A24604860)
15.	Form 32	Section 257	05.05.2007	27.10.2007 (A25131731)
16.	Form 32	Section 257	26.12.2007	11.12.2007 (A27751247)
17.	Form 32	Section 257	29.02.2008	29.02.2008 (A32891715)
18.	Form 32	Section 257	7.03.2008	13.03.2008 (A33755943)

END OF COMPLIANCE CERTIFICATE

AUDITORS' REPORT

The Members,

Inter-connected Stock Exchange Of India Limited.

1. We have audited the attached Balance Sheet of **Inter-connected Stock Exchange of India Limited** as at 31st March, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the period ended 31st March, 2008. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 5 and 6 of the said Order.
4. Further we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - iii. The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable to the company;
 - v. On the basis of written representations received from the directors as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and the Notes forming parts of accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. In the case of Balance Sheet of the state of affairs of company as at 31st March, 2008.
 - b. In the case of Profit and Loss Account of the profit for the period ended on that date; and

In the case of Cash Flow Statement, of the Cash flows for the period ended on that date.

FOR A. J. SHAH & COMPANY,
Chartered Accountants

sd/-

(Hiren C. Shah)

Partner

Membership No. 100052

Place: Mumbai

Date: 25th July, 2008

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** on the accounts for the period ended 31st March, 2008, 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.
 - (a) According to the information and explanation given to us , the Company has granted unsecured loan, to ISE Securities & Services Ltd (Subsidiary Company) company covered in the register maintained under Section 301 of the Companies Act, 1956 which has been squared off during the during the year.
 - (b) In our opinion, the rate of interest and other terms and conditions of unsecured loans are prima-facie not prejudicial to the interest of the company.
 - (c) According to the information and explanation given to us, the company is regular in repayment of principal and interest on the above mentioned unsecured loans.
 - (d) The Company has not 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 (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. In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956:
 - (a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered in the register have been so entered.
 - (b) According to the information and explanations given to us, these contracts or arrangements with ISE Securities & Services Ltd. are management services, rent and others mainly in the nature of reimbursement of cost incurred by ISE Ltd. for ISE Securities and Services Ltd. and hence the prices for which, are reasonable.
- vi. According to the information and explanations given to us, the Company has not accepted any deposit during the year from public within the meaning of the provisions of Section 58A 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.
- 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 C. Shah)

Partner

Membership No. 100052

Place: Mumbai

Date: 25th July, 2008

Inter-connected Stock Exchange of India Ltd.

Balance Sheet as at March 31, 2008

	Schedule	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Sources of funds			
Shareholders' funds			
Share Capital	1	1,400,000	840,000
Reserves and Surplus	2	369,057,795	210,789,783
Unsecured Loans	3	-	-
Deferred Tax Liability (Net) (Refer Note 14 of Schedule 16)		8,025,076	9,326,928
Total		378,482,871	220,956,711
Fixed assets			
Gross block (at cost)	4	56,239,396	52,751,906
Less: Depreciation		17,969,437	16,217,314
Net block		38,269,959	36,534,592
Capital work-in-progress		450,000	1,610,378
		38,719,959	38,144,970
Investments	5	70,565,575	63,200,000
Current Assets, Loans and Advances			
Current Assets			
Cash and Bank Balances	6	415,093,115	256,747,930
Sundry Debtors	7	2,324,322	2,583,924
Loans and Advances	8	33,866,965	25,018,369
		451,284,402	284,350,223
Less: Current Liabilities and Provisions			
Current liabilities	9	154,858,753	147,410,373
Provisions	10	29,741,381	17,328,109
		184,600,134	164,738,482
Net Current Assets		266,684,268	119,611,741
Miscellaneous Expenditure (to the extent not written off or adjusted)	11	2,513,069	-
Total		378,482,871	220,956,711
Significant Accounting Policies and Notes forming part of the Accounts	16		

As per our attached Report of even date

For and on behalf of Board of Directors

For **A. J. Shah & Co.**,
Chartered Accountants

Sd/-
K. Rajendran Nair
Chairman

Sd/-
P. J. Mathew
Managing Director

Sd/-
(Hiren Shah)
Partner
Membership No 100052

Sd/-
Milind Nigam
Company Secretary

Place: Mumbai
Date: July 25, 2008

Place: Mumbai
Date: July 25, 2008

Inter-connected Stock Exchange of India Ltd.

Profit and Loss Account for the period April 01, 2007 to March 31, 2008

Particulars	Schedule		Year ended March 31, 2008 (Rupees)	Year ended March 31, 2007 (Rupees)
Income				
Income from Operations	12		39,595,872	49,066,367
Other Income	13		29,548,153	18,289,043
Total			69,144,025	67,355,410
Expenditure				
Employee Costs	14		14,145,056	11,672,709
Administration and Operational Expenses	15		29,878,234	31,957,593
Depreciation/Amortisation			2,140,634	2,220,134
Less : Adjusted against Capital Reserve (Refer Note 8 of Schedule 16)			(53,770)	(46,460)
			2,086,864	2,173,674
Claims serviced			-	621,625
Less: Transferred from Investor Service Fund			-	(621,625)
			-	-
Total			46,110,154	45,803,976
Profit before tax				
			23,033,871	21,551,434
Less : Provision for taxation				
- Current tax (including taxation provision on interest credited to earmarked funds account of Rs. 5,322,206/- (previous year: Rs.2,062,985/-))			(14,080,000)	(9,215,000)
- Deferred Tax Adjustment			1,244,159	438,131
- Fringe Benefit Tax			(303,809)	(192,158)
Net profit after tax			9,894,221	12,582,407
Add: Balance brought forward from last year			7,669,912	278,537
Add: Prior period Adjustment (Refer Note 18 of Schedule 16)			1,622,971	-
Profit available for Appropriation			19,187,104	12,860,944
Less: Proposed Dividend		1,400,000		
Less: Tax on Proposed Dividend		237,930	1,637,930	3,931,032
Less: Transfer to General Reserve			990,000	1,260,000
Balance carried to the Balance sheet			16,559,174	7,669,912
Earning Per Share (Rs.) (Basic & Diluted)			8.62	14.98
Significant Accounting Policies and Notes forming part of the Accounts	16			

As per our attached Report of even date

For and on behalf of Board of Directors

For **A. J. Shah & Co.,**
Chartered Accountants

Sd/-
K. Rajendran Nair
Chairman

Sd/-
P. J. Mathew
Managing Director

s/d
(Hiren Shah)
Partner
Membership No 100052

Sd/-
Milind Nigam
Company Secretary

Place: Mumbai
Date: July 25, 2008

Place: Mumbai
Date: July 25, 2008

Inter-connected Stock Exchange of India Ltd.

Schedules forming part of Accounts

SCHEDULE 1: SHARE CAPITAL

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Authorised Capital (20,00,000 Equity shares of Re 1/- each)	2,000,000	2,000,000
Issued, Subscribed And Paid Up (14,00,000 Equity shares of Re 1/- each fully paid up)	1,400,000	840,000
Total	1,400,000	840,000

SCHEDULE 2 : RESERVES & SURPLUS

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
PART A : RESERVES & SURPLUS (before November 24, 2005)		
Free Reserves		
Profit & Loss Account Balance (Surplus in P&L as per last Balance Sheet)	11,888,319	11,888,319
Total Free Reserves	11,888,319	11,888,319
Capital Reserves		
Infrastructure Development Contribution as per Last Balance Sheet	91,900,000	91,900,000
	91,900,000	91,900,000
Networking Equipment Contribution		
Balance transferred from erstwhile Company, Inter-connected Stock Exchange of India Ltd., limited by guarantee	1,518,602	1,565,062
Less : Adjustment towards Depreciation (Refer Note 8 of Schedule 16)	53,770	46,460
	1,464,832	1,518,602
Dealer Admission Fees as per last Balance Sheet	38,328,857	38,328,857
	38,328,857	38,328,857
Total Capital Reserves	131,693,689	131,747,459
Total of PART A : RESERVES & SURPLUS	143,582,008	143,635,778

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
PART B : RESERVES & SURPLUS (after November 24, 2005)		
Free Reserves		
Profit & Loss Account Balance	16,559,174	7,669,912
Share Premium Account		
As per last Balance Sheet	-	-
Add: Additions during the year	138,038,315	-
Less: Deletion	-	-
	138,038,315	-

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
General Reserves		
As per last Balance Sheet	1,260,000	-
Add: Transfer from Profit & Loss Account	990,000	1,260,000
Less: Adjusted towards transitional provision on adoption of AS 15 (Revised) (Refer Note 9 of Schedule 16)	112,043	-
	2,137,957	1,260,000
Total Free Reserves	156,735,446	8,929,912
Capital Reserves		
Dealer Admission Fees		
Balance as per Balance Sheet	-	2,750,000
Add: Received during the period	-	-
Less : Transferred to P&L	-	2,750,000
Total Capital Reserves	-	-
Total of PART B : RESERVES & SURPLUS	156,735,446	8,929,912

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
PART C : EARMARKED RESERVES		
Settlement Guarantee Fund		
Opening Balance	56,492,020	51,735,849
Add: Additions during the period: (accretion by way of interest of Rs.10,24,48,46/-, (previous year: Rs.3,996,171/-) net of income tax of Rs. 5,275,296/- (previous year Rs. 20,27,602/-) 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.1,55,000/- (previous year: Rs. 7,15,000/-), contributions from Traders: Rs. Nil- (previous year Rs.45,000/-))	10,399,846	4,756,171
	66,891,866	56,492,020
Investor Protection Fund		
Opening Balance	100,338	98,588
Add: Additions during the period (accretion by way of appropriation from the listing fee income during the period)	1,300	1,750
	101,638	100,338
Investor Services Fund		
Opening Balance	1,631,734	2,317,018
Add : Additions during the period	115,101	104,735
Additions during the period: Rs. Nil (previous year Rs. Nil on transfer of credit balances of expelled trading members) and accretion by way of interest of Rs. 91,101/- net of income tax Rs.46,910/- (previous year: Rs. 105,118/- net of income tax Rs. 35,383/-, 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. 24,000/-, previous year: Rs.35,000/-))		
Less : Expenses incurred for refund	-	(168,394)
Less : Transfer to P&L (for claims serviced)	-	(621,625)
	1,746,835	1,631,734
Total of PART C : Earmarked Reserves	68,740,340	58,224,093
Total Reserves and Surplus	(TOTAL OF PART A+B+C)	210,789,783
	369,057,795	210,789,783

SCHEDULE 3 : UNSECURED LOANS

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Temporary Overdraft against Company's Bank Fixed Deposits	-	-
Total	-	-

SCHEDULE 4 : FIXED ASSETS

PARTICULARS	As at 01-04-07	Additions	Deductions	As at 31-03-08	As at 01-04-07	For the period	Deductions / Adjustments	As at 31-03-08	As at 31-03-08	As at 01-04-07
Tangible Assets										
Leasehold Land	870,626	-	-	870,626	118,936	14,230	-	133,166	737,460	751,690
Leasehold Premises	32,585,962	-	-	32,585,962	4,996,239	532,606	-	5,528,845	27,057,117	27,589,723
Machinery and Electrical Equipments	1,988,787	1,769,235	-	3,758,022	686,344	147,964	-	834,308	2,923,714	1,302,443
Furniture and Fixtures	5,688,244	1,663,353	177,583	7,174,014	2,799,705	349,089	31,822	3,116,972	4,057,042	2,888,539
Vehicles	1,145,809	-	420,809	725,000	457,880	91,848	356,689	193,039	531,961	687,929
Office Equipments	1,729,665	92,190	-	1,821,855	589,955	96,601	-	686,556	1,135,299	1,139,710
Computer Equipments including networking equipments	5,387,767	387,704	-	5,775,471	3,829,356	433,816	-	4,263,172	1,512,299	1,558,412
Intangible Assets										
Computer Software	3,355,046	173,400	-	3,528,446	2,738,899	474,480	-	3,213,379	315,067	616,147
Total	52,751,906	4,085,882	598,392	56,239,396	16,217,314	2,140,634	388,511	17,969,437	38,269,959	36,534,593
Capital Work in Progress									450,000	
							Total		38,719,959	

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, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Long Term Investments (unquoted, at cost):		
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
Current Investments		
In Mutual Funds (unquoted, lower of net asset value or cost)	15,565,575	8,200,000
- SBI Infrastructure Fund (5,00,000 units)		
- AIG India Equity Fund (4,88,997.555 units)		
- JM Contra Fund (4,88,997.555 units)		
- Lotus India Agile Fund (1,46,699.267 units)		
Total	70,565,575	63,200,000

SCHEDULE 6 : CASH & BANK BALANCES

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Cash-in-hand	-	-
Bank Balances:		
With Scheduled Banks		
- in Current Accounts		
* in Free Fund Accounts	778,338	958,081
* in Earmarked Fund Accounts (Refer Note 12 of Schedule 16)	144,545	146,245
- in Deposit Accounts		
* in Free Fund Accounts	246,976,352	101,038,843
* in Earmarked Fund Accounts (Refer Note 12 of Schedule 16)	167,193,880	154,604,761
(Bank lien against Fixed Deposit (for OD facility) is Rs.7.50 Crores)		
Total	415,093,115	256,747,930

SCHEDULE 7 : SUNDRY DEBTORS

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Unsecured		
Debts outstanding for a period exceeding six months		
- Considered Good	1,426,200	62,000
- Considered Doubtful	175,000	133,695
Other Debts		
- Considered Good	898,122	2,521,924
- Considered Doubtful	-	13,770
	2,499,322	2,731,389
Less : Provision for Doubtful Debts	175,000	147,465
Total	2,324,322	2,583,924

SCHEDULE 8 : LOANS & ADVANCES

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Unsecured Considered Good, unless otherwise stated		
Advances given to the subsidiary company/ expenses recoverable from subsidiary company	4,236,135	3,569,847
Trade Deposits		
Considered Good	3,426,438	4,623,496
Considered Doubtful	945,396	-
	4,371,834	4,623,496
Less: Provision for Doubtful Advances	945,396	-
	3,426,438	4,623,496
Advances recoverable in cash or kind or for value to be received :		
Considered Good	806,496	1,435,365
Considered Doubtful	-	-
	806,496	1,435,365
Staff Advances	401,814	368,264
Advance Tax/ Income Tax refund receivable (Net of Provision for Tax)	24,996,082	13,421,397
Total	33,866,965	23,418,369

SCHEDULE 9 : CURRENT LIABILITIES

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Sundry Creditors		
- Small Scale Industrial undertakings (Refer Note 5 of Schedule 16)	-	-
- Others	5,434,893	5,518,052
	5,434,893	5,518,052
Rent Deposit from Subsidiary Company	4,400,000	4,400,000
Refundable Deposits as per the Rules and Bye-laws of the Company		
- Base Minimum Capital of trading members	79,589,154	77,345,059
- Settlement Stabilisation Fund	13,000,000	13,000,000
Advance towards admission fees, annual fees, etc from trading members, pending registration / approval of SEBI	46,274,098	43,362,365
Depository Participant received in advance	6,160,608	3,784,897
Total	154,858,753	147,410,373

SCHEDULE 10 : PROVISIONS

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Gratuity	816,896	614,529
Employees' Leave Encashment	594,749	680,672
Expenses	360,193	165,006
Performance Linked Bonus	3,036,613	1,121,870
Taxation	23,295,000	9,215,000
Proposed Dividend	1,400,000	3,360,000
Tax on Proposed Dividend	237,930	571,032
Total	29,741,381	15,728,109

SCHEDULE 11: MISCELLANEOUS EXPENDITURE

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Demutualisation Expenses	3,769,603	-
Less: Written off	1,256,534	-
Total	2,513,069	-

SCHEDULE 12 : INCOME FROM OPERATIONS

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Depository Participant (DP) Operations	18,562,547	12,842,158
Training Programmes	2,272,344	3,024,390
Subscription for Research Publications	109,272	30,011
Annual Subscription from trading members	8,517,875	8,351,750
Admission Fees	1,675,000	15,305,001
Listing Fees	139,700	117,500
Reimbursement of Expenses from Subsidiary Company	5,319,134	6,395,557
Management Services Fee	3,000,000	3,000,000
Total	39,595,872	49,066,367

SCHEDULE 13 : OTHER INCOME

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Gross Interest on Bank Deposits (TDS: Rs.6,257,842/-, Previous Year: Rs.2,983,800/-)	31,371,005	11,833,591
Less : Interest earned on Earmarked Funds (net of Income Tax Rs. 5,322,206/-, previous year: Rs.2,062,985/-)	10,359,947	4,100,906
	21,011,058	7,732,685
Income from Current Investments-Mutual Funds	2,140,530	136,376
Dividend from Subsidiary Company	-	2,750,000
Interest on short-term loan from subsidiary company	590,599	1,122,621
Interest on delayed payments from trading members	156,541	68,415
Rent (TDS : Rs.1,095,554/-; Previous Year : 10,86,684/-)	4,842,600	4,842,600
Miscellaneous Income (including prior year income: Nil, previous year: Rs.1,28,143/-)	700,881	1,346,521
Connectivity Charges	-	75,625
Sundry credit balances, written back	105,944	214,200
Total	29,548,153	18,289,043

SCHEDULE 14 : EMPLOYEE COST

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Salaries and allowances (Net of recovery: Rs. 1,39,45,650/-, previous year: Rs.1,25,12,473/-)	11,766,956	9,488,330
Contribution to Provident and other funds (Net of recovery: Rs. 8,21,746/-, previous year: Rs.9,12,045/-)	744,428	723,771
Leave Encashment (Compensated Absences) (Net of recovery: Rs. 1,90,587/-, previous year: Rs.422,927/-)	377,803	(257,593)
Gratuity (Net of recovery: Rs. 188,148/-, previous year: Rs. 154,305)	399,223	370,165
Staff Welfare	856,646	1,348,036
Total	14,145,056	11,672,709

SCHEDULE 15 : ADMINISTRATIVE & OPERATIONAL EXPENSES

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Telephone and Fax	932,841	1,107,768
Printing and Stationery	2,114,027	4,569,345
DP Operations	6,502,828	4,428,385
Training Programmes	831,490	756,709
Remuneration to Auditors (Refer Note 4 of Schedule 16)	462,429	404,064
Legal and Professional Charges	1,639,968	1,897,986
Power, Fuel & Water Charges	2,643,209	2,876,918
Board / Committee Meeting	330,312	241,890
Rent, Rates and Taxes	3,309,287	2,894,251
Repairs and Maintenance - Leasehold Premises	330,648	331,149
Repairs and Maintenance - Others	820,978	2,150,796
Travelling and Conveyance	1,370,145	1,182,726
Postage and Courier	2,012,727	3,480,414
Security	431,427	412,988
Insurance	142,002	78,593
Advertisement and Publicity	1,325,466	3,289,099
Books, Newspapers and Periodicals	33,645	57,686
Vehicle Maintenance	164,989	123,775
Bank Charges	35,470	13,188
Miscellaneous Expenses	591,566	878,107
Lodging & Boarding Exp	451,782	182,138
Research - Printing Charges	6,139	25,000
Bad Debts	22,465	
Less: Transfer from Provision for Doubtful Debts	<u>22,465</u>	-
Provision for Doubtful Debts	50,000	147,465
Provision for Doubtful Deposit	945,396	-
Sales Tax	6,275	28,060
Miscellaneous Expenses write off-Demutualisation Expenses	1,256,534	-
Service Tax	26,178	-
Sundry balance written off	3,670	-
Loss on Sale of Furniture	123,261	-
Loss on Sale of Motor Car	49,120	-
Loss on revaluation of current investment	934,425	-
Total	29,878,234	31,957,593

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 8).
- 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 Employees Benefits :

(a) Provident Fund:

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

(b) Gratuity:

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

(c) Compensated Absences:

The employees of the company are entitled to compensated absences. The employee can carry forward unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or resignation for the unutilised accrued compensated absences. Such compensated absences are treated as Long term benefit to employees. The net present value of company's obligation towards such Long term compensated absences to employees is actuarially determined based on the projected unit credit method. Actuarial gains and losses are immediately recognised in the Profit & Loss Account.

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 Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

1.14 Miscellaneous Expenditure Demutualisation Expenditure:

Demutualisation expenditure has been amortised over three years.

2. Capital commitment and Contingent Liabilities not provided for:

Particulars	2007-08 (Rs.)	2006-07 (Rs.)
Estimated amount of contract remaining unexecuted on capital account and not provided for Advance given Rs. 4,50,000/- (previous period Rs. Nil)	4,50,000/-	Nil

3. Managerial Remuneration

Particulars	April 1, 2007 to March 31, 2008	April 1, 2006 to March 31, 2007
Salaries & Allowances	1,285,797	8,71,548
Contribution to Provident Fund and other Funds	1,45,779	87,155
Monetary Value of Perquisites	NIL	NIL
Commission	NIL	NIL
Total	1,431,576	9,58,703

Shri V. Shankar was Managing Director upto 16th June 2007.

Shri P. J. Mathew is Managing Director from 2nd August 2007.

4. Remuneration to Auditors

Particulars	April 1, 2007 to March 31, 2008	April 1, 2006 to March 31, 2007
Audit Fees	257,875	336,720
For other services in respect of		
- Consultancy charges	NIL	NIL
- Other Services (including certification matters)	60,661	NIL
For Tax Audit	67,416	67,344
For Taxation matters (to associate firm)	76,477	NIL
Total	462,429	404,064

- The company has not been able to compile the details of vendors status under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The Company contends that no overdue amounts alongwith interest have been payable to enterprise covered under MSMED Act and generally payments are made to vendors within the stipulated time/agreed credit terms.
- 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. 15,99,750/- in cash, excluding bank guarantees / fixed deposit receipts / securities to such trading members.

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.

8. During the period, an amount of Rs. 53,770/-, 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.

9. Adoption of Accounting Standard AS15 (Revised) Employee Benefits

Consequent to adoption of Accounting Standard on Employee Benefits (AS 15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the following disclosures have been made.

- (i) An amount of Rs. 49,488/- being the difference (net of deferred tax Rs.25,482/-and net of adjustment of towards Subsidiary Company Rs.97,369/-) between liability as per actuarial valuation and the balance of plan assets as per company's previous accounting policy as on March 31st, 2007 towards Gratuity is a resulting asset and has been adjusted to the opening balance of Profit & Loss Account in terms of AS 15 (Revised)
- (ii) An amount of Rs. 62,555/- being the difference (net of deferred tax effect of Rs. 32,211/- and net of adjustment of towards Subsidiary Company Rs.123,080/-) between the liability as per actuarial valuation and the liability provided as per company's previous accounting policy as on March 31st, 2007 towards compensated absences is resulting asset and has been adjusted to the opening balance of Profit & Loss Account in terms of AS 15 (Revised)
- (iii) Consequent upon the adoption of AS -15 (Revised 2005), effect on the current year profit before tax is not ascertained as in the view of management the same will not be material.
- (iv) The following table sets out the status of the defined benefit Gratuity Plan as required under AS 15

(Amount Rs.)

Change in Benefit Obligation:	Gratuity 2008
Liability at the beginning of the year	10,58,592/-
Interest Cost	1,17,621/-
Current Service Cost	4,25,503/-
Past Service Cost (Non Vested Benefit)	-
Past Service Cost (Vested Benefit)	-
Liability Transfer in	-
Liability Transfer Out	-
Benefit Paid	(3,24,519/-)
Actuarial (gain)/ loss on obligation	(1,71,741/-)
Liability at the end of the period *	8,16,895/-
Fair Value of Plan Assets:	
Fair Value of Plan Assets at the beginning of the year	2,71,724/-
Expected Return on Plan Assets	41,842/-
Contributions	2,99,514/-
Transfer from other company	-
Transfer to other company	-
Benefit paid	(3,24,519/-)
Actuarial gain/ (loss) on Plan Assets	(15,469/-)
Fair Value of Plan Assets at the end of the period	2,73,092/-
Total Actuarial Gain/ (Loss) to be recognised *	(1,71,741/-)
Transitional Liability:	
Transition Liability at start	-
Transition Liability Recognised during period	-
Transition Liability at end	-

Change in Benefit Obligation:	Gratuity 2008
Actual Return on Plan Assets:	
Expected Return on Plan Assets	41,842/-
Actuarial gain/ (loss) on Plan Assets	(15,469/-)
Actual Return on Plan Assets	26,373/-
Amount Recognised in the Balance Sheet:	
Liability at the end of the period	8,16,895/-
Fair Value of Plan Assets at the end of the period	2,73,092/-
Difference	10,89,987/-
Unrecognised Past Service Cost	-
Unrecognised Transition Liability	-

* This includes the liabilities/ asset towards subsidiary company employees, which is adjusted separately and given effect to profit and loss account effect after adjusting the same.

Change in Benefit Obligation:	Gratuity 2008
Amount Recognised in the Balance Sheet	8,16,895/-
Expenses Recognised in the Income Statement:	
Current Service Cost	4,25,503/-
Interest Cost	1,17,621/-
Expected Return on Plan Assets	(41,842/-)
Past Service Cost (Non Vested Benefit) Recognised	-
Past Service Cost (Vested Benefit) Recognised	-
Recognition of Transition Liability	-
Actuarial Gain or Loss	(1,71,741/-)
Expense Recognised in P & L	3,29,541/-
Balance Sheet Reconciliation	
Opening Net Liability	10,89,987/-
Expense as above	3,29,541/-
Employers Contribution	2,99,514/-
Amount Recognised in Balance Sheet *	8,16,895/-
Category of Assets:	
Government of India Assets	-
Corporate Bonds	-
Special Deposits Schemes	-
Equity Shares of Listed Companies	-
Property	-
Insurer Managed Funds	2,73,092/-
Other	-
Total	2,73,092/-

Principle Assumptions	Gratuity (%)
Discount Rate	8
Salary Escalation	7
Rate of Return on Plan Assets	7.5

(v) Other Long term Employee Benefits:

Amount of Rs.3,77,803/- (net of recovery from subsidiary company) is recognised as an expense towards Other Long term Employee Benefits-Compensated Absences (Leave Encashment) included under the Schedule-14: 'Employee Cost' in profit and loss account.

10. Sundry Debtors (Schedule 7) include Rs. 23,24,322/- on account of various charges recoverable from DP income receivable, trading members, listed companies, sundry debtors which are outstanding. Out of this, an amount of Rs.50,000/- (Previous year Rs.147,465/-) pertaining to listing fees has been provided as doubtful debts during the period March 31, 2008. The remaining 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.
11. 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	As on March 31, 2008	As on March 31, 2007
Settlement Guarantee Fund	Nil	Nil
Investor Services Fund	Nil	Nil
Total	Nil	Nil

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

i) a) **Settlement Guarantee Fund (Registered Trading Members)**

Settlement Guarantee Fund	As on March 31, 2008	As on March 31, 2007
Settlement Guarantee Fund (including accretions from levy on transactions)	65,35,819	63,80,819
Settlement Stabilisation Fund	1,30,00,000	1,30,00,000
Contribution towards Base Minimum Capital (Cash component) from Registered Trading Member's	7,95,89,154	7,73,45,059
Interest accrued on above	6,03,56,047	5,01,11,201
Total	15,94,81,020	14,68,37,079

The balances as on March 31, 2008 in the Settlement Guarantee Fund are earmarked in accordance with the Rules and Bye-laws of the Company as under.

Particulars	As on March 31, 2008	As on March 31, 2007
With Bank in Fixed Deposits	1,65,416,853	15,29,87,656
With Bank in Current Account	10,405	10,405
Total of Deposits and Bank Balance	16,54,27,258	15,29,98,061
Amount outstanding as on March 31, 2008	Nil	Nil

b) **Settlement Guarantee Fund (pending registration under current liabilities)**

Settlement Guarantee Fund	As on March 31, 2008	As on March 31, 2007
Contribution towards SGF/ BMC from Trading Member's pending registration	93,62,500	85,76,766
Total	93,62,500	85,76,766

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

Non-cash component	As on March 31, 2008	As on March 31, 2007
Bank Guarantees from trading members		
- Registered	1,00,000	1,00,000
- Unregistered	Nil	Nil
Fixed Deposits under lien		
- Registered	82,21,951	95,45,491
- Unregistered	1,00,000	1,75,000
Securities pledged, (at market value)*		
- Registered	25,470,736	2,46,31,300
- Unregistered	Nil	18,000
Undertakings given by the regional stock exchanges on behalf their trading members		
- Registered	2,97,00,000	2,97,00,000
- Unregistered	1,43,00,000	1,34,00,000
Total Non-Cash Component		
- Registered	6,34,92,687	6,39,76,791
- Unregistered	1,44,00,000	1,35,93,000

* 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 period.

ii) **Investor Protection Fund**

Particulars	As on March 31, 2008	As on March 31, 2007
Accretion by way of appropriation from the listing fee income	101,638	100,338

The balances as on March 31, 2008 in the Investor Protection Fund are earmarked in accordance with the Rules, Bye-laws and Regulations of the Company as under.

Particulars	As on March 31, 2008	As on March 31, 2007
With Bank in Fixed Deposits	Nil	Nil
With Bank in Current Account	1,09,554	1,07,254
Total of Deposits and Bank Balance	1,09,554	1,07,254
Amount outstanding as on March 31, 2008	Nil	Nil

iii) **Investor Services Fund**

Particulars	As on March 31, 2008	As on March 31, 2007
(Including Rs. Nil (previous year: 168,394/-) 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. Nil (previous year: 621,625/-) of claims serviced, Rs. 24,000/- (previous year: Rs. 35,000/-) appropriation from listing fee income during the period and Rs. 138,010/- (previous year: Rs. 105,118/-) accretions by the way of interest on fixed deposit.	1,746,835	1,631,734

The balances as on March 31, 2008 in the Investor Services Fund are earmarked in accordance with the Rules and Bye-laws of the Company as under.

Particulars	As on March 31, 2008	As on March 31, 2007
With Bank in Fixed Deposits	17,77,027	16,17,105
With Bank in Current Account	24,585	28,585
Total of Deposits and Bank Balance	18,01,612	16,45,690
Amount outstanding as on March 31, 2008	Nil	Nil

13. 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 upto June 16, 2007	Key Managerial Personnel	India
3	Mr. P. J. Mathew Managing Director from August 2, 2007	Key Managerial Personnel	India

Transactions with related parties during the period:

(Amount in Rupees)

Sr. No.	Nature of Transactions	Subsidiaries	Key Management Personnel	Total as on March 31, 2008	Total as on March 31, 2007
1	Rendering of Services (net of Service Tax)	30,00,000	-	30,00,000	30,00,000
2	Finance (Including loans and equity contributions in cash or in kind)				
	- Loans (incl. interest)	Nil	-	Nil	Nil
	- Investment in Equity	Nil	-	Nil	Nil
	- Provision for diminution in value of Investment	Nil	-	Nil	Nil
3	Interest Income	590,599	-	590,599	11,22,621
4	Managerial Remuneration	-	14,31,576	14,31,576	9,58,703
5	Amt Outstanding as at March 31, 2008	-	-	-	-
	Loans (incl. interest) (Maximum outstanding during the year)	10,00,00,000	-	10,00,00,000	2,50,00,000
	Investment in Equity	5,50,00,000	-	5,50,00,000	5,50,00,000
	Managerial Remuneration	-	Nil	Nil	Nil
	Recovery of expenditure	42,36,135	-	42,36,135	35,69,847
6	Reimbursement of Expenses	53,19,134	-	53,19,134	63,95,557
7	Deposit from subsidiary	44,00,000	-	44,00,000	44,00,000

14. 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. 12,44,159/- adjusted from the profits and loss account and Rs.57,693/- adjusted from general reserve on account of adoption of Accounting Standard 15 (revised)- Employees Benefits on transitional liability.

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

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Deferred Tax Liability		
- Depreciation	92,03,328	93,76,564
Deferred Tax Assets		
- Provision for doubtful debts/Advances/ Diminution in the Value of Investments	6,98,434	49,636
- Provision for Gratuity	2,77,663	Nil
- Provision for compensated absence	2,02,155	Nil
Net Deferred Tax Liabilities	80,25,076	93,26,928

15. Earnings Per Share:

Sr. No.	Particulars	March 31, 2008	March 31, 2007
1.	Profit After Tax (Rs.)	9,894,221	12,582,407
2.	Number of shares outstanding at the end of the year (Weighted Average Number of shares outstanding at the year end)	1,400,000 (1,147,541)	840,000 (840,000)
3.	Basic and Diluted Earnings Per Share for face value of Rs.1/- each	8.62	14.98

16. Impairment of Assets:

In the opinion of the management there is no impairment of the assets hence no provision is made for the same.

17. Note on Demutualisation

In compliance of "The Inter-connected Stock Exchange of India Limited (Corporatisation and Demutualisation) Scheme, 2005" as approved by SEBI on September 15, 2005 the Governing Board of Inter-connected Stock Exchange of India Ltd. (ISE) at its Meeting held on September 13, 2007 allotted shares to public so that the holding of the existing promoter exchanges will be reduced to the extent of 49% of the total paid-up capital and successfully completed the process of Demutualisation. The Governing Board of Inter-connected Stock Exchange of India Ltd. (ISE) at its Meeting held on September 13, 2007 allotted fresh equity shares to the extent of 5,60,000 shares and transferred 1,69,400 equity shares of Rs. 1/- each from the existing members to the new investors.

With this, the total equity of the Exchange would be 14,00,000 equity shares of Rs. 1/- each of which 52.10 % i.e., 7,29,400 equity shares are being held by the new investors and the balance 6,70,600 equity shares would be held by the Promoting Stock Exchanges.

18. The prior period adjustments of Rs. 16,22,971/- is pertaining to the expenditure incurred for the purpose of demutualisation in the previous year and same has been charged to profit and loss account instead of debiting to demutualisation expenditure (for amortised purpose), now same has been debited to demutualisation expenditure and credited to profit & loss account as prior year adjustments.
19. Advance recoverable in cash or kind includes Rs. 1,21,860/- towards advance payments for directors expenses. (maximum outstanding balance Rs. 1,21,860/-)
20. Previous year figures have been regrouped wherever necessary.

As per our attached Report of even date

For **A. J. Shah & Co.**,
Chartered Accountants

Sd/-
(Hiren Shah)
Partner
Membership No 100052

Place: Mumbai
Date: July 25, 2008

For and on behalf of Board of Directors

Sd/-
K. Rajendran Nair
Chairman

Sd/-
P. J. Mathew
Managing Director

Sd/-
Milind Nigam
Company Secretary

Place: Mumbai
Date: July 25, 2008

Inter-connected Stock Exchange of India Ltd.

Cash Flow Statement for the year ended March 31, 2008

	Amount (Rs.)	Amount (Rs.)
A. Cash Flow from Operating activities		
Net Profit before tax		23,033,871
Adjustment for :		
Interest on Bank Fixed Deposits	(21,011,058)	
Income from Mutual Fund	(2,140,530)	
Interest on Loan from Subsidiary	(590,599)	
Provision for Doubtful Debts	50,000	
Provision for Doubtful Deposits	945,396	
Miscellaneous expenditure -Demutalisation Expenditure 2007-08	1,256,534	
Loss on sale of Furniture	123,261	
Loss on sale of Motor Car	49,120	
Loss on revaluation of Investments	934,425	
Depreciation	2,086,864	
Gratuity Provision	99,709	
Employees Leave Provision	27,341	
Provision for Performance Linked Bonus	1,490,825	
		(16,678,712)
Operating Profits before working capital changes:		6,355,159
Adjustments for:		
(Increase)/Decrease in Sundry debtors and Other Receivable	446,311	
Increase/(Decrease) in Sundry Creditors and Other Liabilities	8,007,086	
Staff Advances	(33,550)	
		8,419,847
Cash generated from operation		14,775,007
Direct taxes paid	(11,574,686)	
Fringe benefit tax paid	(303,809)	
Total taxes paid		(11,878,495)
Prior Period Adjustment	1,622,971	1,622,971
Net Cash from Operating Activities (A)		4,519,483
B. Cash Flow From investing Activities		
Fixed Deposits Interest earned	15,688,852	
Income from Mutual fund	2,140,530	
Interest from Subsidiary	590,599	
Loan to Subsidiary Company (Net)	-	
Purchase of Fixed Assets including Capital work in Process	(4,535,882)	
Sale of Assets	37,500	
Investment in mutual fund	(8,300,000)	
Miscellaneous expenses of Demutalisation	(2,146,632)	
Net Cash (used in) from Investing Activities (B)		3,474,967

	Amount (Rs.)	Amount (Rs.)
C. Cash Flow from financing activities		
Dividend of 06-07 paid	(3,360,000)	
Tax on Dividend of 06-07 paid	(571,032)	
Issue of Equity Share with Premium	138,598,315	
Interest earned on Settlement Guarantee Fund	15,520,142	
Amount Received in Investor Protection Fund	1,300	
Interest earned on Investor Service Fund	162,010	
Net Cash (Used In) / from financial activities (C)		150,350,735
Net (decrease)/Increase in cash and cash equivalents (A+B+C)		158,345,185
Cash and cash equivalents at the beginning of the year		256,747,930
Cash and cash equivalents at the end of the year		415,093,115

Notes :

1. Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard-3 issued by the Institute of Chartered Accounting of India.
2. For notes to accounts and significant accounting Policies refer Schedule '16'
3. This being the first year of applicability of Accounting Standard 3 - Cash Flow statement for the Complan, hence previous year figures are not given.

For and on behalf of Board of Directors

As per our attached Report of even date

For A. J. Shah & Co.,
Chartered Accountants

Sd/-
K. Rajendran Nair
Chairman

Sd/-
P. J. Mathew
Managing Director

Sd/-
(Hiren Shah)
Partner
Membership No 100052

Sd/-
Milind Nigam
Company Secretary

Place: Mumbai
Date: July 25, 2008

Place: Mumbai
Date: July 25, 2008

Statement regarding Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to Company's Interest in Subsidiary Companies for the financial year 2007-08

	Name of the Subsidiary Company	ISE Securities & Services Ltd
1.	The Financial year of the Subsidiary Companies ended on	March 31, 2008
2.	Date from which they became Subsidiary Companies	January 18, 2000
3.	a) Number of shares held by Inter-connected Stock Exchange Ltd. With its nominee in the subsidiaries at the end of the financial year of the Subsidiary Companies.	55,00,000 equity shares of Rs.10/- each fully paid up
	b) Extent of Interest of Holding Company at the end of the financial year of the Subsidiary Companies	99.99% (0.01% of the shares are held by the nominees of the holding company)
4.	The net aggregate amount of the Subsidiary Companies Profit/(Loss) so far it is concerns the members of the Holding Company	
	a) Not dealt with in the Holding Company's accounts :	
	i) For the financial year ended 31st March, 2008	Rs 1,25,41,861/-
	ii) For the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries.	Rs. 43,53,904/-
	b) Dealt with in the Holding Company's accounts:	
	i) For the financial year ended 31st March, 2008	
	ii) For the previous financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	
NOTE		
The audited financials of ISE Securities & Services Ltd (Subsidiary Company) have been received for the year ended 31 st March, 2008. Further the transaction is not material for the Group as a whole, and hence the accounts have not been consolidated.		

For and on behalf of Board of Directors

Sd/-
K. Rajendran Nair
Chairman

Sd/-
P. J. Mathew
Managing Director

Sd/-
Milind Nigam
Company Secretary

Place: Mumbai
Date: July 25, 2008

Inter-connected Stock Exchange of India Ltd.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.:	U 67120 MH 2005 PLC 157556	State Code:	11
Balance Sheet Date:	31.03.2008		

II. CAPITAL RAISED DURING THE YEAR

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	5,63,083	Total Assets	5,63,083
-------------------	----------	--------------	----------

SOURCES OF FUNDS

Paid up Capital	1,400		
Deferred Tax Liability (Net)	8,025	Reserves & Surplus	3,69,058
Secured Loan	NIL	Unsecured Loan	NIL

APPLICATION OF FUNDS

Net Fixed Assets	38,720	Investments	70,566
Net Current Assets	2,66,684	Misc. Expenditure	2,513
Accumulated Losses	NIL		

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

Turnover	69,144	Total Expenditure	46,110
Profit/ (Loss) before Tax	23,034	Profit/ (Loss) after Tax	9,894
Earnings per share	8.62	Dividend Rate	100%

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

Item Code No.	NIL
Product Description	NA



NINTH ANNUAL REPORT 2007-08



ISE Securities & Services Limited

(Wholly-owned subsidiary of ISE)

CONTENTS

Particulars	Page No.
Corporate Information	51
Directors' Report	54
Auditors' Report (for the period April 1, 2007 to March 31, 2008)	63
Balance Sheet (as at March 31, 2008)	66
Profit & Loss Account (for the period April 1, 2007 to March 31, 2008)	67
Schedule forming part of the Accounts (for the period April 1, 2007 to March 31, 2008)	68
Abstract	79

BUY

SELL

CORPORATE INFORMATION

BOARD OF DIRECTORS

PUBLIC REPRESENTATIVE DIRECTORS

Shri R. M. Joshi
Shri R. Sadanandam

SHAREHOLDER REPRESENTATIVE DIRECTOR

Shri Vivekananda Pattanayak

DIRECTOR

Shri P. J. Mathew
(Nominee of ISE)

CHIEF EXECUTIVE OFFICER / DIRECTOR

Shri Vinay Vaidya

SECRETARIAL AND LEGAL

Smt. Manisha Thakur
Company Secretary & Compliance Officer

AUDIT COMMITTEE

Shri R. Sadanandam,
Public Representative Director, Chairman of the Committee

Shri R. M. Joshi,
Public Representative Director

Shri Vivekananda Pattanayak,
Shareholder Representative Director

STATUTORY AUDITORS

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

INTERNAL AUDITORS

M/s. M. P. Chitale & Co., Chartered Accountants

BANKERS

HDFC Bank Limited
ICICI Bank Limited
Axis Bank Limited
IDBI Bank Limited
State Bank of India

Corporation Bank
Vijaya Bank
IndusInd Bank Limited
Citibank N.A.

REGISTERED OFFICE

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

PERFORMANCE AT A GLANCE

(all figures in Rs. lakh)

	Financial Performance				
	07-08	06-07	05-06	04-05	03-04
Income (Rs. Lakh)					
Net Operational Income	462.25	355.47	333.08	254.50	315.25
Interest	309.96	187.66	169.97	167.76	131.17
Interest on Income Tax Refund	-	-	0.43	2.97	1.53
Networking Recoveries	91.48	121.55	101.09	115.08	97.52
Annual Fees	24.90	15.89	21.14	18.60	19.76
Other Income	74.01	57.66	58.91	58.99	22.56
Total Income	962.60	738.24	684.62	617.90	587.79
Expenditure (Rs. Lakh)					
Administration & Operations Cost	344.15	281.16	240.71	164.85	186.55
Networking Cost	148.86	137.28	138.74	110.65	120.80
Employee Cost	176.55	143.61	89.70	74.34	67.83
Finance Cost	15.26	18.98	7.24	7.37	6.43
Rent to ISE	-	-	-	-	-
Re-imburement of Exps for ISE assets used	-	-	-	-	-
Others	1.10	0.38	0.11	-	-
Depreciation / Amortisation	80.63	83.63	94.19	108.12	45.81
Preliminary Expenses written-off	-	-	-	2.04	2.04
Expenses on Proposed Projects	-	-	-	-	-
Contingency Expenses	-	-	-	-	-
Total Expenditure	766.55	665.06	570.69	467.37	429.46
Profit / (Loss) before Taxation (Rs. Lakh)	196.04	73.19	113.93	150.53	158.33
Provision for : Current Tax	(101.06)	(28.50)	(2.79)	(46.00)	(23.60)
: (Deferred Tax Expenses)/Savings	30.43	0.01	(35.17)	4.50	(28.71)
Net Profit / (Loss) after Taxation (Rs. Lakh)	125.41	44.70	75.96	109.03	106.02
Capital Structure (Rs. lakh)					
Share Capital	550.00	550.00	550.00	550.00	550.00
Reserves & Surplus	280.34	193.54	196.52	151.92	40.05
Net Fixed Assets	297.93	347.52	352.27	142.10	131.48
Investments	67.10	67.10	67.10	67.00	67.00
Net Current Assets	643.97	970.22	462.05	509.56	423.98
Networth	830.34	743.54	746.52	701.91	590.05
Earning per share (Rupees)	2.28	0.81	1.38	2.03	1.90

DIRECTORS' REPORT: 2007 - 08

The Board of Directors of ISE Securities & Services Limited (ISS) are pleased to present the Ninth Annual Report for the year ended March 31, 2008, together with the Auditors' Report and Audited Accounts for the Financial Year 200708.

FINANCIAL PERFORMANCE

In the Financial year 2007-08 your Company has posted net profit of Rs.125 Lakh. Your Company earned a total income of Rs.962.60 lakhs during the year, which is an increase of 30.39% compared to Rs. 738.24 lakhs during the previous year. Expenditure before depreciation, interest and tax during the year under review stood at Rs. 670.66 lakhs, compared to Rs. 562.45 lakhs during the preceding year, which is an increase of 19.24%. The other income earned during the year 2007-08 was Rs.74 lakhs, compared to Rs. 57.66 lakhs for the previous year. After considering interest, finance charges and depreciation, the excess of income over expenditure for the year 2007-08 was Rs. 196.05 lakhs as compared to Rs. 73.19 lakhs for the previous year.

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

Particulars	(all figures in Rs. lakhs)				
	2007-08	2006-07	2005-06	2004-05	2003-04
Income	962.60	738.24	684.61	617.91	587.79
Expenditure before Depreciation, Interest and Tax	670.66	562.45	469.26	351.89	377.22
Profit before Depreciation, Interest and Tax	291.94	175.79	215.36	266.02	210.57
Interest and Finance Charges	15.26	18.98	7.24	7.37	6.43
Depreciation	80.63	83.62	94.19	108.12	45.81
Profit/(Loss) before Tax	196.05	73.19	113.93	150.53	158.33
Provision for Tax	70.63	76.17	37.97	41.50	52.31
Profit/(Loss) after Tax	125.42	(2.98)	75.96	109.03	106.02
Proposed Dividend at 6%	33.00	-	27.50	-	-

While income increased by 30.39%, the expenditure increased from Rs 562.45 lakhs to Rs.670.66 lakhs, i.e. by 19.24%. The profit increased from Rs. 73.19 lakhs to Rs. 196.05 lakhs.

DIVIDEND

Keeping in view the overall performance during the year, your Directors recommend payment of dividend for the year ended March 31, 2008 of Rs. 0.60 per share.

BACKGROUND

Market volumes, which had reached record levels in FY 2008, have corrected sharply in April May. The current volume of turnover has dropped substantially. Gaining market share and improving the volume of business done is curial in order to grow in these market conditions. The company plans to improve its performance by focusing on providing better services to its Registered Intermediaries and Clients. The company also envisages an increase in expenditure in order to adopt better technology to serve our Registered Intermediaries and Clients better. The company, therefore, proposes to rationalize its brokerage charges in tune with the market practice.

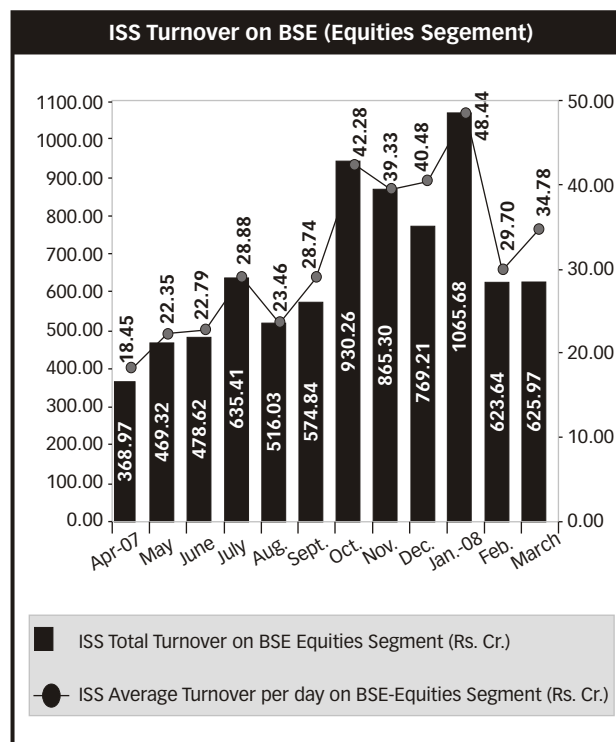
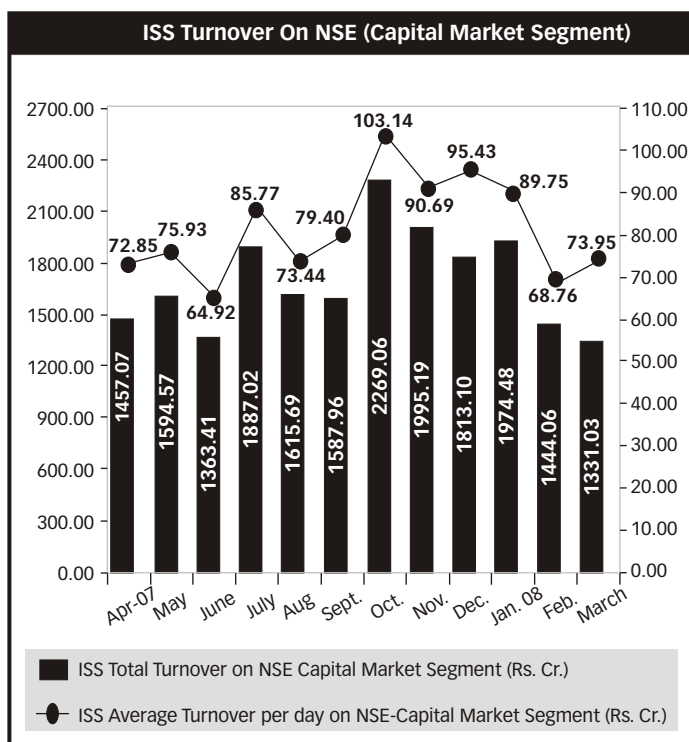
OPERATIONAL HIGHLIGHTS

During the year 2007-08, your Company recorded a turnover of Rs. 20,332 crore in the NSE capital market (CM) segment and Rs. 27,726 crores in the NSE futures & options (F&O) segment, aggregating to Rs. 48,058 crore. The corresponding figures for the

preceding year were Rs. 17,736 crore in the CM segment and Rs. 16,917 crore in the F&O segment, i.e. a total of Rs. 34,653 crore. During the year 2007-08, turnover of Rs. 7,923 crore was recorded in BSE Equities segment. The corresponding figure for the preceding year was Rs. 4,408 crore. The turnover of NSE CM segment, NSE F&O segment and BSE Equities segment taken together was recorded at Rs.55,981 crores during the year 2007-08. The corresponding figure for the preceding year was Rs.39,061 crores.

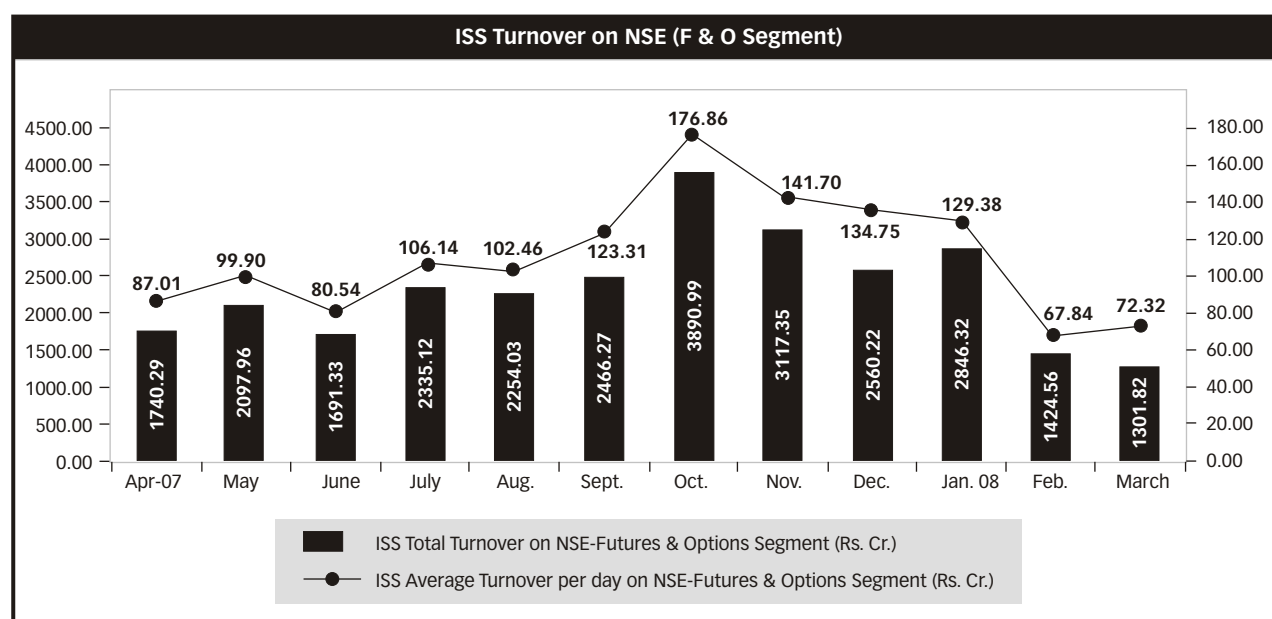
The month-wise statistics of your Company for the financial year in the Capital Market / Equities Segment of NSE and BSE are given below and the same are also represented below diagrammatically:

Month	NSE-Capital Market / BSE-Equities Segment								
	Total Turnover (Rs. Cr.)			No. of Days	Average Turnover per day (Rs. Cr.)			Active Intermediaries	
	NSE	BSE	Total		NSE	BSE	Total	NSE	BSE
April 2007	1457.07	368.97	1826.04	20	72.85	18.45	91.30	196	171
May	1594.57	469.32	2063.89	21	75.93	22.35	98.28	196	174
June	1363.41	478.62	1842.03	21	64.92	22.79	87.72	192	174
July	1887.02	635.41	2522.42	22	85.77	28.88	114.66	196	182
Aug.	1615.69	516.03	2131.71	22	73.44	23.46	96.90	195	186
Sept.	1587.96	574.84	2162.80	20	79.40	28.74	108.14	200	188
Oct.	2269.06	930.26	3199.32	22	103.14	42.28	145.42	210	189
Nov.	1995.19	865.30	2860.50	22	90.69	39.33	130.02	204	196
Dec.	1813.10	769.21	2582.30	19	95.43	40.48	135.91	206	193
Jan.2008	1974.48	1065.68	3040.15	22	89.75	48.44	138.19	201	192
Feb.	1444.06	623.64	2067.70	21	68.76	29.70	98.46	204	188
March	1331.03	625.97	1957.00	18	73.95	34.78	108.72	203	186
Total 2007-08	20332.64	7923.24	28255.88	250	81.33	31.69	113.02		
Total 2006-07	17736.49	4408.01	22144.49	246	72.10	17.92	90.02		
Total 2005-06	22235.36	1511.97	23747.33	250	88.94	6.06	94.99		



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

Month	NSE - Futures & Options Segment			
	Total Turnover (Rs. Cr.)	No. of Days	Average Turnover per day (Rs. Cr.)	Active Intermediaries
April 2007	1740.29	20	87.01	92
May	2097.96	21	99.90	92
June	1691.33	21	80.54	97
July	2335.12	22	106.14	97
Aug.	2254.03	22	102.46	99
Sept.	2466.27	20	123.31	98
Oct.	3890.99	22	176.86	105
Nov.	3117.35	22	141.70	102
Dec.	2560.22	19	134.75	103
Jan.2008	2846.32	22	129.38	101
Feb.	1424.56	21	67.84	98
March	1301.82	18	72.32	92
Total 2007-08	27726.24	250	110.90	
Total 2006-07	16917.69	246	68.77	
Total 2005-06	16240.22	250	64.96	



TECHNOLOGY AND SYSTEMS

Your Company has integrated back-office software called "CLASS", sourced from Market Place Technologies Limited (erstwhile "ExchangeNext Solutions Ltd.") for carrying out the share accounting, securities handling and funds handling functions. Data dissemination has now become vital to ensure smooth operations.

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

center have been decentralized.

Your Company has introduced internet trading facility for both clients as well as sub-brokers using the TradeAnywhere product of Asian CERC Technologies (P) Ltd. The product for the client has been christened as "net profit" and that for the sub-broker "net branch". The Company endeavours to constantly upgrade the software, in order to provide better services to the clients.

NEW LAUNCHES IN 2007-08

This is the second year, when your Company has completed the implementation of the SEBI (Stock Brokers & Sub-brokers) (Amendment) Regulations, 2003. The Company has started dealing directly with the clients under the New Business Model. Further, your Company has started providing Internet Trading facility to the clients.

OPERATIONS OF THE COMPANY

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

PARTICULARS	NSE	BSE
No. of sub-brokers registered in ISS as on 31.03.2007	398	210
Fresh Registrations	78	84
Resignations	14	3
Cancelled	8	1
Position as on 31.03.2008	454	290
Change (+/-)	56	80

The status of applications pending registrations as sub-brokers and Authorized Persons at various stages is given below for all the segments.

Pending application status for sub-brokers and authorised persons registration as on June 30, 2008				
Sr. No.	Particulars	No. of applications pending		
		NSE (Capital Market Segment)	BSE (Equities Segment)	NSE (F & O Segment)
1.	Documents pending from sub-broker applicants	10	7	NIL
2.	Applications under process by ISS (received recently)	NIL	NIL	NIL
3.	Applications pending at NSE	15	N.A.	NIL
4.	Applications pending at BSE	N.A.	9	N.A.
5.	Applications pending at SEBI	27	29	N.A.
	Total	52	45	NIL

The distribution of intermediaries across the different geographical regions of the country as on March 31, 2008 is as given below.

Geographical distribution of Registered Intermediaries						
Sr. No.	Region	States	Trading Members		Authorised Persons (NSE F&O)	Remisiers (BSE)
			NSE	BSE		
1.	West	Goa, Gujarat, Maharashtra	182	110	97	15
2.	North	Haryana, Jammu & Kashmir, Delhi, Punjab, Rajasthan, Uttaranchal and Uttar Pradesh	60	31	23	7
3.	East	Assam, Bihar, Jharkhand, Orissa and West Bengal	154	125	69	17
4.	South	Andhra Pradesh, Karnataka, Kerala and Tamilnadu	48	21	21	3
5.	Central	Chattisgarh and Madhya Pradesh	10	3	7	0
		TOTAL	454	290	217	42

OUTLOOK FOR THE YEAR 2007-08

The outlook for the future is promising. Your Company proposes to provide online access to back office data to the clients. In addition to the existing activities of securities trading, clearing and settlement, your Company proposes to exploit opportunities offered by the dynamic Indian Capital Market. The Company believes in continuous improvement and intends to exploit latest technology to serve the Clients better. Your Company is also proposing to foray into new areas of securities trading and distribution, securities lending and borrowing and registration with BSE in derivatives segment, subject to approval by competent authorities.

OFFICE INFRASTRUCTURE

The Company's registered office continues to operate at the same premises as that of its Promoter Exchange, Inter-connected Stock Exchange of India Limited (ISE). However, after the demutualization of the Parent Exchange and its increased operational activities, ISE will need additional space. Therefore, the company has acquired on lease and license basis, office space admeasuring 2,500 sq.ft. area, in the same building as the registered office. All the back office operations of the company have been shifted to the new premises, however, the registered office of the Company continues to be at the same premises.

COMPLAINTS REDRESSAL, ARBITRATION AND LEGAL CASES

The Arbitration and Investor Grievances Department of the Company attends to complaints filed by clients against sub-brokers / intermediaries and also handles arbitration and legal matters. At the beginning of the financial year 2007-08, there were 6 complaints pending against the sub-brokers of ISS. During the year under review, 12 new complaints against the sub-brokers were received by your Company out of which 13 complaints were resolved during the year. As on March 31, 2008, 5 complaints are yet to be resolved. These complaints pertain to clients who were not registered with the Company, hence these complaints cannot be resolved by the Company.

SHARE CAPITAL

The share capital remained the same during the year under review. However, the company is awaiting approval from BSE for transfer of shares among the new nominees of ISE, in place of nominees who have resigned from the services. NSE has already conveyed their no objection to the transfer of shares among the nominees of ISE. The present Shareholding pattern of your company is as follows:

Sr. No.	Name of the Member	Number of Shares held	Face Value per share (Rs.)	Amount Paid up (Rs.)	% age of total
1.	Inter-connected Stock Exchange of India Limited	54,99,993	10	5,49,99,930	99.999872
2.	Prof. P. V. Narasimham, Nominee of Inter-connected Stock Exchange of India Ltd.	1	10	10	0.000018
3.	Shri Milind Nigam, Nominee of Inter-connected Stock Exchange of India Ltd.	1	10	10	0.000018
4.	Shri D. K. Gupta, Nominee of Inter-connected Stock Exchange of India Ltd.	1	10	10	0.000018
5.	Shri Krishna Wagle, Nominee of Inter-connected Stock Exchange of India Ltd.	1	10	10	0.000018
6.	Shri Hiren Kothari, Nominee of Inter-connected Stock Exchange of India Ltd.	1	10	10	0.000018
7.	Shri Prasenjit Yesambare, Nominee of Inter-connected Stock Exchange of India Ltd.	1	10	10	0.000018
8.	Shri Prasanna R. Dharmadhikari, Nominee of Inter-connected Stock Exchange of India Ltd.	1	10	10	0.000018
	TOTAL	55,00,000	10	5,50,00,000	100

CHANGES IN THE BOARD OF DIRECTORS

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

Sr. No.	Name of the Director	Status	Date of Initial Appointment / Re-appointment
1.	Shri R. Sadanandam	Public Representative Director	January 30, 2004
2.	Shri R. M. Joshi	Public Representative Director	January 13, 2006
3.	Shri Vivekananda Pattanayak	Shareholder Representative Director	April 26, 2007
4.	Shri P. J. Mathew	Director [Nominee of Inter-connected Stock Exchange of India Limited (ISE)]	October 17, 2007
5.	Shri Vinay Vaidya	Chief Executive Officer/ Director	June 18, 2008

Prof. P. V. Narasimham, Chairman and nominee of ISE, resigned from office with effect from July 28, 2007. Shri Govind Chavan, Chief Executive Officer (Officiating) and Director, resigned from office with effect from March 05, 2008.

Shri R. Sadanandam, Shri R. M. Joshi and Shri Vivekananda Pattanayak were re-appointed as Directors at 8th Annual General Meeting held on June 28, 2007. Shri P. J. Mathew was appointed as Director (Nominee of ISE) at the 66th Board Meeting held on October 17, 2007. Shri Vinay Vaidya, Chief Executive Officer, was appointed as Director as well as Whole Time Director at 73rd Board Meeting held on June 18, 2008.

According to the provision of Section 260 of the Companies Act, 1956 ('the Act'), read with Article 87.1 of the Articles of Association of the company, Mr. Vinay Vaidya holds office as an Additional Director up to the date of this Annual General Meeting. The company has received notice from a member under Section 257 of the Act signifying his intention to propose the appointment of Mr. Vinay Vaidya as Director of the company. Approval of the members will be sought at the Annual General Meeting of the company to appoint Shri Vinay Vaidya as the Whole Time Director of the company.

The remuneration and perquisites payable to Mr. Vinay Vaidya during the tenure of his appointment for a period from June 18, 2008 till May 4, 2011 is subject to the limits specified in Schedule XIII of the Companies Act, 1956.

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

Board Meeting No.	Date
64	April 26, 2007
65	June 08, 2007
66	October 17, 2007
67	October 30, 2007
68	November 12, 2007
69	December 27, 2007
70	January 23, 2008
71	February 07, 2008
72	March 05, 2008
73	June 18, 2008

BOARD PROCEDURES

After approval of the Chief Executive Officer, the Company Secretary prepares the agenda and the detailed notes for the Board Meetings, which are circulated to all the directors and special invitees. The members of the Board are free to recommend inclusion of any matter in agenda for discussion.

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

DETAILS OF ATTENDANCE OF THE DIRECTORS IN THE BOARD MEETINGS

During the period April 1, 2007 to July 18, 2008, the Board of Directors met 10 times. The attendance record of the Directors at each Board Meeting and the last Annual General Meeting held on June 28, 2007 is given below:

Sr. No.	Name of Director and Status	No. of Board Meetings held during their tenure	No. of Board Meetings attended	Status at 8 th AGM
1.	Prof. P.V. Narasimham Public Representative Director and Chairman	2	1	Present

Sr. No.	Name of Director and Status	No. of Board Meetings held during their tenure	No. of Board Meetings attended	Status at 8 th AGM
2.	Shri V. Shankar Director	2	2	N.A.
3.	Shri R. Sadanandam Public Representative Director	10	10	Present
4.	Shri R. M. Joshi Public Representative Director	10	8	Absent
5.	Shri Vivekananda Pattanayak, Shareholder Representative Director	9	5	Absent
6.	Shri P. J. Mathew Director	7	7	N.A.
7.	Shri Govind Chavan Officiating CEO / Director	7	7	Present
8.	Shri Vinay Vaidya Chief Executive Officer / Director	1	1	N.A.

GENERAL BODY MEETINGS

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

The last three Annual General Meetings i.e. 6th, 7th and 8th Annual General Meetings of the Company were held on the following dates

- 6th AGM : September 24, 2005 (at the Registered Office of the Company)
7th AGM : August 02, 2006 (at the Registered Office of the Company)
8th AGM : June 28, 2007 (at the Registered Office of the Company)

2. Extra-ordinary General Meetings (EGMs):

There were no Extra-ordinary General Meetings held during the period under review.

AUDIT COMMITTEE

The Audit Committee was first constituted in October 2002. The present members of the Committee are Shri R. Sadanandam (Chairman of the Committee), Shri R. M. Joshi and Shri Vivekananda Pattanayak, Directors. The role, powers and functions of the Audit Committee are as stated below:

- Monitor the internal controls to ensure the integrity of the financial performance reported to the shareholders.
- Provide by way of regular meetings, a line of communication between the Board and the Statutory & Internal Auditors.
- Consider the appointment of the Statutory and Internal Auditors.
- Review the interim and full year financial statements before recommending them to the Board.
- Review reports of the Internal Auditors and management's responses thereto.
- Review the Company's financial control systems, in particular, the procedures for identifying business risks (including financial risks) and controlling their financial impact on the Company.
- Review the Company's policies for ensuring compliance with the relevant regulatory / legal requirements and the operational effectiveness of the policies and procedures.

During the period under review, the Audit Committee met 3 times i.e. on May 30, 2007, June 08, 2007 and October 17, 2007. The attendance record of the members of the Audit Committee is given below:

Sr. No.	Name of the Member	No. of Meetings of Audit Committee held during their tenure	No. of Meetings of Audit Committee attended
1.	Shri. R. Sadanandam, Chairman	3	3
2.	Shri R. M. Joshi	3	3
3.	Shri Vivekananda Pattanayak	2	1

Auditors

M/s. A. J. Shah & Co., Chartered Accountants, were appointed by the Members in the Eighth Annual General Meeting as Statutory Auditors to hold office from the conclusion of the Eighth Annual General Meeting till the conclusion of the forthcoming (Ninth) Annual General Meeting. There were no qualifications in the Accounts for the year ended March 31, 2008.

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

INTERNAL CONTROL SYSTEMS AND ADEQUACIES

Your Company has set up internal control systems commensurate with the size and nature of business. These systems ensure optimum use of resources and compliance with multiple regulatory authorities. Your Company is also being guided by the internal auditors and the Audit Committee in constantly upgrading the control procedures and systems. The Audit Committee also reviews the adequacy of the internal control procedures.

HUMAN RESOURCES AND PARTICULARS OF EMPLOYEES

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

STATUTORY DISCLOSURE OF PARTICULARS

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

CORPORATE GOVERNANCE

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

The disclosure specified under Schedule XIII of the Companies Act, 1956 regarding the remuneration and perquisites payable to Mr. Vinay Vaidya are given below:

1. All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc. of Shri Vinay Vaidya are given below:

CTC Calculations for Shri Vinay Vaidya		
(Scale: Rs.99,000/- - Rs.6,000/- - Rs.1,05,000/- - Rs.6,000/- - Rs.1,11,000/-)		
		Amount in Rs.
Basic		99,000/-
HRA	@ 20% of the Basic Salary per month	19,800/-
T.A.	@ 4.17% of the Basic Salary per month	4,128/-
Special Allowance	@ 8.33% of the Basic Salary per month	8,247/-
Sumptuary Allowance		7,025/-
Gross Monthly		1,38,200/-
Gross Yearly		16,58,400/-
Medical Re-imbursment	half month's Basic Salary per annum	49,500/-
Provident Fund	@ 12% of the Basic Salary per month	142,560/-
Gratuity / Ex-gratia	@ half months' Basic Salary for each completed year of service	49,500/-
CTC		18,99,960/-

2. Details of fixed component and performance linked incentives along with the performance criteria : **As approved by the Board of Directors, subject to limit laid down in Schedule XIII of the Companies Act, 1956.**
3. Service contracts, notice period, severance fees: **Tenure of the appointment is June 18, 2008 till May 4, 2011.**
4. Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable : **Nil**

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and no material departure have been made from the same;
2. Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true a fair view of the state of affairs of the Company as at March 31, 2008 and Profit & Loss Account for the year ended March 31, 2008;
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

Your Company has been able to operate efficiently because of the culture of professionalism and continuous improvement in all functions in order to ensure optimal utilization of resources.

Your Company sincerely acknowledges the support and co-operation extended by SEBI, which has played a pro-active role throughout. The Company also wishes to place on record its deep sense of gratitude to NSE and BSE for their unstinted support at all times.

The Directors gratefully acknowledge the continued support provided by the Parent Stock Exchange in conducting the affairs of the Company.

The Board wishes to place on record its appreciation for the services rendered by Shri Govind Chavan, who served as officiating CEO of the company till March 05, 2008. The Board also expresses its deep sense of gratitude for the invaluable contribution rendered by Prof. P. V. Narasimham who has served as Chairman from April 17, 2004 to July 28, 2007.

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

By order of the Board of Directors

Place: Vashi, Navi Mumbai
Date: July 21, 2008

Sd/-
P.J. MATHEW
Director

AUDITORS' REPORT

The Members,
ISE Securities And Services Limited.
Mumbai.

1. We have audited the attached Balance Sheet of **ISE Securities and Services Limited** as at 31st March 2008 and also the Profit and Loss Account and the Cash Flow Statement for the period ended 31st March 2008. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, (here in after referred to as "the Order") issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
 - a. Further to our comments in the annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - iii. The Balance Sheet and Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable to the company;
 - v. On the basis of written representations received from the directors as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with para 16 in Schedule 18 and read together with the Significant Accounting Policies and the Other Notes forming parts of accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a. In the case of Balance Sheet of the state of affairs of the company as at 31st March 2008;
 - b. In the case of Profit and Loss Account of the profit for the year ended on that date; and
 - c. In the case of Cash Flow Statement, of the Cash flows for the period ended on that date.

For A. J. SHAH & COMPANY,
Chartered Accountants

Sd/-
(Hiren Shah)
Partner
Membership No. 100052.

Place: Mumbai
Date: July 21, 2008

Annexure to the Auditors' Report

With reference to the Annexure referred to in paragraph 3 of the report of the Auditors' to the Members of ISE Securities & Services Ltd. on the accounts for the year ended 31st March 2008, we report that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) During the year the Management has not verified the Fixed Assets.
- (c) During the year, the Company has not disposed of a substantial part of its fixed assets.
- (ii) As per the information and explanations given to us, the Company does not have any item of inventory. Accordingly, clause (ii) of the order is not applicable.
- (iii) (a) As per the information furnished, the Company has not granted any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence reporting under clause iii (a) / (b) / (c) / (d) of the Order is not applicable to the Company.
- (b) As per the information furnished, the Company has taken of Rs 100,000,000 unsecured loan from Interconnected Stock Exchange Ltd (Holding Company) and the same has been repaid during the year.
- (c) In our opinion, the rate of interest and other terms and conditions of unsecured loans are prima-facie not prejudicial to the interest of the company.
- (d) According to the information and explanation given to us, the company is regular in repayment of principal and interest on the above mentioned Unsecured loans.
- (iv) According to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business with regard to purchase and sale of fixed assets and rendering of services. However in our opinion internal control system for the operation of the company needs to be strengthened.
- (v) In respect of transactions entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956:
 - (a) to the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered in the register have been so entered.
 - (b) according to the information and explanations given to us, these contracts or arrangements with Interconnected Stock Exchange of India Ltd. (ISE) are management services, rent and others mainly in the nature of reimbursement of cost incurred by ISE Ltd. for ISE Securities and Services Ltd. and hence the prices for which, are reasonable.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit during the year from public within the meaning of the provisions of Section 58A, Section 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed there under. Hence, clause 4 (vi) of the Order is not applicable.
- (vii) In our opinion, the Company has an adequate internal audit system, which commensurate with the size of the company and nature of its business.
- (viii) According to the information and explanations given to us and on the basis of our audit procedures, the Company is not required to maintain cost records under section 209 (1) (d) of the Companies Act, 1956. Accordingly, clause 4 (viii) of the order is not applicable.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including, Income-tax (TDS), Service Tax, Stamp Duty, Annual SEBI Fees, Cess Tax and other statutory dues wherever applicable. Also, as at 31st March 2008, there were no undisputed dues payable for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, and the records of the company examined by us, there are no dues in respect of Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Service Tax and Cess that have not

been deposited on account of any dispute except in respect of disputed Income Tax liability for which details is given as under:

Amount	Forum against matter is disputed	Matter for which disputed by the Company	Year for which Dispute pending
Rs.27.90 Lacs	Income tax Appellate Tribunal. (ITAT).	Recognition of Income and Expenses	Financial Year 2002-03 & 2003-04 (Assessment Year 2003-04 & 2004-05).
Rs. 9.87 Lacs (Net of Rs 9.87 Refund of A.Y 2006-07).	Commissioner of Income tax (Appeals)	Recognition of Income and Expenses	Financial Year 2004-2005 (Assessment Year 2005-06).

- (x) The company does not have accumulated losses as at 31st March 2008 and has not incurred cash loss in the financial year or in the financial year preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayments of the amounts due to banks during the year.
- (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) Clause 4(xiii) of the Order is not applicable to the Company as the Company is not a chit fund company or Nidhi /mutual benefit fund / society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the order is not applicable to the company
- (xv) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanation given to us and based on our audit procedures, the Company has not raised any term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- (xix) According to the information and explanations given to us and based on our audit procedures, the Company has not issued any debentures. Accordingly, clause 4 (xix) of the order is not applicable.
- (xx) According to the information and explanations given to us, the Company has not raised any money by public issues during the year.
- (xxi) To the best our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year, although there has been one instance of sub broker debts becoming doubtful of recovery consequent upon alleged fraudulent activity by sub broker.

For A. J. SHAH & COMPANY,
Chartered Accountants

Sd/-
(Hiren Shah)
Partner
Membership No. 100052.

Place: Mumbai
Date: July 21, 2008

ISE Securities & Services Limited

Balance Sheet as At March 31, 2008

Particulars	Schedule	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Sources of funds			
Shareholders' funds			
Share Capital	1	55,000,000	55,000,000
Reserves & Surplus	2	28,034,930	19,353,904
Loan Funds			
Unsecured Loans	3	13,464,637	56,685,407
Deferred Tax Liability (Net)	4	4,400,993	7,444,489
Total		100,900,560	138,483,800
Application of funds			
Fixed assets	5		
Gross block (at cost)		61,871,105	58,766,358
Less: Accumulated Depreciation / Amortisation		32,078,054	24,014,796
Net block		29,793,051	34,751,562
Advance for Capital Assets			
Investments (at cost)	6	6,710,005	6,710,005
Current Assets, Loans and Advances			
Current Assets			
Sundry Debtors	7	152,971,991	189,542,825
Cash and Bank Balances	8	637,256,966	353,369,802
Loans and Advances	9	144,673,407	101,854,705
Securities in Hand (Refer note 4 of Schedule 16 part C)		281,604	18,104
		935,183,968	644,785,436
Less: Current Liabilities and Provisions	10		
Current Liabilities		846,419,629	537,363,204
Provisions		24,366,835	10,400,000
Net Current Assets		64,397,504	97,022,232
Miscellaneous Expenditure		-	-
Total		100,900,560	138,483,800
Significant Accounting Policies and Notes forming part of the Accounts	16		

As per our attached Report of even date

For and on behalf of the Board of Directors

For **A. J. Shah & Co.,**
Chartered Accountants

Sd/-
R. Sadanandam
Public Representative Director

Sd/-
P J Mathew
Director

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

Sd/-
Manisha Thakur
Company Secretary

Place: Mumbai
Date: July 21, 2008

Place: Vashi, Mumbai
Date: July 21, 2008

ISE Securities & Services Limited

Profit & Loss Account For The Year Ended March 31, 2008

Particulars	Schedule	Year ended March 31, 2008 (Rupees)	Year ended March 31, 2008 (Rupees)	Year ended March 31, 2007 (Rupees)
Income				
Brokerage		375,285,832		254,571,064
Less: Commission to Subbrokers/ Authorised Persons		329,060,563		219,023,174
			46,225,270	35,547,890
Interest			30,995,731	18,766,169
(Tax deducted at source: Rs. 64,65,760/- (Previous year: Rs. 38,24,579/-)				
Networking recoveries			9,148,013	12,155,450
Annual fees			2,490,072	1,589,000
Other income	11		7,400,863	5,765,861
Total			96,259,950	73,824,370
Expenditure				
Employee Cost	12		17,655,053	14,361,225
Communication & Networking Expenses	13		14,885,654	13,728,052
Administration and Operational Expenses	14		34,415,226	28,116,664
Finance Costs	15		1,526,329	1,898,430
Reduction in the value of securities in hand			110,065	38,621
Depreciation / Amortisation on Fixed Assets			8,063,257	8,362,797
Total			76,655,584	66,505,788
Profit / (Loss) before Taxation			19,604,366	7,318,582
Provision for: Current Tax			(9,756,000)	(2,500,000)
(Deferred Tax Expense)/Savings			3,043,495	1,118
Fringe Benefit Tax			(350,000)	(350,000)
Net Profit / (Loss) after Taxation (Before Extra Ordinary Items)			12,541,861	4,469,699
Less: Short Provision of Tax for earlier year			-	(2,835,000)
Less: (Deferred Tax Expense)/Saving for earlier year			-	(1,932,981)
Net Profit / (Loss) after Taxation (After Extra Ordinary Items)			12,541,861	(298,282)
Balance brought forward from previous year			4,353,904	4,652,186
Surplus in profit and loss account available for appropriation			16,895,765	4,353,904
Less: Proposed Dividend			3,300,000	-
Less: Tax on Proposed Dividend			560,835	-
Less: Transfer to General Reserve			6,500,000	-
Surplus in Profit and Loss Account carried to Balance Sheet			6,534,930	4,353,904
Basic & Diluted Earnings Per Share (In Rupees) (Before Extra Ordinary Items)			2.28	0.81
Basic & Diluted Earnings Per Share (In Rupees) (After Extra Ordinary Items) (Refer Pt. 13 of Part C of Notes to Accounts)			2.28	(0.05)
Significant Accounting Policies and Notes forming part of the Accounts	16			

As per our attached Report of even date

For and on behalf of the Board of Directors

For A. J. Shah & Co.,
Chartered Accountants

Sd/-
R. Sadanandam
Public Representative Director

Sd/-
P J Mathew
Director

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

Sd/-
Manisha Thakur
Company Secretary

Place: Mumbai
Date: July 21, 2008

Place: Vashi, Mumbai
Date: July 21, 2008

ISE Securities & Services Limited

Schedules forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Authorised 60,00,000 Equity Shares of Rs. 10/- each	60,000,000	60,000,000
Issued, Subscribed and Fully paid-up 55,00,000 Equity Shares of Rs.10/- each fully paid-up in cash (100% held by Inter-connected Stock Exchange of India Ltd., the holding company and its nominees)	55,000,000	55,000,000
Total	55,000,000	55,000,000

SCHEDULE 2 : RESERVES & SURPLUS

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
General Reserves: As Per Last Balance Sheet	15,000,000	15,000,000
Add: Transfer from Profit and Loss Accounts	6,500,000	
	21,500,000	15,000,000
Surplus in Profit & Loss Account	6,534,930	4,353,904
Total	28,034,930	19,353,904

SCHEDULE 3 : UNSECURED LOANS

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
From Banks (Overdraft facility secured by bank fixed deposit receipts.) Refer Note 7 of Schedule 16 Part C)	13,464,637	56,685,407
Total	13,464,637	56,685,407

SCHEDULE 4 : DEFERRED TAX LIABILITY

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Deferred Tax Liability	7,259,246	7,562,896
Less: Deferred Tax Asset	2,858,253	118,407
Net Deferred Tax Assets (Refer Note 14 of Schedule 16 Part C)	4,400,993	7,444,489

SCHEDULE 5 : FIXED ASSETS

Particulars	Gross Block (At Cost)			Depreciation/Amortisation				Net Block		
	As at 01-04-2007	Additions	Deductions	As at 31-03-2008	Upto 31-3-2007	For the Year	Deductions	As at 31-03-2008	As at 31-03-2008	As at 31-03-2007
Tangible Assets :										
Computers	15,156,107	1,366,850.00		16,522,956	4,400,294	2,590,731		6,991,026	9,531,930	10,755,813
Mobile phones	134,544	5,525		140,069	47,206	11,916		59,122	80,947	87,338
Office Equipment	1,795,323	368,241		2,163,564	118,426	117,307		235,733	1,927,831	1,676,897
Networking Equipment	11,388,000	732,680		12,120,679	2,832,514	1,936,856		4,769,370	7,351,309	8,555,486
Central Equipment	9,521,408			9,521,408	695,128	452,267		1,147,395	8,374,013	8,826,280
Plant & Machinery	653,091			653,091	47,680	31,022		78,702	574,389	605,411
Power Equipment	1,019,053			1,019,053	74,398	48,405		122,803	896,250	944,655
Assets Retired from Active use - computers	21,001			21,001	-			-	21,001	21,001
Intangible Assets										
Computer Software	19,077,831	631,453		19,709,284	15,799,150	2,874,753		18,673,903	1,035,381	3,278,681
Total	58,766,358	3,104,749	-	61,871,105	24,014,796	8,063,257	-	32,078,054	29,793,051	34,751,562
2006-07	51,010,706	8,107,952	352,300	58,766,358	15,784,160	8,582,936	352,300	24,014,796	34,751,562	

SCHEDULE 6 : INVESTMENTS

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Long term trade investments (unquoted, at cost) -		
10,000 Equity shares of Face value Re.1/- Fully paid of Bombay Stock Exchange Ltd (BSE).(Including cost of right to trade paid to BSE earlier year)	6,710,005	6,710,005
(Refer Note 5 of Schedule 16 Part C)		
Total	6,710,005	6,710,005

SCHEDULE 7 : SUNDRY DEBTORS

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Debts outstanding for a period exceeding six months		
Considered good	1,124,791	6,289,612
Considered doubtful	1,938,313	366,772
Other Debts		
Considered doubtful	6,470,786	-
Considered good	151,847,200	183,253,213
	161,381,090	189,909,597
Less : Provision for Doubtful Debts	8,409,099	366,772
(Refer note 6 of Schedule 16 Part C)		
Total	152,971,991	189,542,825

SCHEDULE 8 : CASH AND BANK BALANCES

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Cash-on-hand	-	-
Bank balances with Scheduled Banks		
- in Current Accounts		
Client Designated	74,426,659	42,038,818
Others	14,334,722	5,377,789
- in Deposit Accounts	548,495,584	305,953,195
Total	637,256,966	353,369,802

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

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Advances recoverable in cash or kind for value to be received	15,345,711	11,002,062
Advance to employees	33,388	33,597
Income tax refund receivable/Advance tax/Fringe Benefit Tax paid	23,602,715	16,188,709
Deposits with Stock Exchanges/Clearing House	100,918,061	69,856,805
Other Deposits (including Rs.44,00,000/- to ISE, Holding Company,previous year Rs. 44,00,000)	4,773,532	4,773,532
Total	144,673,407	101,854,705

SCHEDULE 10 : CURRENT LIABILITIES & PROVISIONS

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Total Outstanding dues to micro, small and medium enterprises (Refer note 19 of Schedule 16 part C)	-	-
Others :		
Settlement Obligations		
Settlement Obligations to Sub-Brokers/Clients/Authorised person	603,361,775	336,447,884
Margin, Base and Additional Capital Deposits		
Margin deposits :-		
- Cash Segment deposits	215,432,462	183,311,498
VSAT deposit	1,278,562	1,278,562
Inter-connected Stock Exchange of India Limited (Due to Holding Company)	4,236,135	3,569,847
Creditors for Expenses	21,077,280	11,020,621
Other Liabilities	1,033,416	1,734,793
Total (A)	846,419,629	537,363,205
Provisions		
Proposed Dividend	3,300,000	-
Tax on Proposed Dividend	560,835	-
Provision for Taxation	19,806,000	10,050,000
Provision for FBT	700,000	350,000
Total (B)	24,366,835	10,400,000
Total (A + B)	870,786,464	547,763,205

SCHEDULE 11 : OTHER INCOME

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Fines & Penalties collected	573,350	86,012
Technology Fees for F&O segment	250,000	223,600
Admission Fees for F&O segment	100,000	90,000
Miscellaneous Income	6,108,343	4,185,987
Excess provision w/back / Liability no longer required	-	459,355
Income from sale of CRD Form (Net)	244,170	647,707
Dividend Received.	125,000	73,200
Total	7,400,863	5,765,861

SCHEDULE 12 : EMPLOYEE COST

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Staff Deputation Cost (Salary, Allowances & Bonus)	17,627,365	14,184,707
Contribution to Gratuity Fund	27,688	176,518
Total	17,655,053	14,361,225

SCHEDULE 13 : COMMUNICATION & NETWORKING EXPENSES

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
VSAT, VPN and other Communication expenses	9,011,158	7,945,369
Annual Maintenance Charges for Networking Equipment	5,281,482	4,186,966
Telephone Expenses	593,014	1,595,717
Total	14,885,654	13,728,053

SCHEDULE 14 : ADMINISTRATION AND OPERATIONAL EXPENSES

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Annual Maintenance charges	328,896	386,209
Board Meeting Expenses	108,129	39,620
Sitting Fees	101,000	91,000
Reimbursement of actual Expenses (including Rs. 30,00,000/- paid towards Management Service fees, Refer Note 9 of Schedule 16 part C)	10,005,506	10,266,613
Bad debts	336,772	52,800
Less:- Provision for doubtful debt	336,772	-
Provision for Doubtful Debts (Refer Note 6 of Schedule 16 Part C)	8,394,099	351,772
Courier Charges	958,648	1,676,129
Custody Charges	433,197	-
Insurance	593,106	791,278
Legal, Professional Charges and Contract charges	2,851,961	3,091,836
Miscellaneous Expenses	1,116,860	2,670,984
MemberShip charges	269,663	200,000

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Printing & Stationery	705,540	1,861,304
Rates & Taxes	4,693	20,338
Remuneration to Auditors (Refer Note 3 of Schedule 16 Part C)	478,673	517,875
Rent	4,842,600	4,842,600
Repairs & Maintenance-Others	100,900	115,692
Travelling charges	307,100	107,967
Fines & Penalties to Stock Exchanges	990,461	385,844
License Fees	19,250	65,250
Business Promotion Expenses	-	189,944
Provision against fixed assets retire from active use	-	220,138
Advertisement	333,580	171,470
Interest on delayed Service Tax payment	461,364	-
Contribution to Trade Guarantee Fund of BSE Ltd	1,010,000	-
Total	34,415,226	28,116,660

SCHEDULE 15 : FINANCE COSTS

Particulars	As at March 31, 2008 (Rupees)	As at March 31, 2007 (Rupees)
Bank Charges	912,670	457,891
Interest - Other than Fixed Loans	613,659	1,440,539
Total	1,526,329	1,898,430

SCHEDULE 16

Notes to the Balance Sheet as at March 31, 2008 and Profit and Loss Account for the year ended on that date.

A. Background

ISE Securities & Services Limited ("the Company") was incorporated under the Companies Act, 1956 on January 18, 2000. ISE Securities & Services Ltd. (ISS), a wholly - owned subsidiary of Inter-connected Stock Exchange Of India Limited (ISE) is a trading - cum -clearing Member of National Stock Exchange of India Ltd and Bombay Stock Exchange Ltd. ISS, by virtue of being a stock exchange subsidiary, cannot trade on its own account and can only allow trading to its sub-brokers and authorised persons, who are required to be stock brokers of the parent stock exchange (ISE). As at March 31, 2008, ISE and its nominees hold 100 percent of the equity share capital of the Company. The Company is an active member of the capital market and futures & options segments of NSE & an active member of the equities segment of BSE.

Significant Accounting Policies and Notes to Accounts

B. Significant Accounting Policies.

a) Fundamental Accounting Assumptions

The Company follows the fundamental accounting assumptions of a going concern, consistency and accrual.

b) Method of Accounting

The financial statements are prepared and presented according to the historical cost convention and on an accrual basis in accordance with the requirements of the Companies Act, 1956 and comply with the accounting standards issued by the Institute of Chartered Accountants of India (ICAI) to the extent applicable.

c) Use of Estimates

The preparation of the financial statements are in conformity with the generally accepted accounting principles

requiring management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Any revisions to accounting estimates are recognized prospectively when revised, in current and future periods.

d) Revenue recognition

- i) Brokerage income, fines and penalties are recognised for all settlements completed during the year, with respect to funds pay-in and pay-out. Brokerage income includes net transaction charges received from sub-brokers, net of service tax and stamp duty.
- ii) Other incomes are accounted for on an accrual basis.

e) Fixed/Intangible Assets and Depreciation/Amortisation

- i) Fixed assets are stated at cost, less accumulated depreciation. Cost includes all expenses related to acquisition of fixed assets.
- ii) Fixed assets, if any, retired from active use or held for disposal are stated at lower of costs (net of accumulated depreciation) or estimated net realizable value.
- iii) Depreciation is provided on straight-line basis at the rates specified in Schedule XIV of the Companies Act, 1956. Depreciation for an asset acquired / purchased during the period is provided on a pro-rata basis. Depreciation on additions to fixed assets, where actual cost does not exceed Rs. 5,000/-, has been provided at the rate of 100%, irrespective of the date of acquisition.
- iv) Intangible assets, comprising of computer software, are being amortised on a straight-line method over a period of three years from the year of acquisition or installation.

f) Investments

Long-term investments are stated at cost after deducting provision, if any, made for decline, other than temporary, in the values.

g) Securities in hand

Securities in hand represent the securities transferred/acquired as a result of auctions, defaults, system errors, operational mistakes and similar transactions. Securities in hand are valued at acquisition cost or market value, whichever is lower.

h) Taxes on Income

Provision for current income tax is made on the tax liability payable on the taxable income after considering tax allowances, deductions and exemptions, determined in accordance with the prevailing tax laws.

Deferred tax assets and liabilities are recognised for timing difference between profit as per financial statements and the taxable profit that originate in one period and are capable of reversal in one or more subsequent periods, based on the tax rate that may have been enacted or substantively enacted at the Balance Sheet date. Deferred tax asset, subject to consideration of prudence and reasonable certainty, are recognised and carried forward only to the extent that the same can be realised.

i) Accounting for Provisions, Contingent Liabilities and Contingent Assets.

As per the Accounting Standard - 29, norms for provisions, contingent liabilities and contingent assets, issued by the Institute of Chartered Accountants of India, the Company recognises provisions only when it has a present obligation as result of past event, only when it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made.

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

j) Employees Benefits :

Provident Fund: The company's contribution's paid and payable during the year towards Provident Fund are made to Regional Provident Fund Commissioner & are charged in Profit & Loss Account every year. Other Long term employee benefits like gratuity and leave encashment for which reimbursed made to the holding company & same are charged to Profit & Loss account every current year.

All other accounting policies are followed as per the generally accepted accounting principles.

C. Notes to Accounts

1. The Company continues with the method of recognition of brokerage income on settlements, which are completed with respect to funds pay-in and payout during the year.
2. The company has received demands from the Income Tax Department for an amount of Rs. 80,68,064/- relating to the various assessment years which have been disputed by the company. Based on management judgment that the demand is not tenable. The company has filed an appeals before higher authorities against the orders and accordingly no provision has been made. The company has deposited Rs. 42,91,390/- (including refund due to the Company adjusted by the Income Tax Authorities) with the Income Tax Authorities.
3. **i) Managerial Remuneration: (Paid to Officiating Director)**

Particulars	Year ended 31-3-2008 (Rs.)	Year ended 31-3-2007 (Rs.)
Salaries & Allowances	9,50,118	3,75,100
Contribution to Provident Fund and other Funds	52,362	37,510
Monetary Value of Perquisites	NIL	NIL
Commission	NIL	NIL
Total	10,02,480	4,12,610

ii) Remuneration to Auditors:

Particulars	Year ended 31-3-2008 (Rs.) net of service tax	Year ended 31-3-2007 (Rs.)
Audit fees	2,50,000	3,80,340
For tax audit	50,000	58,920
For other services in respect of:		
- Management Services/Others	177,452	66,066
Reimbursement of expenses	1,221	12,549
Total	4,78,673	5,17,875

4. The securities in hand as of March 31, 2008 are valued at Rs. 2,81,604/- (Previous year Rs. 18,104), which is at original cost or market price, whichever is less.

5. Long Term Investments

During the financial year 2004-05 the Company had acquired the corporate membership of Bombay Stock Exchange Ltd. at a cost of Rs. 67,10,005/-. As per its entitlement the Company had subscribed to and was allotted 10000 shares of face value Re 1/- each under the Corporatization and Demutualization of BSE. As these shares are unlisted the value of this investment is shown in the Accounts at cost. Management is of the opinion that the Company will realize at least the stated cost in full and no provision for diminution is required.

6. Sundry Debtors

- (i) Sundry debtors represent settlement dues and other charges receivable from Sub-brokers/ Authorised Persons

and the end clients as at March 31, 2008. The debtors to the Company are secured by the Company by way of base and additional trading deposits, bank guarantees, fixed deposits and securities withheld.

- (ii) Sundry debtors include an amount of Rs. 30,63,104 /- (Previous year Rs. 66,56,384/-) on account of various charges recoverable from sub-brokers, which are long outstanding. The debts are considered good for recovery by the management in view of the base minimum capital deposited by the sub-brokers with the parent stock exchange (ISE). The deposits available with the parent stock exchange can be used for adjustment against the dues to the Company, as per the Bye-laws of ISE upon declaration of the said sub-broker as defaulter. The available deposits of the sub-brokers in ISE further secure such receivables. However, excess of such receivables over available deposits of certain Sub brokers in ISE has been considered doubtful and a provision in respect thereof aggregating to Rs. 19,38,313/- has been made in accounts.
- (iii) Sundry Debtors include balances due from two Sub- brokers amounting to Rs. 76,80,214/- (including Rs. 59,75,634/- for alleged fraudulent activity by one of sub broker) as at March 31, 2008. The Company is in the process of initiating legal action against the said Sub brokers. Amount aggregating to Rs. 2,00,000/- were received subsequent to the Balance Sheet date in cash and kind. The Management is making all efforts for the recovery of the balance amount. As a result, net debts outstanding of Rs. 64,70,786/- (including Rs. 56,75,634/- for alleged fraudulent activity by one of sub broker) after considering the security value available with the Company and deposits available with the parent company considered as doubtful and provision for the same made in the accounts.

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

The overdraft facility availed of **Rs. 1,34,64,637/-** [Previous year Rs. 5,66,85,407/-] from HDFC Bank is taken against the collateral of fixed deposits of **Rs. 5,82,86,834/-** [Previous year: Rs. 7,56,85,000/-].

8. The Company has obtained bank guarantees favoring NSE and BSE for an amount of **Rs. 1,28,85,000/-** [Previous year Rs. 2,65,85,000/-] towards base capital and margin requirements as of March 31, 2008. These bank guarantees are obtained against the collaterals received from sub-brokers favoring the Company towards the same: **Rs. 1,28,85,000/-** [Previous year: Rs. 62,00,000/-].
9. The Company and its holding company, ISE, have an agreement, under which the actual expenses incurred by the holding company for supporting the operations of the Company are reimbursed by the Company. Reimbursement of actual expenses by the Company to the Holding Company for the period was **Rs. 70,05,505/-** [Previous year: Rs. 63,95,557/-].

Employee Cost of **Rs. 1,64,64,537/-** (Previous year Rs. 1,43,61,225/-) represents the cost of the staff deputed by ISE to the Company during the year.

10. The Bank fixed deposits and bank guarantees of the Company and of sub brokers amounting to **Rs. 4,10,85,000/-** [Previous year: Rs. 12,42,70,000/-] are utilized as collaterals for various trading facilities at NSE as follows:

Amount in Rupees

(i) Fixed deposits discharged and deposited with NSE towards additional base capital (excluding interest accrued).	4,00,00,000
(ii) Collaterals for bank guarantees issued to NSE for margin adjustable base capital (Refer Note 8 above)	10,85,000
Total	4,10,85,000

11. The Bank fixed deposits and bank guarantees of the Company and of sub brokers amounting to **Rs. 7,75,00,000/-** [Previous year: Rs. 2,75,00,000/-], are utilized as collaterals for various trading facilities at BSE as follows:

Amount in Rupees

(i) Fixed deposits discharged and deposited with BSE towards additional base capital	7,01,00,000
(ii) Collaterals for bank guarantees issued to BSE for margin adjustable base capital (Refer Note 8 above)	74,00,000
Total	7,75,00,000

12. The Bank fixed deposits and bank guarantees of the Company and of sub brokers amounting to **Rs. 11,44,00,000/-** [Previous year: Rs. 3,75,10,000/-] are utilised as collaterals for various trading facilities at NSE F&O as follows:

Amount in Rupees

(i) Fixed deposits discharged and deposited with NSE towards additional base capital (excluding interest accrued).	11,00,00,000
(ii) Collaterals for bank guarantees issued to NSE for margin adjustable base capital (Refer Note 8 above)	44,00,000
Total	11,44,00,000

13. Earnings per share (Before/After Extra Ordinary items):

Particulars	Year ended 31-3-2008	Year ended 31-3-2007
Net Profit/(Loss) after taxation attributable to equity shareholders	1,25,41,861	44,69,699
Weighted average outstanding number of equity shares	55,00,000	55,00,000
Basic / diluted earnings per share	2.28	0.81

Extra ordinary items amounts to NIL and therefore EPS before/after extra ordinary items is same

14. Deferred Taxation :

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

(Amount in Rs.)

Deferred Tax Assets	As at 31-03-07	Adjustment during period	As at 31-03-08
Provision for doubtful debts	1,18,406	27,39,847	28,58,253
Total	1,18,406	27,39,847	28,58,253
Deferred Tax Liabilities			
Depreciation	75,62,895	(3,03,648)	72,59,246
Total	75,62,895	(3,03,648)	72,59,246
Net Deferred Tax Liability/(Asset)	74,44,489	30,43,495	44,00,993

Since Gratuity and leave encashment is reimbursed to holding company, provision for Gratuity & Leave Encashment is not considered in calculation of Deferred tax Asset

15. The Company has been legally advised that it can claim 100% Cenvat Credit for service tax paid on the commission bills raised by sub brokers and accordingly an amount of Rs. 31,97,557.85 (previous year Rs. 57,33,525) has been credited against the said commission payments made to sub-brokers and the same has been shown under schedule "Advance recoverable in cash or kind" as recoverable from statutory authorities
16. Sundry Debtors balances, Clearing Houses Reconciliation, unadjusted items in bank reconciliation, Client Obligations and balance in the Dividend Client Account are subject to confirmation and reconciliation. Necessary effects if any, will be given upon completion of the reconciliation.
17. In the opinion of the Board of Directors, the current assets, loans and advances have a value on realization in the ordinary course of business of at least equal amounts at which they are stated in the Balance Sheet
18. The Company had during the year begun accepting securities as collateral from sub-brokers and clients. These securities are pledged with the Exchange (NSE and BSE) for the purpose of obtaining trading limits. Limits are extended to sub-brokers and NSE and BSE confirm clients only after the same. The value of the securities so pledged as on March 31, 2008 with the Exchanges as follows: (As certified by the management)

	Amount in Rupees
NSE Cash Segment	7,37,48,601
BSE Cash Segment	8,11,72,973
NSE F&O Segment	24,66,77,068

19. The company has not been able to compile the details of vendors status under the Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The Company contends that no overdue amounts alongwith interest have been payable to enterprise covered under MSMED Act and generally payments are made to vendors within the stipulated time/agreed credit terms.

20. Adoption of Accounting Standard AS15 (Revised) Employee Benefits

During the current year the Company has complied with Accounting Standard on Employee Benefits (AS 15) (Revised 2005) issued by the Institute of Chartered Accountants of India, the following disclosures have been made.

1. All the eligible employees of the company are deputed by Holding company and the holding company does the actuarial valuation. Consequently the company reimburses the above expenses to the holding company. And the company also provides for the gratuity and leave encashment expenses as per the amounts provided by Holding Company.

During the current year the company has provided for leave encashment Rs. 2,21,587/- and for gratuity Rs. 3,74,890/- and consequently complied with Accounting Standard 15

21. 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	Inter-Connected Stock Exchange of India Ltd.	Holding Company	India
2	Mr. Govind Chavan - Officiating Chief Executive Officer	Key Managerial Personnel	

Transactions with related parties during the period:

(Amount in Rupees)

Sr. No.	Nature of Transactions	Holding Company	Key Management Personnel	Total as on March 31, 2008	Total as on March 31, 2007
1	Rendering of Services (net of Service Tax)	30,00,000	-	30,00,000	30,00,000
2	Finance (Including loans and equity contributions in cash or in kind)				
	- Loans (incl. interest)	Nil	-	Nil	Nil
	- Investment in Equity	Nil	-	Nil	Nil
	- Provision for diminution in value of Investment	Nil	-	Nil	Nil
3	Interest Expense	5,90,599	-	5,90,599	11,22,621
4	Managerial Remuneration	-	10,02,480	10,02,480	4,12,610
5	Amt Outstanding as at March 31, 2008	-	-	-	-
	Loans (incl. interest)	Nil	Nil	Nil	Nil
	(Maximum outstanding during the year)	10,00,00,000	-	10,00,00,000	
	Investment in Equity	5,50,00,000	-	5,50,00,000	5,50,00,000
	Managerial Remuneration		Nil	Nil	Nil
	Reimbursement of expenses	42,36,135	-	42,36,135	35,69,847
6	Reimbursement of Expenses	Refer Para 9 above		Refer Para 9 above	Refer Para 9 above
7	Deposit from subsidiary	44,00,000	-	44,00,000	44,00,000

22. Previous year figures are regrouped and rearranged wherever necessary. The amounts in the Balance Sheet and Profit and Loss account are rounded off to the nearest Rupee.

Signature to Schedules 1 to 16

As per our attached Report of even date

For and on behalf of the Board of Directors

For A. J. Shah & Co.,
Chartered Accountants

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

Place: Mumbai
Date: July 21, 2008

Sd/-
R. Sadanandam
Public Representative Director

Sd/-
P J Mathew
Director

Sd/-
Manisha Thakur
Company Secretary

Place: Vashi, Mumbai
Date: July 21, 2008

ISE Securities & Services Limited

Cash Flow Statement for the year ended 31st March 2008.

(Amount in Rs.)

Particulars		As at 31.03.2008
I. Cash Flow from Operating Activities:		
Net profit before tax & extra ordinary items		19,604,366
Adjustments for:		
Depreciation	8,063,257	
Reduction in the value of securities	110,065	
Interest paid	613,659	
Dividend received	(125,000)	
Provision for Bad & Doubtful debts	8,394,099	
Proposed dividend	(3,300,000)	
		13,756,080
Operating profit before working capital changes		33,360,446
Adjustments for:		
(Increase) / Decrease in Trade & Other receivable	28,176,735	
(Increase) / Decrease in Loans & Advances	(35,404,694)	
Increase / (Decrease) in Trade Payable	312,356,424	
		305,128,465
Cash generated from operations before tax & extra ordinary items		338,488,911
Less: Direct Tax Paid (net of refunds)		(7,414,006)
		331,074,905
Prior period items		-
Net Cash From Operating Activities (A)		331,074,905
II. Cash Flow From Investing Activities:		
Purchase of Fixed Assets	(3,104,749)	
Dividend Income	125,000	
Sale / (Purchase) of Securities	(373,565)	
		(3,353,314)
Net Cash (Used in) / from investing activities (B)		(3,353,314)
III. Cash Flow From Financing Activities:		
Proceeds / (Repayment) from bank borrowing capital finance	(43,220,768)	
Borrowing from Holding Company	100,000,000	
(Repayment) to Holding Company	(100,000,000)	
Interest Paid	(613,659)	
		(43,834,427)
Net Cash (Used in) / from Financing activities (C)		(43,834,427)
Net Increase / decrease in cash & cash equivalents (A+B+C)		283,887,164
Cash & Cash equivalents at the beginning of the year		353,369,802
Cash & Cash equivalents at the end of the year		637,256,966

Notes:

- The cash flow statement has been prepared by using Indirect Method in accordance with the requirements of 'Accounting Standard -3 Cash Flow Statement' issued by the Institute of Chartered Accountants of India
- Cash & Cash equivalents includes cash and bank balance in current account, fixed deposit with bank (including lien deposits)
- Interest received is treated as income from operating activities.
- Up to two decimal rounded off nearest to the Rupees
- This being the first year of applicability of Accounting Standard-3 previous year figures are not given.

As per our attached Report of even date

For and on behalf of the Board of Directors

For **A. J. Shah & Co.**,
Chartered Accountants

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

Place: Mumbai
Date: July 21, 2008

Sd/-
R. Sadanandam
Public Representative Director

Sd/-
P J Mathew
Director

Place: Vashi, Mumbai
Date: July 21, 2008

Sd/-
Manisha Thakur
Company Secretary

ISE Securities & Services Limited

Balance Sheet abstract and Company's general business profile

Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956

I. Registration Details

Registration No. U67190MH2000PLC123707

State Code 11

Balance Sheet Date: 31/3/2008

II. Capital Raised during the year

Public Issue Nil

Rights Issue Nil

Bonus Issue Nil

Private Placements Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities 9,71,687

Total Assets 9,71,687

Sources of Funds

Paid up Capital 55,000

Reserves & Surplus 28,035

Secured Loans Nil

Unsecured Loans 13,465

Deferred Tax 4,401

Application of Funds

Net Fixed Assets 29,793

Investments 6,710

Net Current Assets 64,398

Misc. Expenditure Nil

Accumulated Losses Nil

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

Turnover 96,260

Total expenditure 76,656

Profit before Tax 19,604

Profit after Tax 12,542

Earnings per share 2.28

Dividend Rate 6

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

Item Code No. Nil

Product Description Nil

INTENTIONALLY BLANK

Easier Access Wider Reach



Inter-connected Stock Exchange of India Limited

International Infotech Park,
Tower No. 7, 5th Floor, Sector-30-A, Vashi, Navi Mumbai-400 703.
Tel.: 6794 1100 / 2781 2056 / 58 / 59 / 60 / 62 Fax: 2781 2061
e-mail: helpdesk@iseindia.com