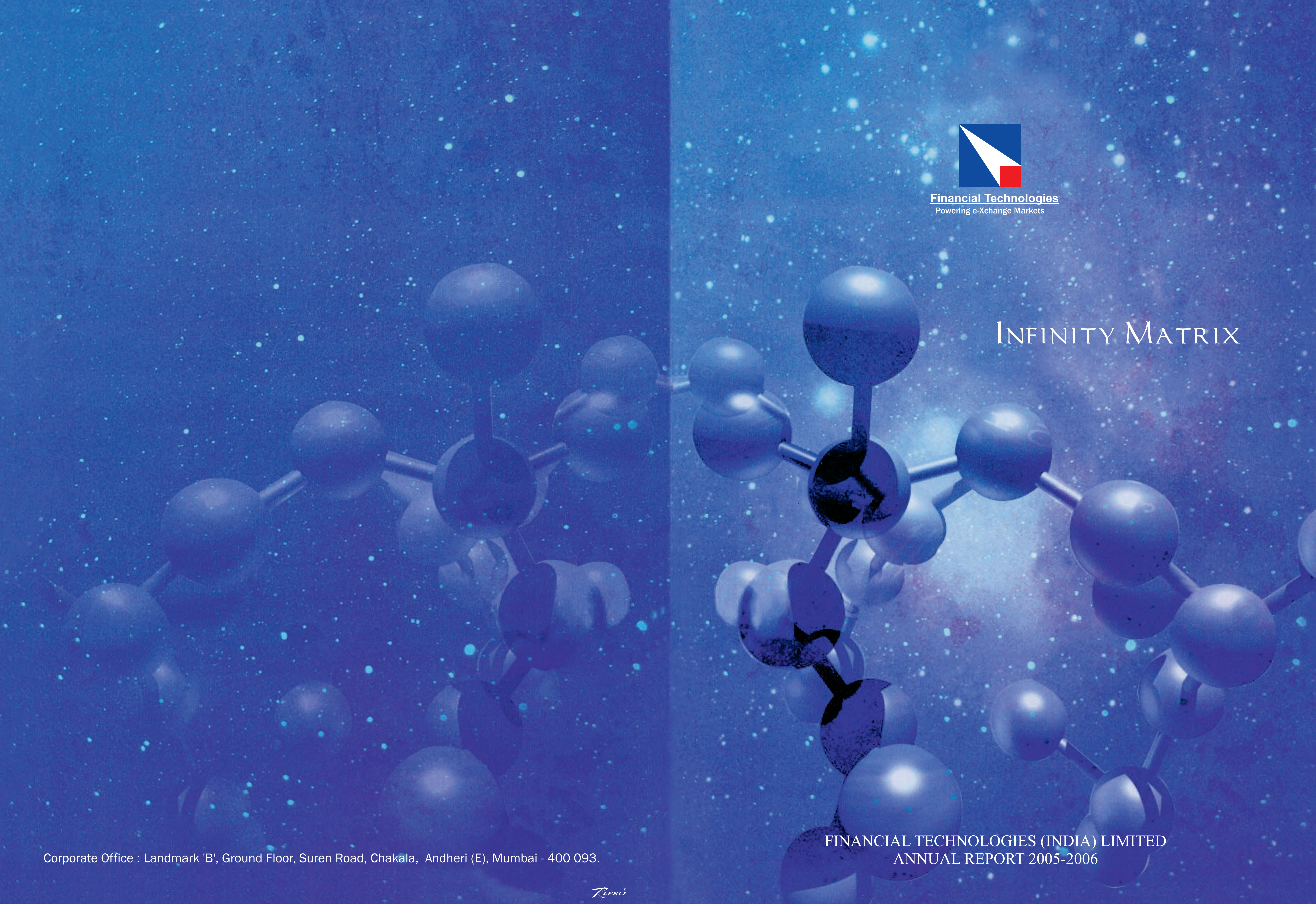

Financial Technologies
Powering e-Xchange Markets

Infinity Matrix

FINANCIAL TECHNOLOGIES (INDIA) LIMITED
ANNUAL REPORT 2005-2006

Corporate Office : Landmark 'B', Ground Floor, Suren Road, Chakala, Andheri (E), Mumbai - 400 093.

REPRO

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Infinity Matrix

Infinity Matrix

Infinity Matrix

Infinity Matrix

Infinity Matrix

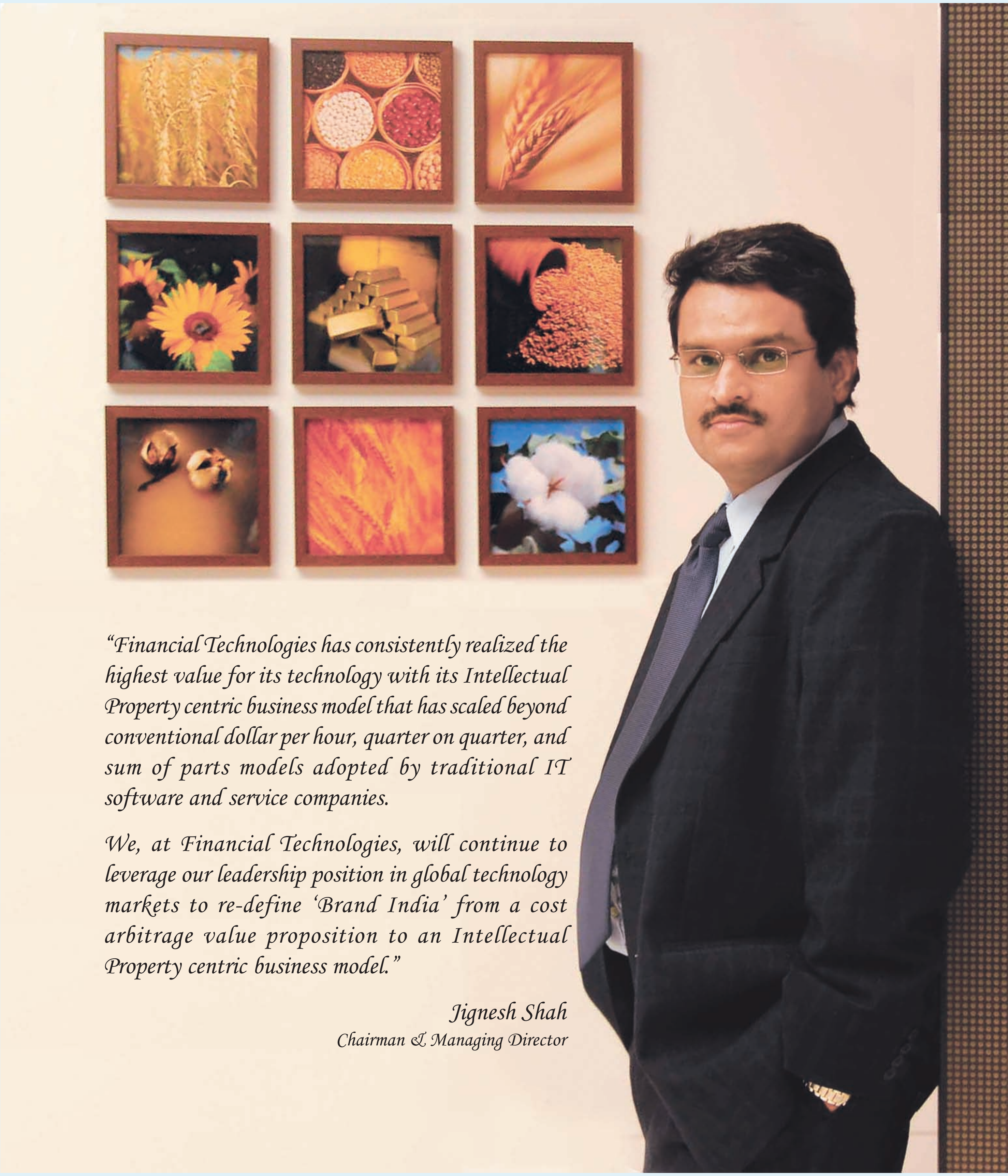
Infinity Matrix

Infinity Matrix signifies the business model of Financial Technologies (India) Limited (Financial Technologies). The Group's business model is a self-perpetuating matrix built to harness the unique strengths of its unmatched technology infrastructure and financial services domain expertise in unlocking value for trade and business. The robust technology architecture at the core energizes the incubated exchange platforms and support service businesses dedicated to the financial, commodity management sectors and multi-asset management structures. Product and service innovation is a common thread binding the group ensuring future growth. Each entity though independent derives strength from the rich lineage of its experienced management team.

The group is spreading its footprint globally entering into new markets.

The character of the model is such that it allows the Group to create infinite opportunities each of which has limitless potential.

Chairman's Message



"Financial Technologies has consistently realized the highest value for its technology with its Intellectual Property centric business model that has scaled beyond conventional dollar per hour, quarter on quarter, and sum of parts models adopted by traditional IT software and service companies.

We, at Financial Technologies, will continue to leverage our leadership position in global technology markets to re-define 'Brand India' from a cost arbitrage value proposition to an Intellectual Property centric business model."

Jignesh Shah
Chairman & Managing Director

Re-defining 'Brand India' in Global Technology Markets

Dear Investors,

I am extremely pleased with our evolution over the last year where we considerably expanded the size and scale of our operation. Given the initiatives that we have implemented in the recent past, which will fructify going forward the outlook for the future is even more positive.

It has always been my aspiration to create a "Made *in* India" brand for the global markets in the software and technology world compared with establishing a business that conforms to a "Made *for* India" model from the global markets.

Our conviction in our belief has enabled us demonstrate success time and again and has given us greater confidence to embrace the future with continued optimism. As an organisation we have been actively giving concrete shape to our ideas and plans to transform them into successful businesses ventures that have the potential to create substantial value for all our stakeholders.

Many of you must already be aware of the lead role that we played to establish MCX – which is today the #1 commodity exchange in India. We further extended our success to international markets by establishing DGCX in the Middle East. Both these exchanges are #1 in their specific areas of operation.

We remain firmly convinced of our ability to create unique ventures that promote and enable digital commerce across the financial and commodity sectors. We continue to build on our comparative strengths to provide transactional tools in this area, with a view to transform the India's financial and commodity markets.

Its futures exchange platform, MCX, is now complemented by the National Spot Exchange and a logistics and collateral management company, NBHC. Together, they will provide an ecosystem for integrating rural India with the global economy, and act as a catalyst in bridging the rural-urban divide.

DGCX has firmly established us as a successful international player that provides technology that is strongly backed by domain expertise in the financial and commodity markets. We are further leveraging our expertise through IBS Forex, an inter-bank exchange platform that has seen enthusiastic acceptance by the country's banks.

It will always be our endeavour to create new platforms that result in growth visibility in a sustained manner over the longer-term. We have a pipeline of new ventures that include an initiative to provide value-added solutions in the information space by offering highly competitively-priced data streams (Tickerplant), a new mobile-phone-based payment solutions (atom), and a tailored strategic risk management consultancy (Riskraft).

Let me take this opportunity to highlight some of the key developments across the our various ventures and businesses.

1. Financial Technologies (Financial Technologies (India) Limited)

- 187% growth in standalone revenues from Rs.33.51 crore last year to Rs. 96.26 crore this year. Profit margins expanded significantly to 50% from 30%, clearly demonstrating that our technology business continues to be a core growth engine
- Consolidated gross revenue increased by 221% to Rs. 201.23 crore and consolidated net profit was higher by 242% at Rs. 69.28 crore.
- Total dividend of 300% for the year 2005-06.
- Over 80% market share with ~ 650 brokerage houses operating on our system and issued around 80,000 licenses.
- Business World magazine in its annual BW rankings for top 500 companies in India ranked Financial Technologies #1 for delivering the highest shareholder returns for the last three years.
- Financial Technologies was awarded “ISV Partner of the Year” by Microsoft India in the innovation category at the Microsoft Partner Summit.
- Financial Technologies stands as the eighth most valued software company of the Top 1000 list of software companies drawn up by NASSCOM in 2006.

2. MCX (Multi Commodity Exchange of India Limited)

- MCX recorded an average daily turnover of over Rs.7000 crore in April – June 2006, with a peak turnover of Rs.17,987 crore reported on April 20, 2006.
- At present, 72 commodities are listed on MCX.
- MCX continues to be the #1 commodity exchange in India with a market share of 55.4%* and is among the Top 10 global commodity exchanges in the world in less than 1000 days from inauguration. MCX is the #2 and #3 exchange respectively in silver and gold trading globally.
- MCX has strategic partnerships with leading international exchanges like TOCOM, The Baltic Exchange, NYMEX, CCX, LME, DMCC, NYBOT, Bursa Malaysia and Euronext Liffe.
- FID Funds (Mauritius), an affiliate of Fidelity International, acquired 9% equity stake in MCX in February 2006 for US$ 49 million (INR Rs.216 crore).
- MCX is the first exchange in India to file for IPO with SEBI.

* Market share for the quarter April-June 2006

3. DGCX (Dubai Gold & Commodities Exchange)

- DGCX was set up by Financial Technologies and MCX in joint venture with Dubai Multi Commodities Centre (DMCC), a strategic initiative of Government of Dubai in a record time of twelve months.

- Trading commenced in November 2005. The exchange currently has active trades in gold, silver and currency futures.
- DGCX has 100 active members at present. These include global organisations such as Deutsche Bank, HSBC, Man Financials, Nova Scotia, Mitsui, Standard Bank and Mashreq Securities.
- DGCX was the first Exchange to be set up in a Free Trade Zone, with 50 years tax holiday, and it is the only commodity derivatives exchange in the Middle East.
- DGCX is the only international commodities derivatives exchange that operates in a time zone that is between Tokyo and London.

4. National Spot Exchange (National Spot Exchange Limited)

- National Spot Exchange is expected to be a nation-wide electronic spot market for commodities. While futures trading conducted by MCX provides price discovery and price risk management functions, National Spot Exchange will provide a marketplace for price realization.
- National Spot Exchange membership is scheduled to be launched in the third quarter of the current financial year. Membership will be available to individuals, corporates, HUFs, partnership firms, cooperative societies and other legal entities. The market can be accessed by farmers, traders, processors, procurement agencies, commission agents, stockists, exporters, importers, financiers, arbitrageurs, speculators and general investors.
- National Spot Exchange is expected to improve the bargaining power of farmers, because they will get an option to quote their asking price. It will reduce pressure on the farmer to sell directly after harvest by facilitating institutionalized credits against warehouse receipts. This will ensure better price realization for their produce, which in turn will increase farmers' purchasing power accelerating economic development at village level.
- National Spot Exchange will create a bridge between physical market traders and MCX by providing a sound system for physical deliveries, enhancing the depth of futures markets and create a better balance between speculative, hedged and spot trades.

5. IBS Forex (IBS Forex Limited)

- 24 banks have subscribed to 'FXDirect™', which is a digital currency trading platform that caters primarily to USD:INR inter-bank transactions.
- On average, a daily volume of about $100 million is transacted on this platform, and has achieved a cumulative turnover of about US$ 40 billion until July 2006.

- IBS Forex has doubled its business volumes and revenues during the FY2006 over the previous FY2005.
- IBS Forex will be able to broaden its service portfolio to include options and futures trading in the market as and when India moves to full convertibility of the rupee.

6. NBHC (National Bulk Handling Corporation Limited)

- NBHC has been set up with an objective of being an end-to-end provider in warehousing and bulk handling of agri-commodities and to support the agri-spot and futures marketplaces with requisite infrastructure for settlement and delivery. NBHC will support the supply chain and provide single-window access to information, finance, trade and logistics facilities, thereby improving supply chain efficiency that will benefit both the producer and the consumer.
- NBHC will offer solutions in the area of warehousing, grading, quality certification and price risk management.
- NBHC has successfully established a network of 57 warehouses across 13 states and union territories in India.
- NBHC has successfully launched professional warehousing services, fumigation services for both in-house and third party use and is promoting international standards of grading and certification through it's own quality certification laboratories.
- NBHC has been appointed by Food Corporation of India (FCI) as a consultant in the matters of procurement, hedging and disposal of agro commodities. Some of the leading national level banks including State Bank of India, HDFC Bank, UTI Bank and Kotak Mahindra Bank have officially recognized NBHC as their collateral manager.

7. FTME (Financial Technologies Middle East)

- FTME offers the complete range of solutions for back, middle and front office transaction processing to the financial institutions, banks and brokerage houses in the Middle East and Africa.
- Along with offering technology solutions, FTME also provides consultancy and business process outsourcing services to financial market participants in these regions.
- FTME has established a full-fledged presence in Dubai and has gathered strong local financial market knowledge.

8. New Initiatives

- **Tickerplant Infovending (Tickerplant Infovending Limited)** is in the business of information retailing for providing data, news and analytics for financial exchanges. Tickerplant is also in the process of obtaining data vendor rights of international commodity exchanges.
- **atom technologies (atom technologies limited)**, a digital retail initiative of Financial Technologies, has created a secure transaction platform (atom transaction platform) which seeks to complement the bank's existing PoS as well as credit/debit card offerings with a mobile based platform allowing a customer to make payments for purchases either through online or offline merchants using his/her mobile phone.
- **Riskraft (Riskraft Consulting Limited)** is a knowledge-led initiative which in a short span of five months, it has enlisted Corporation Bank, State Bank of India (SBI), UTI Bank, MCX and C-Edge, a group company of TCS, among its clientele.

Conclusion

Our belief in our growth story is unwavering. Over the long-term, our strategy includes strong focus on international expansion, promotion of new related ventures and constant innovation. We are creating a matrix of opportunities, which leverage our core strength of providing technology infrastructure to global financial and commodity markets for efficiently conducting commerce and transactions. Our results of the past demonstrate that we are able to scale and leverage our technology and domain expertise coupled with IP centric business model to create growth and value beyond conventional models of traditional software products and software services companies. We believe we have a large growth potential and we continue to look forward to the future with great optimism.

Regards,

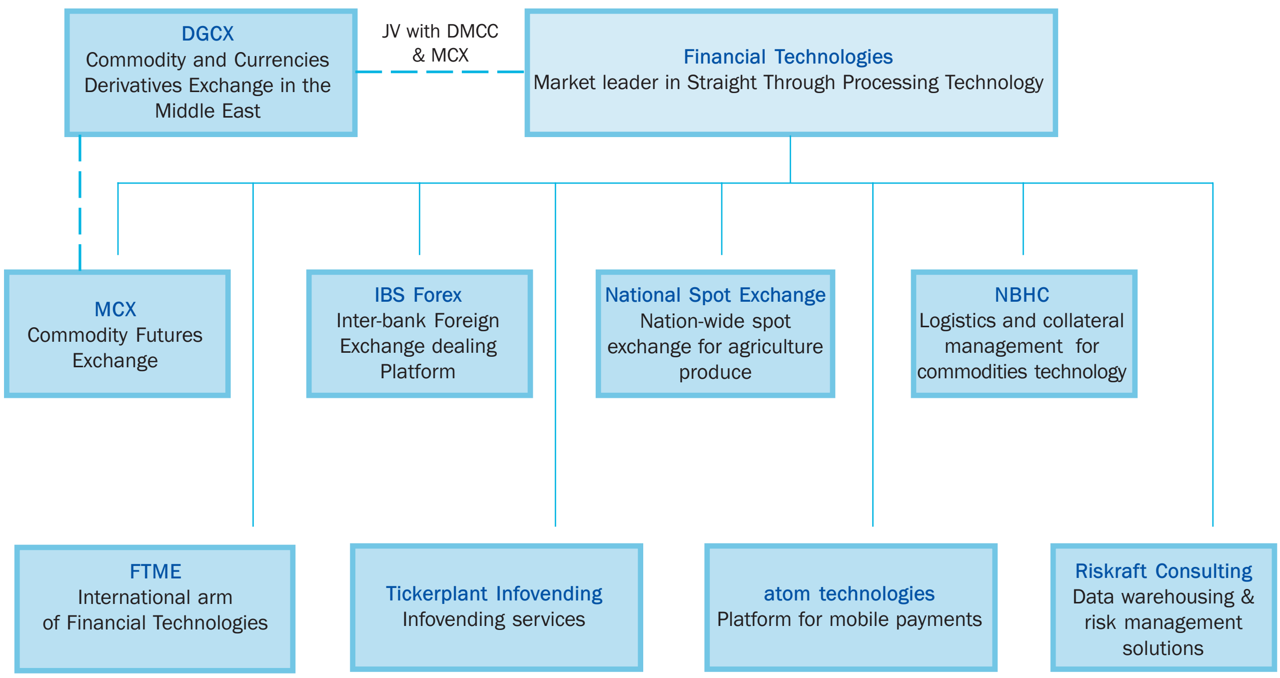
Jignesh Shah
Chairman & Managing Director
Financial Technologies (India) Limited

Mumbai, June 17, 2006

Group Overview

- Financial Technologies Group is a pioneer in creating the financial markets transactional backbone in India, and is rapidly extending its reach to international markets.
- The Group has achieved considerable progress in this objective with several of its entities emerging as market leaders in their selected focus areas.
- The Group business is structured in ten companies, each having a unique mandate built around the objective of delivering pioneering solutions to drive the securities industry – equities, derivatives, commodities, foreign exchange – and its direct and remote stakeholders.
- The Group has promoted India's leading commodity futures exchange, MCX.
- Jignesh Shah, a next-gen serial entrepreneur and corporate leader has been the chief architect behind the growth of the Group and drives execution of the Group strategy along with his senior management team with laser sharp focus and speed.
- The Group's total revenue crossed the Rs. 200 crore threshold in FY2006 and net profits stood at Rs. 69.28 crore.
- Going forward, the Group will continue to strive to be a global leader in the financial services marketplace leveraging the genesis and expertise achieved so far.

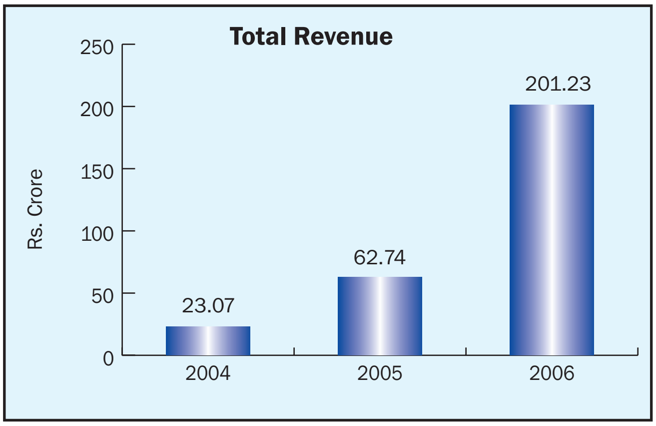
Financial Technologies and Subsidiaries / JVs

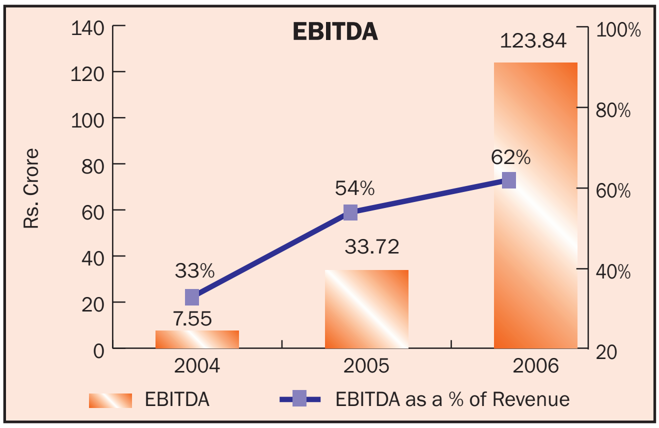


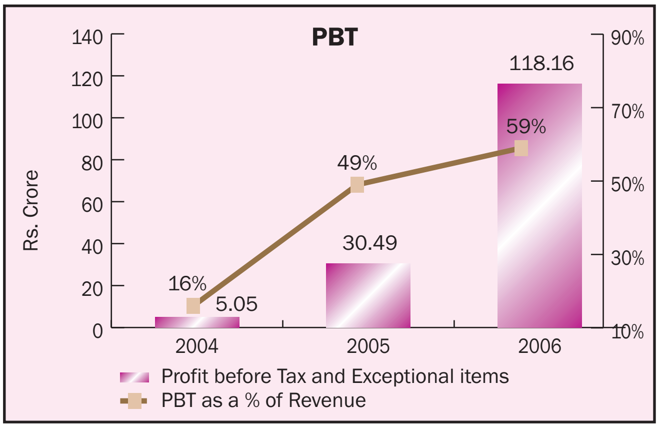
Performance Highlights

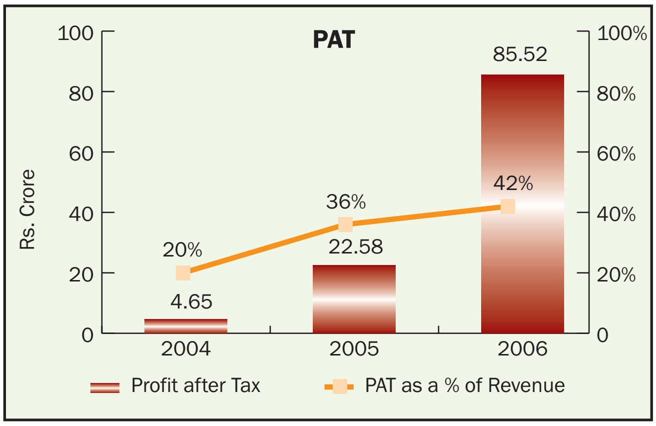
- Consolidated group revenues cross Rs. 200 crore mark in FY2006, increase 221%; operating margins expand to 62%, higher by 267% over last year. Consolidated net profit at Rs. 69.28 crore, an increase of 242%.
- The core STP Technologies business records 187% growth in revenues; operating margins improve to 67% from 43% in FY2005. Standalone profit up 387% to Rs. 48.24 crore.
- Broker coverage under STP product range expands to ~ 650; ~ 80,000 licenses trade on FT branded technology suites.
- The Company continues to enjoy more than 80% market share in India.
- IPR additions during 2005-06 include – ODIN for Commodity trading; iWin for trading on mobile.
- MCX records average daily turnover of Rs. 7,507.46 crore in May 2006; takes a quantum leap to reach amongst Top 10 commodity exchanges in the world with third largest share in gold, second largest in silver and fourth largest in crude oil during the calendar year 2005. Approved member base stands at 1,500 at end of July 2006.
- DGCX goes live in November 2005. 100 active members. Volume growth in April-June 2006 quarter = 200%.
- Five new ventures launched during the course of the year:
  - National Spot Exchange - Spot market parallel to commodity futures market
  - NBHC for collateral management and post-harvest logistics management in the agriculture space
  - FTME, the global business expansion arm of Financial Technologies
  - Riskraft Consulting for providing technology solutions as well as training & consultancy in the banking space
  - atom technologies for enabling 'any transaction on mobile'
- Financial Technologies' company-wide team expanded to 522 members from 321 last year. Gross employee strength across the Group equals 900.
- Business World magazine in its annual BW rankings for top 500 companies in India ranked Financial Technologies #1 for delivering the highest shareholder returns for the last three years.
- Financial Technologies was awarded "ISV Partner of the Year" by Microsoft India in the innovation category at the Microsoft Partner Summit. The Company received this award for its product iWin – a wireless internet trading product developed during the year for equity and commodities market in India.
- Financial Technologies stands as the eighth most valued software company of the Top 1000 list of software companies drawn up by NASSCOM in 2006.

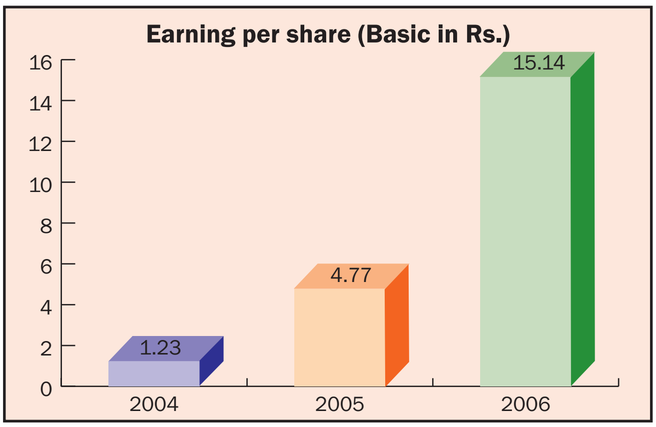
Growth Matrices (Consolidated)

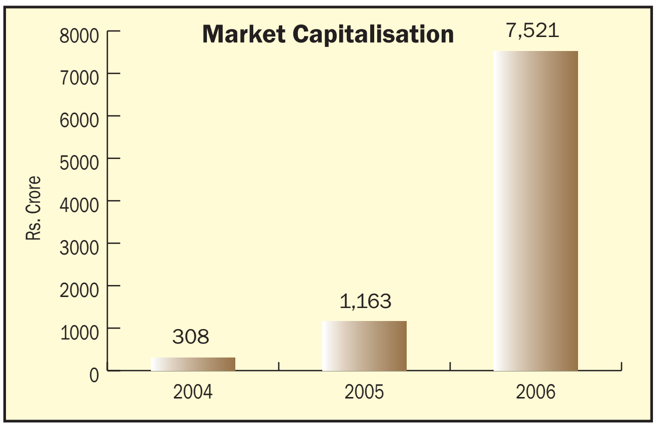












Infinite Growth Opportunities – IPs Showcased

Key products and solutions

Financial Technologies' STP solution stack comprises an integrated mix of products that enable a wide range of real-time transactions and business processing in multiple market segments and various exchanges through a single window. The products cover all the stages of a trade life cycle delivering single point result analysis. Flexibility is an inherent characteristic of the products that makes it easy to enhance and deploy the modules to suit individual needs of the customer.

Products	Description	Solution/ Service
Equity and Derivatives Market:		
ODIN™ Integrated	It is a complete front office solution targeted at brokers/ dealers in the equity, derivatives & commodities markets. It offers built-in order routing, risk management and display engine with real time connectivity to the back-office system.	Solution
ODIN™ Institutional Trader Work Station (TWS)	It enables increased level of operational ease & execution efficiency by empowering the dealer with a single console operation for all dealing activities. The advantage is further extended as the single application provides connectivity to multi exchange and multi segment trading facility.	Solution
iNeT.net™	It is a web based online Internet trading software supporting e-Exchange trading between retail clients and brokerage houses, along with live quotes, using an exclusive display optimizer. Clients include sharekhan.com, icicidirect.com	Solution
ODIN Diet™	It is a bandwidth friendly trading program, providing streaming live quotes for all the exchanges. It is available in the form of a compact self installing kit that makes optimum use of hardware & network requirements. The product is deployed for high net worth clients of broking houses.	Solution
iWin™	It is multi exchange, multi segment mobile internet trading solution, built over Financial Technologies' cutting edge FT-Engines™. iWin™ is a internet based real-time trading solution for mobile and handheld devices.	Solution

ODIN™ Program Trading	Program Trading can be used for taking the arbitrage opportunities across the cash & Futures segments for National Stock Exchange. An advanced depiction of arbitrage would mean a simultaneous purchase and selling of an instrument in order to profit from a differential in the price, which usually takes place on different markets. ODIN™ Program Trading makes such 'riskless profit' possible.	Solution
eIPO™	It is essentially a web-based new securities issuance platform through the Book Building (auction) for Initial Public Offerings. The entire securities issuance process is automated through this solution.	Solution
STP-Switch™	It is an online interface between ODIN™ Integrated and MATCH™ supporting two-way information sharing and flow.	Solution
MATCH™	It is a comprehensive back office clearing, settlement and accounting system for brokerage houses dealing in equities, derivatives & commodities instruments.	Solution
MATCH™ Messenger	It is a component which effectively and efficiently automates document generation and routing to clients registered in MATCH™. The solution has been designed to provide the flexibility and capability to expand the set of reports/MIS which can be configured for automatic dispatch of reports to the registered clients.	Solution
iMATCH™	It is an application which provides facility where in branch or end users can log-in through internet and/or intranet and view certain reports generated by MATCH™.	Solution
Protector™	It is an online Risk Manager, which enables the trading members to protect from risk in the Derivatives Segment. Protector provides the online Initial Margin & Position of the each & every client of the Derivatives Segment and enables the Brokers to compare the Deposit given by the client in Cash & Non Cash with the actual Margin required by the Exchange.	Solution
e-Hastakshar™	It is a unique document signing solution, which enables transfer of information in electronic and secured form through encryption using digital certificates.	Solution

IPs Showcased

STP-Gate™	It is a robust, secure & scalable transaction processing platform that provides connectivity between fund houses, custodians & brokers based on ISO 15022 messages.	Service
STP-Connect™	It is a file based Interface with 'Omgeo Oasys' global application, in order to achieve direct processing between the brokers and cross border fund houses.	Solution
Network Consulting Group Services:		
The core focus of this group is to design innovative solutions for enterprises and to enable them to achieve high level of productivity by providing them technical know how, solutions and services. This group performs IS Audit & Assurance services mainly focussing on Banking, Financial Services & Insurance Sector. The collective expertise of this group includes designing the process, understanding the requirements of the customer which provide simple but effective solutions in documentations, implementations, review and training.		Service
Foreign exchange :		
FXDirect™	It is a state-of-the art online matching and dealing platform for foreign exchange trading that ensures real-time, deal matching for USD/INR trades between banks in the country.	Solution
Exchange Ecosystem :		
DOME™	It is a comprehensive suite of various engines that drive the information broadcast; order management and execution function at the exchange level. The system has been deployed at MCX and DGCX for handling complex commodities futures trading operations.	Solution
CNS™	It is a comprehensive solution facilitating and managing operations necessary for a clearing house of any exchange based marketplace. Again this software is currently in use at MCX and DGCX.	Solution

Infinite Growth Platforms

India equity story reading well

Burgeoning Liquidity

Technology solutions for straight through processing

Potential - Infinite

Financial Technologies
Powering e-Xchange Markets

Vision

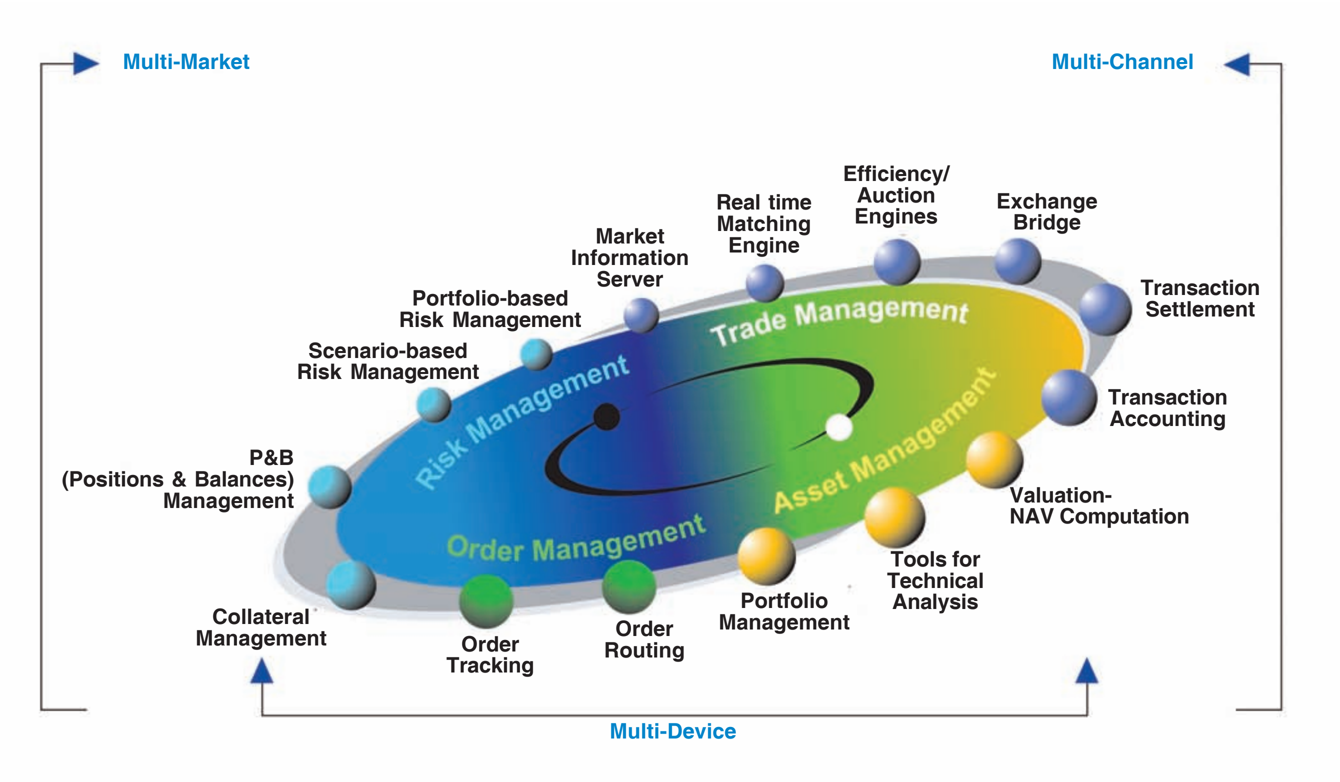
- Build a technology company focused on IPR creation in the financial securities industry by harvesting intellectual capital
- Build a brand centric model to leverage quality products/brands to generate sustainable & assured annuity revenues
- Leverage strong technological platform to promote transaction intensive multi billion dollar businesses

Mission

To become a global leader in developing mission critical Straight-Through-Processing applications for the financial services sector.

Financial Technologies (BSE: FINTECH, NSE: FINANTECH), the flagship company of the Group, is the largest SEBI recognized T+1 Straight-Through-Processing (STP) service provider. It is a vertical specialist and a domain expert with proven transaction automation solutions portfolio that delivers mission-critical STP solutions for all market participants - exchanges, brokers, banks, financial institutions and asset management companies.

The Company's indigenously developed solution portfolio comprising domain consulting, technology licensing and development outsourcing, has an expansive scope that ensures clients achieve automation for the complete trade cycle. Further its technology capabilities have been developed to cover multiple market categories – equities, derivatives, commodities and foreign exchange.



The Company's Network Consulting Group provides technical know-how, systems, solutions and services in the areas of network architecture. The Company's solution portfolio supports high transaction density by delivering performance, scalability, reliability and deployment flexibility. The portfolio's compelling competitive strengths have expanded usage across ~ 650 brokerage houses operating ~ 80,000 licenses on a daily basis.

Financial Technologies is an SEI-CMM Level 3 certified company with development centre located in Mumbai.

For more information on Financial Technologies, visit www.ftindia.com.

Commodity markets size 10x of equity market

India – one of the largest markets for commodities;

Huge agri-production & consumption

Sector currently in nascent stage

Prospects – Infinite

MCX
Trade with Trust

Vision & mission

Make MCX the 'Exchange of Choice'

MCX is committed towards revolutionizing the Indian commodity markets. It aims to empower the market participants through innovative product offerings and technology driven operations so that the benefits of futures markets can be fully realized. MCX will focus its efforts towards meeting the requirements of all the stakeholders in the commodity ecosystem without any bias. It shall focus its efforts towards establishing globally acceptable industry norms.

MCX (ISO 9001:2000) is an independent demutualised fully electronic multi-commodity exchange with permanent recognition from the Government of India. Delivering significant growth in less than three years of operations, MCX has garnered 55.48% share of the Indian commodities futures industry (data for April-June 2006 quarter). The balance share is represented by 22 other commodity exchanges including 2 national exchanges. It also ranks amongst the leading commodity derivatives exchanges in the world and is the world's second largest silver exchange and world's third largest gold exchange in terms of trading volume for each of these commodities recorded in 2005. It is also the world's fourth largest crude oil exchange in terms of trading volumes in 2005.

MCX offers fair trading & risk management opportunities to a large cross section of participants including producers/ processors, traders, corporate, regional trading centers, importers, exporters, co-operatives and industry associations amongst others. Over 72 commodities in various segments – bullion, agriculture, oil & oilseeds, plastic and energy - are listed on the exchange. It currently records an average daily turnover of over Rs. 7000 crore in April – June 2006, with a peak turnover of Rs.17,987 crore reported on April 20, 2006.

MCX strives to be at the forefront of developments in the commodities futures industry and has forged more than eight international strategic alliances across the world including those with the Tokyo Commodity Exchange (TOCOM), The Baltic Exchange, the Chicago Climate Exchange (CCX), the London Metal Exchange (LME), the Dubai Multi Commodities Centre (DMCC), the New York Mercantile Exchange (NYMEX), the New York Board of Trade (NYBOT) and the Bursa Malaysia Derivatives, Berhad (BMD).

Recently, MCX has also entered into a licensing agreement with the Euronext.liffe for future listing of mini-futures contracts for robusta coffee and white sugar.

It also has alliances with several domestic trade associations.

- Bombay Bullion Association
- Bombay Metal Exchange
- Solvent Extractors' Association of India
- Pulses Importers' Association
- Shetkari Sanghatana
- The United Planters Association of Southern India
- India Pepper & Spice Trade Association
- Rajkot Seeds Oil and Bullion Merchants Association

Other key initiatives include the launch of MCX COMDEX, India's first composite commodity futures index, in June 2005 and introduction of evening trading session – 17.30 IST to 23.30 IST – to coincide with trade timings of the western markets.

MCX is an unique and successful example of public-private partnership with 14 public sector banks and institutions like State Bank of India, National Stock Exchange of India, National Bank for Agriculture & Rural development, HDFC Bank, Bank of India, Union Bank of India and Bank of Baroda, as its shareholders. FID Funds (Mauritius), an affiliate of Fidelity International acquired 9% stake in MCX in February 2006 for US$ 49 million.

For more information on MCX, visit www.mcxindia.com.

Forex markets potential – 10x the commodity market size

Indian forex market in evolutionary stage

Growth – Infinite

IBS FOREX

Vision and mission

To provide an 'exchange of choice' in the foreign exchange segment of the financial market in India

IBS Forex concentrates on the foreign exchange segment of the financial markets. FXDirect™, the digital currency trading platform created by Financial Technologies, is India's first indigenous inter-bank foreign exchange marketplace enabling deal matching in an online, real-time and anonymous environment. The platform is geared to deliver liquidity, efficiency and deep functionality in foreign exchange dealing for both spot and forward trading in USD:INR with optimal 'price-performance' features. The software also includes a negotiated dealing system for one-to-one trades in any currency pair.

The IBS Forex service is delivered to banks through state-of-the-art communication network built to global standards, within a secure and encrypted Closed User Group environment with all in-built redundancies which ensure maximum availability.

The IBS Forex service comes at a minimum cost to the banks with no initial investment, no minimum monthly payment and no transaction costs to the market-maker. We have upscaled ourselves to pay for usage model. Several nationalized banks, private banks & MNC Banks in India today trade on FXDirect™ generating substantial volume contributing to the liquidity on the exchange. The cumulative volume turnover on FXDirect™ till date is about US$ 40 billion and the current daily average volume is about US$ 100 million.

For more information on IBS Forex Limited, visit www.ibsfx.com.

Agriculture 25% of India's GDP

Fragmented markets

e-linking mandis, creating common Indian market

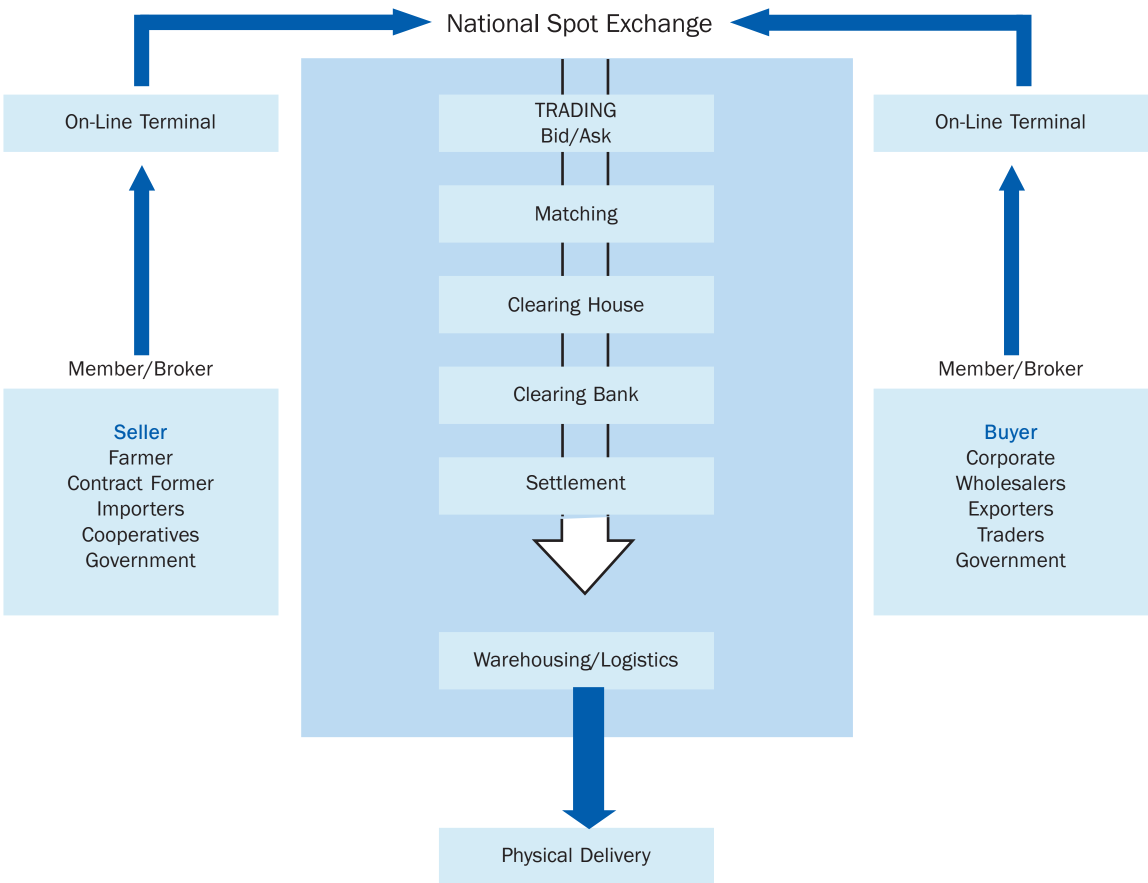
Scalability – Infinite

National Spot Exchange

Mission

To develop a common Indian market, by setting up a national level electronic spot market and providing state-of-the-art trading, delivery and settlement facilities in various commodities, which can be accessed from across the country.

Promoted by Financial Technologies, MCX and National Federation for Food Procurement and Distribution (NAFED), National Spot Exchange, is a national level institutionalized, demutualized, electronic spot exchange aimed at creating a unified transaction platform for various commodities with initial focus on agricultural products. It would revolutionize the marketing process of agricultural produce in India and would establish India on the world map as the pioneer in setting up a Common national market for commodities.



Services offered by National Spot Exchange:

National Spot Exchange would provide a transparent structured electronic platform to trade in various commodities and effect deliveries and payments seamlessly. It would also provide services relating to grading, quality certification and standardization of commodities. It would facilitate collateral financing and borrowing against warehouse receipts and would ensure easy access to banks and institutional financing. It would provide customized services relating to storage, transportation, logistics handling and shipment.

The exchange is expected to be operational during the current financial year.

For more information on National Spot Exchange, visit www.nseap.com.

India ranks second worldwide by farm output

Post-harvest technology & infrastructure poor

Possibilities - Infinite

NBHC National Bulk Handling Corporation Ltd.

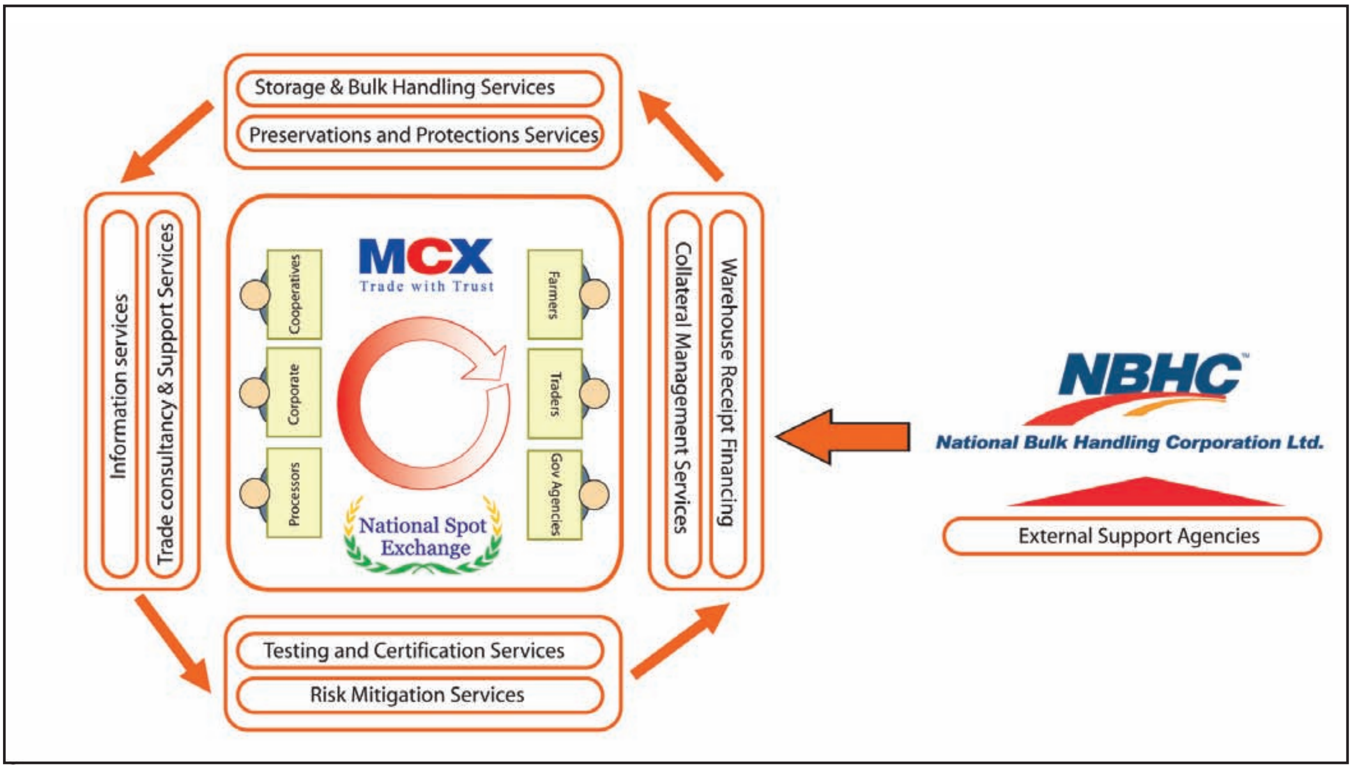
Vision

NBHC is committed to creating favorable impact on commodities ecosystem by providing comprehensive solutions for risk mitigation and management of commodities to benefit all the ecosystem participants.

Mission

- To provide risk mitigation for all ecosystem participants,
- To reduce post-harvest risk/wastage of agri-commodities,
- To serve and develop the nation's post-harvesting infrastructural facilities,
- To encourage all stakeholders in the Indian agri-ecosystem achieve better price realization.
- To promote countrywide acceptance of standard grades and specifications.

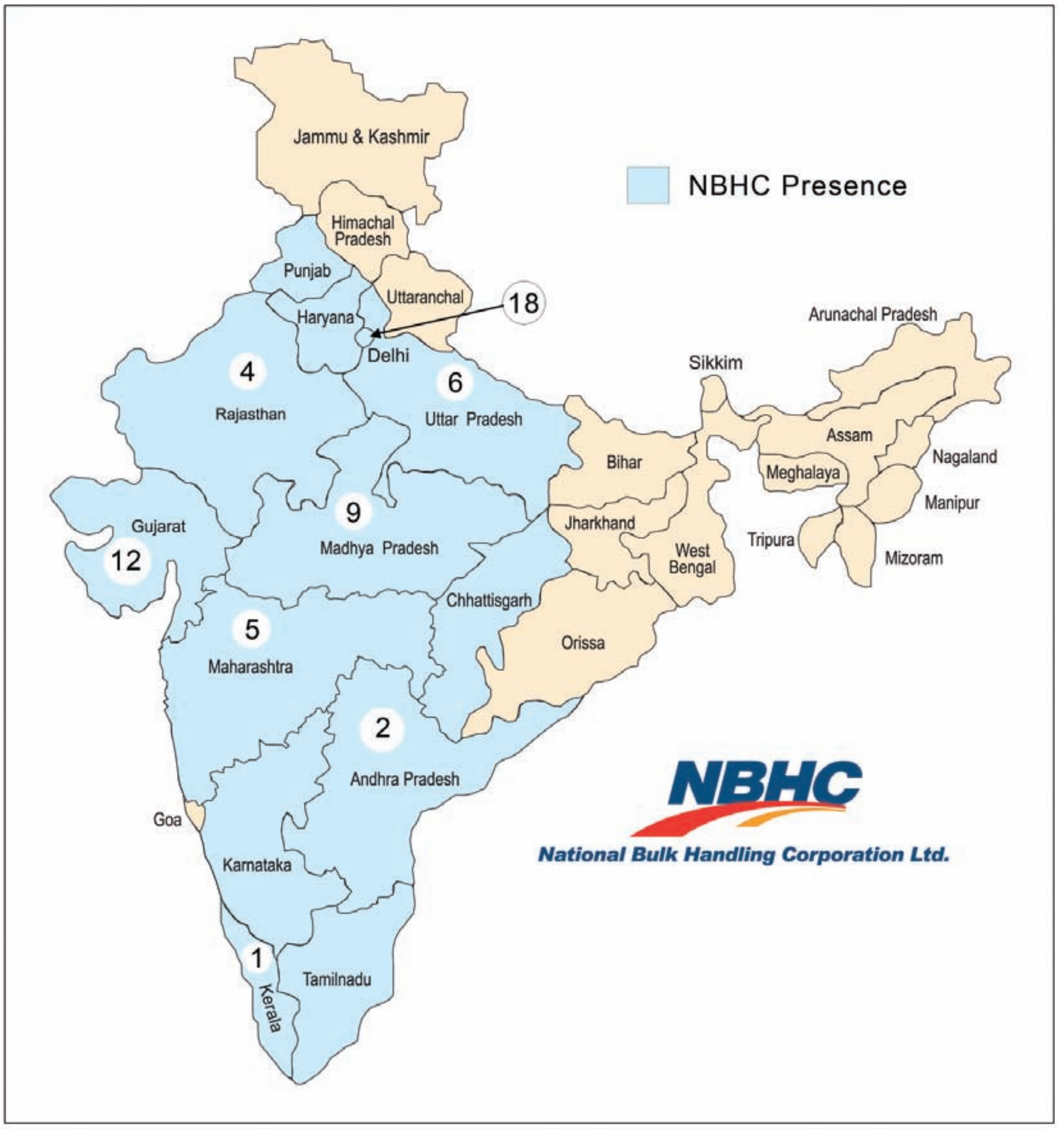
Recognizing the immense business potential in the Indian agri-commodities management market, NBHC was incorporated in April 2005 to offer 'Complete Solutions in Commodity Management'. Trade routed through NBHC channels will enable farmers/traders in commanding competitive and fair price



for their goods and will benefit them by a single-window, customized, economical and value-added service experience (both financially and operationally). NBHC offerings include efficient commodity management and risk/waste reduction for agri-commodities through quality systems for storage (warehousing), fumigation , quality certification & gradation, electronic/manual warehouse receipts, procurement and disposal services, access to commodities future and spot trading markets, collateral management and consultancy services.

NBHC has experience of handling agri-commodities of varied nature, including wheat, paddy, rice, maize, sugar, etc., both as a seller and buyer. Its Research Division produces regular reports on various commodities for the purpose of updating market participants and other interested parties/individuals with current happenings and fundamentals in the Indian commodities market. The Company has managed to create an extensive warehousing network spread across 13 states that boasts of a storage capacity of 168,196 MT.

For more information on NBHC, visit www.nbhcindia.com.



Booming commodities and currencies markets in the Middle East

Ramp up infrastructure to match increased trade activity

Commodities and currencies exchange in Dubai

Scalability - Infinite

DGCX
بورصة دبي للذهب والسلع
DUBAI GOLD & COMMODITIES EXCHANGE

Mission

- Operate as a dynamic & efficient electronic market place for commodities derivatives
- Employ ethical business practices & leading edge technology
- Anticipate & respond to changing market requirements

The Dubai Gold & Commodities Exchange (DGCX) is a demutualised, fully electronic commodities and currencies exchange established by Financial Technologies and MCX in joint venture with the Dubai Multi Commodities Centre (DMCC) a strategic initiative of Government of Dubai. Based in Dubai, the exchange is the first international commodities and currencies derivatives marketplace in the time zone between Europe and the Far East. It currently trades in US dollar denominated futures contracts on Gold, Silver and currencies and will soon introduce options on futures contracts. The exchange is operational for eleven and half hours, five days a week. It maintains robust risk management and surveillance systems and provides trade guarantee through its Clearing Corporation, Dubai Commodities Clearing Corporation (DCCC) which is a fully owned subsidiary of DGCX.

It commenced operations with gold futures trading. Towards the end of the fiscal year, DGCX introduced silver futures and has commenced currency futures trading in June 2006. A diversified range of commodities such as steel, gasoline, marine fuel oil, freight rates and cotton will be introduced for trading as the exchange progresses further. The exchange has entered into an agreement with Chicago Board of Trade that specifically allows for the investigation of cooperative action between the two exchanges in relation to spread margining for certain commodity contracts and permits sharing of information, as well as other areas that are mutually beneficial.

For more information on DGCX, visit www.dgcx.ae

Other initiatives launched by Financial Technologies

Tickerplant, the latest knowledge initiative of Financial Technologies, is an emerging global content provider for intelligent financial information including quotes, charts, news, views and analysis. Speed and reliability of data delivery are of critical importance for success in business. Recognizing this, the Company offers customized real-time data feed solutions on equity, commodity and forex markets.

atom technologies, a digital retail initiative of Financial Technologies, is set to take the Group's technology capabilities to a new level. The firm will launch new age technology solutions that empower wireless telephony users to transact over the phone.

Riskraft Consulting offers niche domain rich consulting in the area of financial risk management and data warehousing for the Indian banking and financial services sector.

FTME was set up in 2005 to expand Financial Technologies' presence globally. The Company will provide the complete range of Financial Technologies' solutions to financial market participants worldwide.

Board of Directors

Executive

Jignesh Shah

Dewang Neralla

Non-Executive

P. G. Kakodkar

C. Subramaniam

Ravi Sheth

Ashish Dalal

Company Secretary

Hariraj Chouhan

Corporate Information

Auditors
Deloitte Haskins & Sells

Legal advisors
J. Sagar Associates

Bankers
HDFC Bank Ltd.
HSBC Ltd.
Corporation Bank
Centurion Bank of Punjab Ltd.
Union Bank of India

Share Transfer Agents
Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai – 400078

Registered Office
IIIrd Floor, 16, Surya Flats
IInd Cross Street, Seethammal Colony Extn.
Teynampet, Chennai – 600018

Key Management Team

Jignesh Shah
Chairman and Managing Director - Financial Technologies; Managing Director & CEO - MCX

Jignesh Shah, 39, Founder, Chairman & Managing Director, has over 15 years of experience in the securities exchange industry. His foresight, in-depth technology know-how and domain expertise has been chiefly instrumental in making Financial Technologies, one of India's most reputed corporate houses. Prior to establishing Financial Technologies, he was with the Bombay Stock Exchange (BSE), working on the design and implementation of the BSE's online trading system, BOLT. He holds a Bachelor of Engineering degree from the University of Mumbai and has received specialized training in Money and Capital Markets as well as Futures and Options Trading at the New York Institute of Finance.

Dewang Neralla
Director and Chief Technology Architect - Financial Technologies; Director - atom technologies limited; Director - Tickerplant; Director - Riskraft Consulting

Dewang Neralla, 37, Director & Chief Technology Architect, co-founded Financial Technologies with Jignesh Shah and has played a large part in creating a sophisticated and reliable technology infrastructure that is central to Financial Technologies Group and is a growth driver for all the current and future group activities. Presently, he is responsible for introducing new technology architecture and designing components & protocols to deliver cutting-edge technology. A front-end software development specialist, Dewang Neralla was part of the Bombay Stock Exchange team for designing BOLT trading system before establishing Financial Technologies. He holds a Bachelor of Engineering degree in Computers.

V. Hariharan
Director and Chief Technology Officer - Financial Technologies; Director - MCX; Director - Tickerplant; Director - NBHC; Director - National Spot Exchange; Director - IBS Forex

V. Hariharan, 47, Director, Chief Technology Officer, is involved in defining the blueprint of the technology roadmap for the Company. He has over 25 years of experience in business enterprise technology solutions and strategy and is a subject matter specialist in conceptualizing, analysis, implementation and maintaining mission critical market related technologies. He has previously worked with companies like National Stock Exchange of India Ltd (1996-2000), Bombay Stock Exchange (1993-1996) and the Indian Institute of Management, Ahmedabad (1983-1986). During his tenure at these exchanges, he has visited several international exchanges to fully understand the intricacies of trading, surveillance and clearing & settlement systems. He holds a Masters degree in statistics and mathematics and a university gold medalist.

Manjay Shah
Director - Business Development and Marketing, Financial Technologies

Manjay Shah, 35, Director, Business Development & Marketing, has over eight years of experience in financial services and proven expertise in marketing and brand promotion. His ability to identify, analyze, and anticipate marketplace trends with the purpose of bidding for new business and developing relationships with existing and new customers has been instrumental in building a large customer base. He has contributed in customer acquisition by winning strategic and significant institutional accounts including major exchange subsidiaries, leading institutional brokerage houses and the premier Stock Exchanges in India. He is an Electrical Engineer has joined Financial Technologies in January 2002.

Key Management Team

Paras Ajmera
Director - Exchange Technology Solutions & HR, Financial Technologies

Paras Ajmera, 33, Director, Exchange Technology Solutions & Human relations (HR), comes to Financial Technologies with strong technical, functional and operational foundation in various aspects of derivatives and cash market exchange trading solutions following over 13 years of experience in the equities and derivatives market. At Financial Technologies, Paras is actively involved in the entire process, right from product identification and development to its actual implementation and monitoring. He has been a key contributor in design, development and implementation of MCX and DGCX trading platforms. He has initiated measures for quality of software development, testing and implementation. He has also proven expertise in clearing house implementation and risk management system. He has represented Financial Technologies Group for CFTC Program at Chicago, Illinois, USA.He holds a BE in Computer Science.

Arshad Khan
Director - DGCX;
Director - FTME

Arshad Khan, 32, Director, International Business Development, is responsible for the Group's international initiatives and projects requiring exclusive attention. Arshad is a functional expert in the transaction processing domain and has successfully managed digital marketplaces. Over the years, he has visited leading Asian exchanges and conducted detailed studies of various trading and clearing systems. Besides, Financial Technologies, Arshad is a Director and key management team member of DGCX. Arshad holds a Post Graduate Diploma in Business Administration.

Shreekant Javalgekar
Group Finance Controller

Shreekant Javalgekar, 51, Group Finance Controller, oversees finance, accounting, treasury, fund management, budgeting functions at Financial Technologies. Prior to joining FTIL, Mr. Javalgekar has been India advisor to Nexgen Financial Solutions, a financial derivatives house promoted by Singapore Technologies. Prior to that he worked with Lazard India Ltd. for 10 years. His last assignment with Lazard was as Managing Director (Project & Structured Finance). Mr. Javalgekar is also a writer and has contributed several articles on financial matters to reputed newspapers and magazines. He is Commerce Graduate and Master of Business Administration from Marathwada University.

Miten Mehta
Director - Communication

Miten Mehta, 37, Director, Communication, is responsible for defining and executing the Group's global communication strategy on the corporate and marketing front. Miten has over 15 years of experience in marketing and communication domain with specialization in building Communities and Brands for Technology and Internet companies, including two Fortune 500 corporations. Miten has also been successful entrepreneur having co-founded - eComLive, out of California acquired by InfoSpace in 1999 and MoConDi, out of Seattle, acquired by MobileMedia, UK in 2005. He holds Bachelor of Engineering (Electronics & Telecommunication) with Advance Internet Marketing Certification from Dartmouth and has also attended the Executive Program in Marketing at Kellogg School of Management.

Financial Technologies Companies Key Management Team

Joseph Massey
Deputy Managing Director - Multi Commodity Exchange of India Limited

Anjani Sinha
Director - Multi Commodity Exchange of India Limited
MD and CEO - National Spot Exchange Limited

Lamon Rutten
Joint Managing Director - Multi Commodity Exchange of India Limited

Anil Choudhary
MD and CEO - National Bulk Handling Corporation Limited

Ganesh Rao
CEO - IBS Forex Limited

Subramanya Kusnur
MD and CEO - Riskraft Consulting Limited

Director's Report

To,

The Members,

Your Directors have great pleasure in presenting the Eighteenth Annual Report of your Company together with the Audited Statement of Accounts for the year ended March 31, 2006.

Financial Results

Rs. in crore

Particulars	Consolidated		Standalone	
	Current Year 2005-06	Previous Year 2004-05	Current Year 2005-06	Previous Year 2004-05
Total Income	**201.23**	**62.74**	**96.26**	**33.51**
Total Expenditure	77.39	29.02	31.99	19.13
Operating Profit	123.84	33.72	64.27	14.38
Interest	0.10	0.01	0.00	–
Depreciation/Amortisation	5.58	3.22	1.14	0.98
Profit before tax and before exceptional/ non recurring items	**118.16**	**30.49**	**63.13**	**13.40**
Provision for taxation				
Income Tax: Current tax	31.60	5.07	15.26	3.35
Deferred tax	0.57	2.84	(0.57)	0.13
Fringe Benefit tax	0.46	–	0.20	–
Wealth tax	0.01	0.00	0.00	–
Net Profit after Tax (before exceptional item)	**85.52**	**22.58**	**48.24**	**9.92**
Less: Exceptional Item (net of deferred tax)	1.64	–	1.64	–

Rs. in crore

Particulars	Consolidated		Standalone	
	Current Year 2005-06	Previous Year 2004-05	Current Year 2005-06	Previous Year 2004-05
Profit after tax (before adjustment for minority interest)	**83.88**	**22.58**	**46.60**	**9.92**
Minority Interest	14.60	2.33	–	–
Net Profit available after Minority Interest	**69.28**	**20.25**	**46.60**	**9.92**
Less: Short provision for income tax in respect of earlier year	4.29	0.60	4.13	0.60
Profit after tax (after minority interest)	**64.99**	**19.65**	**42.47**	**9.32**
Add: Balance b/f from previous Year	19.65	2.76	17.41	10.86
Balance Available for appropriation	**84.64**	**22.41**	**59.88**	**20.17**
Appropriations				
Final dividend (proposed)	22.89	1.76	22.89	1.76
Interim dividend	3.52	–	3.52	–
Tax on dividend	3.91	0.25	3.70	0.25
Transfer to General Reserve	9.57	0.75	5.00	0.75
Share of revenue reserve in Joint venture carried forward	16.29	–	–	–
Balance C/f to Balance Sheet	**28.46**	**19.65**	**24.77**	**17.41**
Earnings per share (before exceptional item)				
Basic	15.14	4.77	10.02	2.26
Diluted	15.01	4.77	10.01	2.26

Dividend

During the year under review, your Company paid an interim dividend @ 40% (Re. 0.80 per share on face value of Rs.2/-). The Directors recommend a final dividend of 260% i.e. Rs. 5.20 per share on face value of Rs. 2/-, subject to the approval by the shareholders at the ensuing Annual General Meeting. The total dividend declared amounts to 300% (i.e. Rs. 6/- per share on face value of Rs. 2/- each) for the financial year ended March 31, 2006 (previous year 20% i.e Rs. 0.40 per share on face value of Rs. 2/-). The total cash outgo on account of total dividend (including Interim Dividend) and tax thereon amounts to Rs. 30.11 crores.

The final dividend, if approved, will be paid to those members whose names appear in the Register of Members as on the date of the Annual General Meeting.

Results of Operations

For the year ended March 31, 2006, your Company has reported a consolidated net profit of Rs. 69.28 crore on the back of total income aggregating Rs. 201.23 crore. Compared with last year, total income is higher by 221% and profit is up by 242%.

On a standalone basis, the Company has reported a 187% increase in total income to Rs. 96.26 crore. Net profit grew by 370% to Rs. 46.60 crore.

The Company sold ~ 45,000 licenses for its STP range of products. Currently the total broker coverage now stands at ~ 650 with ~ 80,000 licenses networked.

A detailed analysis of your Company's performance is covered elsewhere in the Management Discussion and Analysis section.

New Product Launches

During the year we launched a line extension of ODIN for the commodity markets. In association with Nokia we also introduced software for trading on mobile phones called iWin.

Awards/Recognition

Given the strong price performance of the Company's stock on the exchange, Business World magazine in its annual BW 500 Companies ranking rated Financial Technologies stock #1 for having provided shareholder returns of over 6900% in the last three years.

During the course of the year, Financial Technologies stood as the eighth most valued software companies in India by National Association of Software and Service Companies (NASSCOM).

Your Chairman and Managing Director, Jignesh Shah was presented the 'Entrepreneur of the Year 2005-06' award by the Hon'ble Chief Minister, Government of Maharashtra, Shri Vilasrao Deshmukh at Maharashtra Vision – 2010 forum.

Note on Subsidiaries

In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the Subsidiaries have not been attached with the Balance Sheet of the Company. These documents will be made available upon request by any member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been furnished under 'Statement Regarding Subsidiary Companies', which forms part of the Annual Report. Further, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include financial information of its subsidiaries.

Employees Stock Option Plan 2005

Your Company during the year under review, implemented ESOP Scheme 2005 ('the Scheme') comprising of 4,40,000 stock options. The approval of the shareholders for the same was obtained at the Annual General Meeting held on September 27, 2005. The Scheme is in accordance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended and the issuance of equity shares pursuant thereto will be subject to compliance with all applicable laws and regulations.

The aggregate number of Equity shares to be issued under ESOP Scheme 2005 will be upto 4,40,000 equity shares at an exercise price as defined under the SEBI Guidelines, as on the grant date.

During the year, the Company has granted 4,40,000 Stock options which will vest over a period of three years with an exercise period of three months from the vesting date. The total number of options in force and outstanding at the end of the year are 4,40,000.

Requisite disclosure in respect of the Employee Stock Option Scheme in terms of Guidelines of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines 1999, has been provided in Annexure B in this Report.

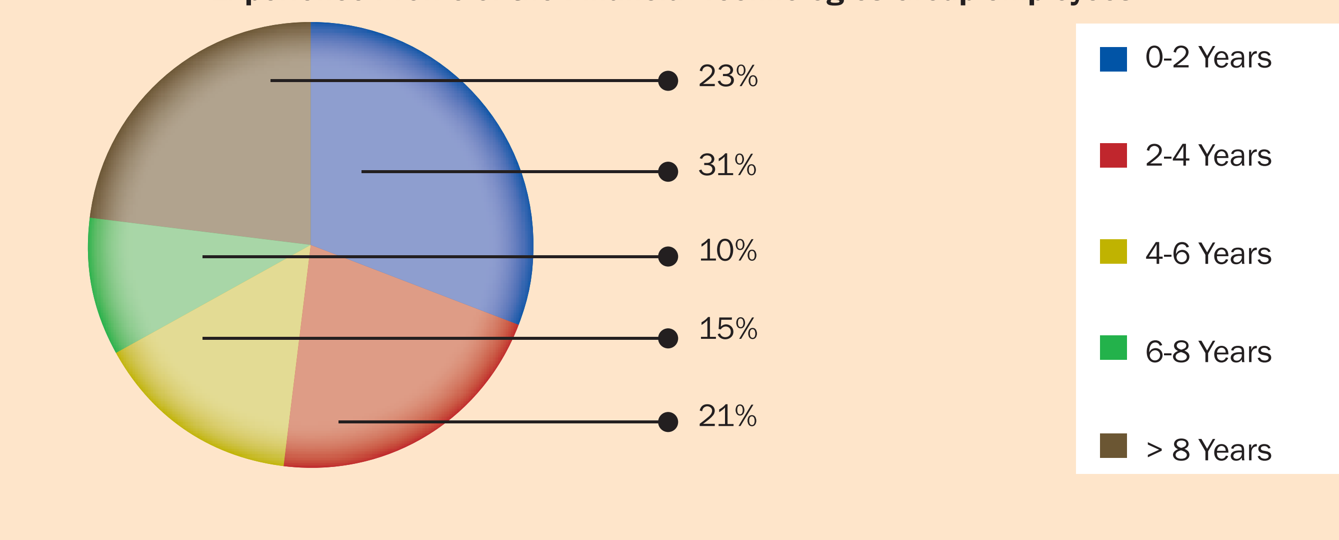
Human Resource Development

Financial Technologies has nurtured a culture that embraces change, new ideas, respect for the individual and equal opportunity to succeed. It observes a comprehensive group-wide HR policy that elaborates on each aspect of human resource management including recruitment, employee development & training, on-campus branding, staff welfare, administration services & recreation events. The Company offers a growth environment along with monetary benefits higher than industry standards.

During the year, the Company invited Universal Consulting to carry out an Employee Satisfaction Survey & recommend an HR Road Map. The recommendations collated through this programme were rolled out in the form of 'Role Clarity Initiative' and a new performance management system.

Approximately 15% of the new recruits were fresh graduates picked up from the various leading campuses in India including IBS Hyderabad, University of Petroleum and Energy Studies, Delhi, IIT Kanpur, IIT Mumbai, IIPM Mumbai & Delhi campus and MET Mumbai. At the close of FY2006, the group had close to 900 people employed in various ventures. Presently, the group has a healthy mix of experienced as well as fresh recruits, with high concentration of graduates. Overall, average employee age across the organization stands at a productive level of 30.0 years.

Experience Profile of the Financial Technologies Group employees



At Financial Technologies we encourage regular training and development. During the year the Company conducted 26,000 hours of Induction training for 126 developers and 10,411 hours of technical & soft skills development.

Giving due importance to employee welfare and benefit, the Company also launched a number of schemes during the past one year. These included mediclaim policies for employees and their spouse, accident Insurance policy, & overseas mediclaim.

These practices are being constantly scaled up to address increase in business activity .

Quality

We at Financial Technologies' believe that customer satisfaction and excellence in quality are key elements for succeeding in the competitive global market. We follow an organization wide philosophy of 'Build high quality and functionally rich solutions to service the global FSI technology space'. In line with this philosophy, we have designed a quality management program named as Financial Technologies' Total Quality Management Program, FTQM™.

FTQM™ is a completely indigenous initiative, designed and developed around the SEI CMMi model, ISO 9001:2000, ISO 9126, Six Sigma and BS 7799 certifications. FTQM™ epitomizes continuous optimization of the defined processes through an iterative output improvement process to ensure improvement in the quality of the deliverables. Our highly qualified and experienced internal assessors conduct regular and rigorous assessments to ensure world-class 'zero' defect products. To deliver effective and efficient products with minimum efforts, we believe in using Automated Testing Tools.

Success of our unique methodology for quality and performance enhancement can be noticed from the highly satisfactory client testimonials received for all our products and services deployed.

The Company is working towards attaining higher levels of CMMi after achieving CMM Level 3.

CORPORATE GOVERNANCE

Your Company is committed to good Corporate Governance practices. The report on Corporate Governance, stipulated by Clause 49 of the Listing Agreement, is annexed hereto and forms part of this Annual Report.

A Certificate from the Auditors of the Company regarding compliance with Corporate Governance norms stipulated in Clause 49 of the Listing Agreement is annexed to the report on Corporate Governance.

In compliance with the new Corporate Governance requirements, the Company has implemented a Code of Conduct for all its Board Members and Senior Management Team, who have affirmed compliance thereto. The said Code of Conduct have been posted on the Company's website.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr.P. G. Kakodkar, Director of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offered himself for re-appointment.

None of the Directors of the Company is disqualified for being appointed as Director as specified in Section 274 of the Companies Act, 1956, as amended.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm:

a. that in the preparation of the annual accounts, the applicable accounting standards have been followed along with the explanation relating to material departures;

b. that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the company for that period;

c. that they have taken proper and sufficient care 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;

d. that they have prepared the annual accounts on a going concern basis.

Auditors

M/s. Deloitte Haskins & Sells, Chartered Accountants, the Statutory Auditors, hold office until the conclusion of the ensuing Annual General Meeting. The Company has received necessary certificate from the Auditors, pursuant to Section 224 (1B) of the Companies Act, 1956 regarding their eligibility for re-appointment. The members are requested to consider appointment of M/s. Deloitte Haskins & Sells, as the Statutory Auditors at the ensuing Annual General Meeting.

Special business

As regards the items of the Notice of the Annual General Meeting relating to Special Business, the resolutions incorporated in the Notice and the Explanatory Statement relating thereto, fully indicate the reasons for seeking the approval of members to those proposals. Members' attention is drawn to these items and Explanatory Statement annexed to the Notice.

STATUTORY INFORMATION

1. Fixed Deposits

Your company has not accepted any deposits and as such no amount of principal or interest was outstanding as on the date of the Balance Sheet.

2. Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the name and other particulars of the employees are required to be set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the Members of the Company and others entitled thereto. Members who are interested in obtaining such particulars may write to the Company at its Registered Office.

3. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956, read with Companies (Disclosure of particulars in report of the Board of Directors) Rules, 1988, are given in Annexure "A" of this Report.

ACKNOWLEDGEMENT

Your Directors thank the clients, vendors, financial institutions, bankers, business associates and various governmental as well as regulatory agencies for their valuable support for Company's growth. Your Directors also wish to place on record their appreciation of the contribution by the employees, who through their hard work, dedication and commitment have enabled the Company to achieve the phenomenal growth.

For and On behalf of the Board of Directors

Mumbai,
17th June, 2006

Jignesh Shah
Chairman & Managing Director

Annexure 'A' to the Director's Report

The Information required under 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.

Conservation of Energy

Your Company is committed for adoption of various energy saving methods for conservation of energy and has taken adequate measures in terms of using the equipments, which would entail cost efficiency. It continues its endeavour to improve energy conservation & utilisation.

Technology absorption, Research & Development

The Research & Development activity of the Company is mainly focused on development of new software products to meet the customers requirements. Since the Company operates in a fast changing technology, focus is also laid on Quality up-gradation and improvement of existing products.

The future plan of action also lays stress on introduction of new Software products for both domestic & exports market.

Amount spent: Revenue Expenses Rs. 2.13 Crore.

Foreign Exchange Earnings and Outgo

The details of Foreign earnings & outgo are mentioned in Note 13 of schedule 14 on significant accounting policies and notes to the accounts.

Annexure 'B' to the Director's Report

Pursuant to the applicable requirements of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the SEBI Guidelines"), following disclosures are made in connection with the "Financial Technologies (India) Limited – Employee Stock Option Scheme 2005".

S. No.	Description	Details
a.	Options granted	4,40,000
b.	Exercise price per Option	The exercise price of the option is the market price of the shares as defined under the SEBI Guidelines, as on the grant date, which is Rs. 981.60 per share
c	Options vested	Nil
d.	Options exercised	Nil
e.	Options lapsed	Nil
f.	Variations of terms of options	Nil
g.	Money realised by exercise	Nil
h.	Options in force	4,40,000
i.	Employee wise details of options granted- i) Senior Management Personnel ii) Employees who receives a grant in any one year of option amounting to 5% or more of options granted during that year. iii) Employees to whom options equal to or exceeding 1% of the issued capital have been granted during the year.	Mr. V. Hariharan, Mr. Shreekant Javalgekar, Mr. Arshad Khan, Mr. Paras Ajmera Mr. Paras Ajmera None
j.	Diluted EPS	Rs. 9.64

k.	The Company has followed the intrinsic value-based method of accounting for stock options granted after 1st April, 2005 based on Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. Had the compensation cost of the Company's stock based compensation plan been determined in the manner consistent with the fair value approach as described in the Guidance Note, the impact on company's net profit and EPS would be :	The Company's net profit for the year would be lower by Rs.3.75 crore and earnings per share as reported would be as indicated below: Adjusted EPS (before extraordinary items):- - Basic & Diluted : Rs. 9.17 Adjusted EPS (after extraordinary items):- - Basic & Diluted : Rs. 8.80
l.	Description of the method and significant assumptions used during the year to estimate the fair values of the options, including the following weighted average information:	Fair value calculated by using Black Scholes Option Pricing Model.
	i) Expected volatility	64.48% to 86.41%
	ii) Expected forfeiture percentage on each vesting date	10%
	iii) Option life	3 years
	iv) Dividend yield	0.41%
	v) Risk-free interest rate	5.98% to 6.41%
	To allow for the effects of early exercise, it is assumed that the employees would exercise the options after vesting date.	

Dated : 17th June, 2006
Place : Mumbai

Jignesh Shah
Chairman & Managing Director

Management Discussion & Analysis

Review of Operations

2005-06 was yet another strong year for Financial Technologies. We reinforced our leadership position in a growing electronic transaction market and incubated several new ventures achieving a multi-dimensional business framework within our chosen areas of focus. Each of these ventures derives energy from technology models created at Financial Technologies. The ventures organized in subsidiary companies are designed to maximize the ability of the core Intellectual Properties (IP) and add to Financial Technologies' growth momentum.

Transaction application solutions

Financial Technologies concentrates on developing end-to-end software solutions for the electronic trading systems market. The Company's product suite provides support for the entire spectrum of pre-trade, trade and post-trade activities and powers sub-verticals in the securities industry – equities, commodities and foreign exchange. The Company owns Intellectual Property Rights (IPR) to a range of products that are widely accepted in the industry.

The past year witnessed a significant increase in household and institutional investor participation in the country's equity markets. Such participation was further reinforced by stock market index returns of over 70% during 2005-06. Revival of commodities markets opened another avenue for investment. Global commodities such as gold and silver witnessed interest from retail investors and have thereby resulted in an expanded target audience.

Financial Technologies continues to enjoy more than 80% market share with ~ 80,000 licenses covered across the Indian transaction automation market. In early 2005-06, the Company launched a version of its flagship product, ODIN™, for commodities trading. The product has since become a de-facto standard platform for commodities futures trading in India. The shift from traditional methods of investments like fixed deposits, public provident funds etc., to equities and commodity futures trading has been and is likely to accelerate growth in the years to come.

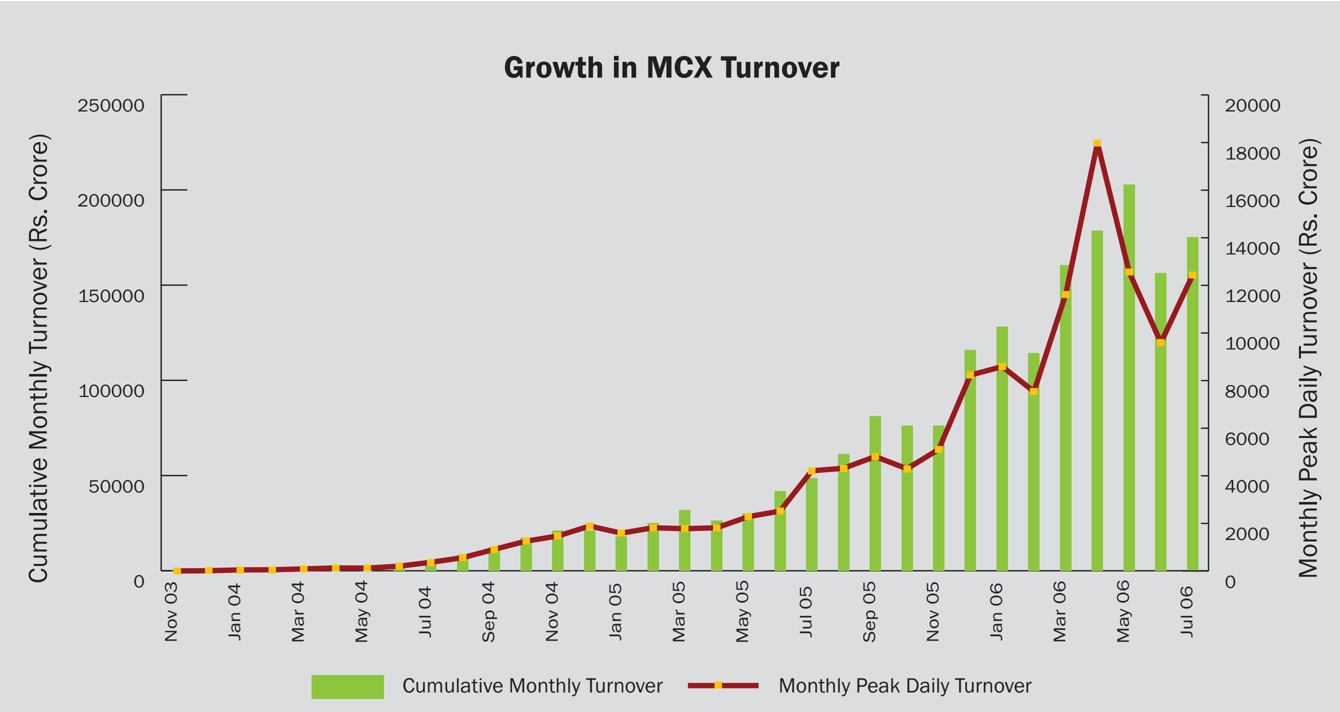
We launched iWin™ in tie-up with Nokia. iWin™ is an internet based trading platform for wireless devices. It provides trade-related information on a real-time basis and facilitates trading in a multi-exchange, multi-segment environment. As mobile telephony reach expands in India, trading through mobile and other handheld devices will be the ultimate convenience medium most will prefer.

Our product portfolio is slightly matured now and hence we are directing our efforts towards continuous improvement and value engineering. Going forward, our strategy would be to enter new markets.

Exchange platforms

Financial Technologies exchange platforms include MCX, DGCX, IBS Forex and the soon-to-be launched National Spot Exchange. These platforms provide a centralized and regulated trading infrastructure in commodities and forex markets.

MCX



Launched in November 2003, MCX has emerged as an 'Exchange of Choice' amongst market participants in a relatively short span of time. Over the last four quarters (July 2005-June 2006), average daily volume transacted on MCX has risen at an annual compounded growth rate of 214%. At present, MCX facilitates trading in 72 commodities within various vital segments such as bullion, metals, energy, plastics and agriculture.

In June 2005, MCX launched India's first comprehensive commodity index – MCXCOMDEX – that is a barometer of commodity market performance alongside three sectoral indices and two indices tracking the progress of monsoon – RAINDEXMUM and RAINDEXIDR.

Over time, the exchange has developed considerable efficiency on back of its robust technology architecture, considerable reach and several alliances with global and domestic exchanges & trade associations to enhance price discovery mechanism. During the year the Company struck alliances with the New York Mercantile Exchange for launching rupee-denominated mini-NYMEX energy futures contracts and Chicago Climate Exchange for listing mini-sized contracts based on emission allowances. This was followed by an agreement with London Metal Exchange (LME) in October 2005 to use LME prices as the basis for settling relevant non-ferrous and plastics MCX futures contracts. Through such global alliances, MCX plans to promote integration of Indian commodity markets and its participants with the global market more effectively. Users can benefit from the enhanced price discovery and risk management mechanism based on a globally efficient market.

Bursa Malaysia Berhad and MCX joined hands to develop areas of co-operation, cross listing of products and identify new business opportunities with the goal of assisting and benefiting the underlying producers, end-users, and investors of the edible oils industry. In July 2006, MCX signed a licensing agreement with Euronext.liffe that will allow MCX to list domestic ‘mini’ futures contracts for both robusta coffee and white sugar based upon Euronext.liffe futures prices.

Various statistics establish close linkage between spot market prices and commodity futures prices on MCX. There also exists strong correlation between prices of globally traded commodities on MCX and international benchmark prices for the respective commodities. The above mentioned factors are testament of the intrinsic strength of MCX & quality of its products.

MCX has launched several initiatives to expand market presence and also educate retail and institutional investors about benefits of trading in commodity markets in line with the objective to improve market participation. The exchange remains committed to developing the sector for a favorable investment scenario. MCX’s training and development department has launched diploma programmes for certification in commodity trading and management to be conducted in association with various educational institutions such as Welingkar Institute of Management. Recently, the first batch of Diploma holders graduated from this course. MCX has also instituted ‘MCX Chair’ at Mumbai University that will provide financial support to research in the area of commodities trading and commodity management.

Some of the other major steps in the information dissemination area have been the tie-up with India Post to set up ‘Gramin Suvidha Kendras’ providing a single access window for information support and services to farmers and agri-markets of rural India. The first centre of this kind was inaugurated in Jalgaon and over time, similar other centres are expected to be set up across the country. Further increasing expediency in accessing price and trade related information, MCX in association with Mahanagar Telephone Nigam Limited (MTNL) and Bharat Sanchar Nigam Limited (BSNL) launched real-time information service through SMS.

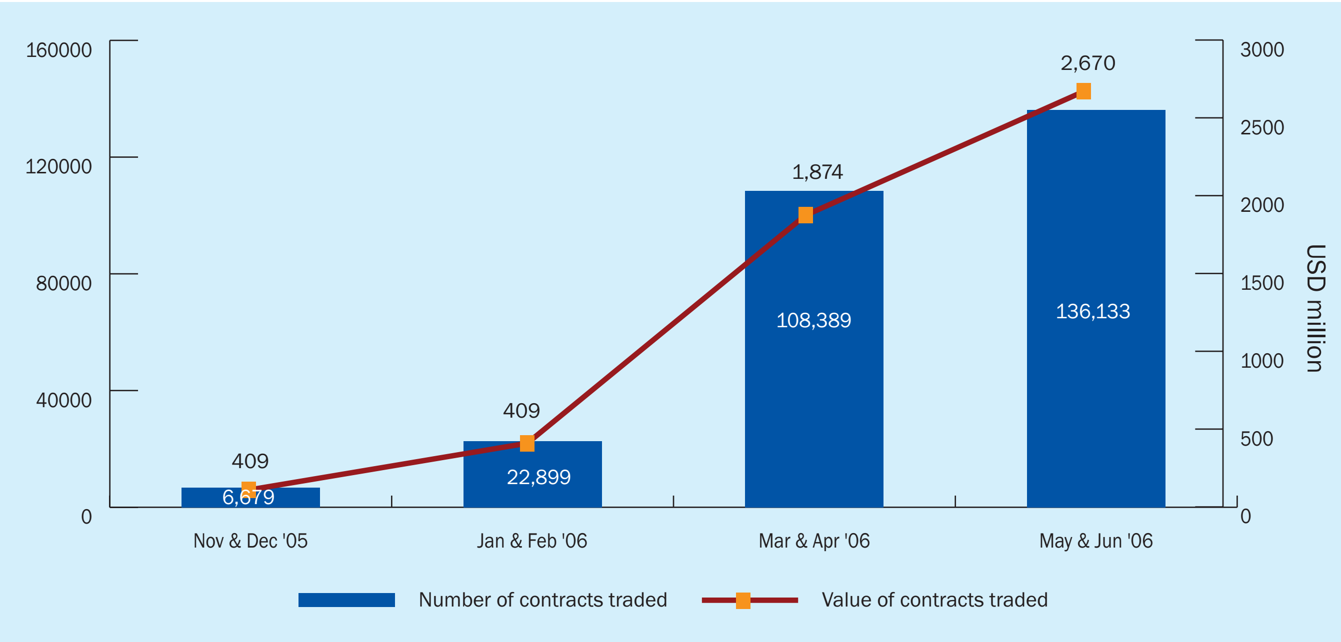
Overall, the Company has managed to achieve strong footage with approved membership base of 1,500 at end of July 2006.

During the year, Fidelity International, one of the leading foreign institutional investors in India acquired 9% stake in MCX for US$ 49 million. Several leading public sector banks and financial institutions also participated in MCX shareholding.

DGCX

DGCX, our joint venture with Dubai Multi Commodities Centre and MCX, became operational this year. Yet again, we were able to establish the exchange in record time and at reasonable costs. The exchange has been a phenomenal success. DGCX enjoys several strategic advantages being set up in a 50-year tax free zone. It is also the only international commodities derivatives exchange operating in the time zone between Tokyo and London.

In May 2006, the exchange recorded its highest-ever daily traded volume of 6,062 contracts. Volumes in the April-June 2006 quarter rose by 200% over the sequentially previous quarter.



The exponential increase in trading volumes is reflective of the benefits accruing to its present 100 active members. Deutsche Bank, HSBC, Man Financials, Nova Scotia, Mitsui, Standard Bank and Mashreq Securities amongst others have enlisted as members. Another 75 members will be live on DGCX in near future once their infrastructure is ready. At present, DGCX offers its members and their clients trade facilities in six forward months for gold futures, four forward months for silver futures and four forward months for futures in US$/ Sterling Pound, US$/ Euro and US$/ Yen currency pairs. Alongside launch of membership for currency futures, DGCX also announced an increase in membership fees to US$ 150,000 from the initial US$ 100,000 for the 'broker member' category.

The exchange plans to introduce futures contracts on steel and marine fuel oil in the fourth quarter of 2006. Going further, the exchange is likely to introduce options on gold and silver futures and futures trading in cotton and freight rates. Meanwhile, the exchange is also planning to launch gasoline futures considering the lack of a transparent and fair pricing system for the commodity.

IBS Forex

FXDirect™, the inter-bank foreign exchange trading platform developed by Financial Technologies and managed by its subsidiary IBS Forex continued to receive encouraging response from the market. The trading system mainly caters to USD:INR inter-bank transactions. The product's attractive price-performance mix has received positive response from customers. Presently, 24 banks have subscribed to this service. On an average, a daily volume of about $100 million is transacted on the platform, with the cumulative turnover till date accruing to about US$ 40 billion.

Foreign exchange markets in India are growing in depth and volume. Tracing progress of the market, in the future, we plan to offer a similar platform for trading in USD:INR options and other derivative products.

Other subsidiaries

Tickerplant

Tickerplant is in the business of information retailing for providing data, news and analytics for all financial exchanges. Drawing on our in-house prowess in handling financial data within complex technology environment, The Company is set to address a wide array of audiences including television channels, financial service firms, corporates, education and research institutions. These data services will be made available through terminals on subscription.

During the course of the year, Financial Technologies incubated five new ventures – National Spot Exchange, NBHC, atom technologies and Riskraft Consulting, besides launching their global initiative - FTME.

National Spot Exchange

While MCX and DGCX are derivatives markets, National Spot Exchange will be a nation-wide electronic spot market for commodities. While futures trading conducted by MCX provides price discovery and price risk management functions, National Spot Exchange would provide price realization function through increased physical delivery of commodities. It has been conceptualized to improve the agricultural marketing process, which is characterized by long chain of intermediaries leading to low realization by the farmers and high prices paid by the end users. National Spot Exchange would be able to integrate the erstwhile unorganized physical market of commodities and revolutionize the rural economy by increasing income level of the farmers without increasing the consumer paid price. The exchange will also act as a single window system for trade-related information and statistics.

National Spot Exchange trading system would be available across the country. Its membership drive would be launched in the third quarter of the current financial year. Its membership will be available to individuals, corporates, HUFs, partnership firms, cooperative societies and other legal entities. The market can be accessed by the farmers, traders, commission agents, stockist, exporters, importers, financiers, arbitrageurs, speculators and general investors.

National Spot Exchange will help the State Governments in solving a number of socio-economic issues relating to rural economy. It would improve the bargaining power of the farmers, because they would be able to quote their own price as well as expand their holding capacity by facilitating institutionalized credits against warehouse receipts. Increase in farmers' purchasing power would accelerate economic activities at village level.

For clearing and settlement, the exchange is empanelling several leading banks for ensuring smooth and rapid trade flow. Besides, National Spot Exchange will maintain a settlement guarantee fund to ensure performance of contracts.

The exchange would create a bridge between the physical market traders and MCX by providing a sound linkage based on physical deliveries of MCX quality material. It would enhance the depth of futures markets and balance the forces of speculation and hedging in the market.

NBHC

In the agriculture space, the absence of infrastructure to support the flow of produce from farmer to the consumer has impeded market development and fair price realization for very long. NBHC is a pioneering initiative to provide end-to-end solutions for post-harvest produce management. To elaborate, NBHC will offer solutions in the area of warehousing, grading & quality certification and price risk management.

Though, the venture was initialized with the objective of providing post trade delivery and logistics support to MCX and National Spot Exchange, it has expanded its scope of activities to include fumigation, quality certification & gradation, procurement and disposal services, collateral management and consultancy services. Taking advantage of its extensive set up and ground level knowledge, the Company will also act as a commission agent, undertaking bulk buying/ selling of agri-commodities on behalf of processed food manufacturers, exporters etc. as well as provide consultancy services in agri-commodity management.

So far, the Company has successfully established a network of 57 warehouses across 13 states and union territories in India. It has also successfully launched professional warehousing services, fumigation services for both in-house and third party use and is promoting international standards of grading and certification through own quality certification laboratories, and procurement of APMC Licenses across major mandis in India.

During the year, NBHC submitted a proposal to Food Corporation of India (FCI) for providing consultancy services. Following successful approval of the bid it has been appointed as a consultant in the matters of procurement, hedging and disposal of agro commodities dealt by FCI.

In collateral management space, NBHC will arrange commodity funding for farmers/traders through tie-ups with banks at very competitive rates, to facilitate liquidity against commodities stored with itself or third party warehouses. Basically, the framework would enable agri-producers and traders to obtain credit from banks against crops stored and banks to meet the priority sector lending criteria. Banks will also be able to reduce non-performing assets considerably due to professional support from NBHC. The initial response to this initiative has been quite encouraging with some of the leading national level banks including State Bank of India, HDFC Bank, UTI Bank and Kotak Mahindra Bank having officially recognized NBHC as collateral manager.

Leveraging the cumulative experience and expertise of its internal resources and associates in this field, NBHC is committed to realizing new business opportunities by offering warehousing & bulk handling hub services to eventually become a complete collateral management company.

atom technologies

atom technologies focuses on providing mobile-phone based payment solutions. As wireless technology gets more sophisticated and wireless bandwidth expands, we envisage huge demand for a medium that can facilitate payments by installing e-wallet features on the mobile phone. The application is created on a highly secure platform with end-to-end encryption We plan to launch the first pilot project in the third quarter of FY2007.

Riskraft Consulting

Riskraft Consulting offers niche consulting services in the areas of risk management and data warehousing. The solutions portfolio focuses on financial derivatives valuation, Basel II compliance and various risk management tools. The Company has enlisted some leading banking and financial institutions as its clientele with a versatile engagement profile across logical data modeling, model valuation, commodity risk management, training, risk & compliance, market risk consulting.

Global initiatives

FTME

Our Dubai based subsidiary, Financial Technologies Middle East (FTME) performed reasonably well. As you may be aware, the venture spearheads Financial Technologies' entry into the global transaction automation market. It also offers the complete range of solutions for back, middle and front office transaction processing to brokerages and fund houses.

Competitive Strengths

- Market leadership

  Financial Technologies continues to dominate the transaction automation market with over 80% market share. The Company's repertoire of products covers the whole spectrum of STP technology in various securities markets. The Securities and Exchange Board of India has made STP mandatory for all institutional trades since April 2004. This places the Company in a strong position being the largest SEBI recognized STP service provider.

  Other business initiatives rolled out by Financial Technologies have also achieved significant mindshare amongst various stakeholders.

- Infinity Matrix

  Financial Technologies has successfully augmented revenue streams that are perpetual in nature generating constant cash flow for the group with limited capital investment.

- Domain expertise

  Over time, the Company has acquired in-depth knowledge about the financial market infrastructure setup that is the key to creation of a globally competitive marketplace. Successful implementation of MCX and DGCX are proven examples of this knowledge reservoir that the Company can draw on in the future to create new trading platforms.

- Speed of project implementation

  Financial Technologies' strong understanding about the financial exchange marketplace means that the Company is in a position to deliver on complex projects within record time. Both MCX and DGCX are examples of the Company's ability to create high performance models at reasonable costs.

- Management team

  Financial Technologies has in place a seasoned management team with strong domain expertise and execution skills. Financial Technologies is the brainchild of Jignesh Shah and Dewang Neralla, adequately supported by other experienced management team members, namely, V. Hariharan, Manjay Shah, Paras Ajmera, Arshad Khan, Shreekant Javalgekar and Miten Mehta.

  The success of MCX would not have been possible without the key contribution of its key management team members – Joseph Massey, Anjani SInha and Lamon Rutten. The Company has been successful in inducting quality management professionals in its other operating subsidiaries as well.

- Brand recognition

  The Group has acquired a reputation for providing cutting-edge technology solutions in the financial services domain. Innovative, efficient, user-friendly and affordable market infrastructure are key hallmarks of the Financial Technologies brand.

Opportunities Ahead

- Investments in capital markets

  Presently, the equity culture in India is not as widespread as that observed in developed economies like the US. Over 50% of US households are estimated to have exposure to the equity markets in some form or the other. In India of the total household savings less than 3% is allocated to equity. Until recently, retail investors in India chose to invest a large portion of their savings towards instruments where returns were guaranteed by the Government. However, with the improvement in various regulatory aspects, the Indian capital markets have become an attractive investment choice. Increasing confidence in the equity culture is the only way forward from here.

  The expansion in 'equity culture' is likely to further augment the market for the Company's products and increase usage amongst existing consumers.

- Technology

  Migrating trade and commerce to advanced electronic platforms poses an exciting opportunity for Financial Technologies. Emergence of new trading models such as algorithmic trading have broadened the scope for providing solutions.

- Evolving marketplaces

  Technology infrastructure has emerged as one of the key determinants of efficiency in transaction processing within exchange markets. Although many of the large exchanges have moved to an electronic platform, several others still operate by the open outcry mode. Digitizing these markets is an exciting opportunity for Financial Technologies to expand its presence in various segments.

  Besides, several developing economies are looking at setting up electronic exchanges. Financial Technologies is competitively well-positioned to service them with highly customized solutions at affordable costs.

- Outsourcing Opportunities

  Significant increases in trading volume, competition and mounting pressures on margins have led to outsourcing of critical business applications by exchanges located in the developed part of the world. This serves as an opportunity for Financial Technologies to leverage its technology and domain knowledge as well as the India cost advantage to diversify revenue streams.

- Inorganic growth opportunities

  Financial Technologies will explore suitable merger and acquisition prospects to ramp up operations or to enter a particular market.

Risk Management

Financial Technologies has adopted a group-wide risk management approach to identify, track and evaluate risks early and respond appropriately. The system monitors risks, effectiveness in operating and financial reporting, compliance with applicable laws and conformance to internal business processes.

As a practice, the Company has clearly defined work profiles and responsibilities that ensure smooth flow of information across teams and various layers in the organization structure. The internal audit committee consisting of non-executive members of the Board supplements this framework.

Financial Technologies has identified a number of key inherent risks, which the Company may face. These are categorized as follows: strategic, regulatory, technology and financial. Inherent risks refer to threats to achieving business objectives on account of the nature of the Company's business or the environment the Company operates in.

Strategic risks

- Competition

  Entities within the Financial Technologies Group face competition from various players. Some of these competitors have larger financial, technical and marketing resources; they may be able to respond faster and better to new and emerging technologies or dynamism in customer requirements. The market competition in these segments is only likely to intensify in the future.

  In the transaction application solutions space, Financial Technologies offers a complete suite of solutions right from trading to middle-office to back-office unlike other players in the Indian market. The Company is in a strong position given that its proprietary solutions and services have become industry standards & benchmarks in their own right and are emerging at the forefront of transaction automation technologies in the Indian financial markets.

- International operations risk

  Going forward, Financial Technologies' growth strategy will focus on gaining market share in international markets. The inherent risks in conducting business internationally include:

- For each country or region that the group operates in, it is subject to risks arising from changes in political and economic conditions, laws or regulations
- Country-specific rules & regulations
- Trade barriers and import/export licensing requirements

  The Group is looking at broad basing its operations across various countries to mitigate risks from a single region or country.

Operations risk

- Human resource risk

  There is significant worldwide demand for IT professionals equipped with adequate technical knowledge and domain expertise. Financial Technologies, like the others in the industry, faces the risk of a shortage of enough skilled resources to take full advantage of the tremendous growth opportunities that are likely to be available in the IT sector in future.

- Execution risk

  Financial Technologies' strong operating performance is a result of successful implementation of various initiatives in the transaction automation, exchange platform and other businesses. Failure or delay in establishing any of the ventures can materially alter the financial results of the Company.

Risks related to IPRs

Financial Technologies' IPRs form the core of its business proposition. The Company has registered the trademarks for all its products. In addition to trademark and copyright protections, the Company is dependent on trade secret protection for confidential and proprietary information & technology. Employees and, wherever possible, vendors are asked to enter into confidentiality agreements upon commencement of their relationships with us. These agreements generally provide that any confidential or proprietary information developed by us or on our behalf be kept confidential.

Thus the Company has taken requisite steps to protect itself from risks of this nature.

Regulatory risks

Financial Technologies operates in a highly regulated sector. This may considerably slowdown the process of launching a new product/ service.

The Company has systems in place for ensuring compliance with existing rules and regulations. The system being indigenously designed is dynamic in nature to incorporate different interpretations at different points of time. Financial Technologies has a review and documentation process for contracts with a focus on evaluating legal risks. This is to cover risks and confine Financial Technologies' liabilities under contracts. Besides, the Company has also availed of insurance coverage to indemnify itself against possible liabilities from non-performance of contracts, reviewing them continually and initiating corrective action. As a policy, contracts with open-ended obligations are rejected.

Information technology risks

Information technology presents us with equal number of opportunities alongside various risks. These risks relate to our ability to keep pace with changes in the technology domain. The Company's revenue and profitability growth is dependent on its ability to continuously upgrade the product portfolio and ensure they remain competitive.

The Company has strategic technology alliances with world leaders in technology such as Intel, Microsoft and HP-DSPP, among others, to mitigate risks arising from technology obsolescence and direct dependence on any single technology vendor.

Financial risks

Financial Technologies' large cash reserve balance and capital gearing imply low liquidity and leverage risk.

The Company is maintaining liquidity sufficient enough to maintain the current expenses parameter. Hence, the Company takes all necessary steps to enhance the liquidity so as to have cushion for its investment in new product development and undertake new initiatives. Besides, the company has been debt free since last three years. This enables it to pursue opportunities in domestic as well as international markets.

Financial Technologies has investments in liquid mutual funds and other interest bearing instruments, which are subject to fluctuations in interest rates and consequent changes in the yield.

The Company does not envisage any undue finance risk.

Financial condition & results of operations (consolidated)

(The consolidated statements of accounts pertain to results of Financial Technologies, its 100% subsidiaries – NBHC, Tickerplant &, Riskraft Consulting and FTME, other majority owned subsidiaries MCX, IBS Forex, National Spot Exchange, atom Technologies as well as DGCX to the extent of the 50% stake held in the joint venture.)

Financial Technologies is a debt-free group with cash surplus of Rs. 402.49 crore.

Share Capital

Financial Technologies currently has only one class of shares – equity shares of face value of Rs. 2 (Rupees Two only) each. The Company's authorized share capital is Rs. 30.00 crore, sub-divided into 15 crore equity shares of Rs. 2 each.

During the year under review there was no change in the share capital of the Company. It had 4.40 crore equity shares outstanding with a total paid up capital of Rs. 8.80 crore.

Reserves & Surplus

The Company expanded its capital reserve fund base to Rs. 134.17 crore from Rs. 1.48 crore following expansion of MCX equity in favour of its strategic investors.

The Company credited Rs. 9.57 crore from the profits recorded for the year to the general reserve. The balance retained in the profit & loss account post appropriation for interim & final dividend and the tax thereof was Rs. 28.46 crore, up from Rs. 19.65 crore last year. Further, share of revenue in joint venture of Rs.16.33 crore has been carried forward to revenue reserve.

Total shareholder funds increased to Rs. 308.68 crore from Rs. 140.89 crore. This translated into a book value per share of Rs. 70.14 compared with a book value of Rs. 32.01 reported last financial year.

Minority Interest

Minority interest liability increased by Rs. 101.32 crore to Rs. 110.90 crore from Rs. 9.58 crore of last year. This represents the minority stake held by various other shareholders in the business ventures, MCX, National Spot Exchange, atom technologies and IBS Forex. Besides, it also includes minority interest held by MCX shareowners in DGCX. The substantial increase in minority interest liability is attributable to the improvement in financial position of the group companies.

Deferred tax liability

The Company reported cumulative net deferred tax liability of Rs. 3.60 crore as against Rs. 2.95 crore incurred in the previous financial year. Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are capable of reversing in one or more subsequent periods and are measured at substantively enacted tax rates.

Fixed Assets

As of March 31, Rs. in crore

	2006	2005	Growth %
Gross block value			
Building (including improvement to lease hold premises)	7.96	3.73	113
Networking equipments	7.82	3.97	97
Office equipment (including computer hardware)	13.82	7.55	83
Furniture & Fixtures	2.72	1.33	104
Vehicles	1.64	0.55	198
Intangible assets including software, technical know-how etc.	9.43	8.79	7
Goodwill	–	2.93	NA
Share in joint Venture	3.84	–	NA
Total	**47.23**	**28.85**	**64**
Less: Accumulated Depreciation/amortization	13.02	7.59	72
Add: Capital work-in-progress	2.02	0.45	349
Net block value	**36.22**	**21.71**	**67**

During the year, Financial Technologies invested Rs. 4.35 crore towards expansion and improvement of leasehold premises. The Company has expanded its IP development centre by 40,000+ square feet.

In line with the expansion in standalone operations and incubation of new business ventures the Company's aggregate investment in office equipment and networking equipment more than doubled to Rs. 21.64 crore.

Capital work-in-progress constituted capital advances paid towards acquisition of fixed assets and the cost of assets not put to use.

Investments

Surplus cash within the Group including liabilities towards members of MCX and DGCX has been invested in mutual fund units to the tune of Rs. 628.98 crore up by 316% from Rs. 151.80 crore last year. Investments in non-quoted equity shares net of diminution totaled Rs. 2.01 crore.

Sundry debtors

Sundry debtors net of provision for doubtful debts stood at Rs. 16.13 crore up from Rs. 5.28 crore. Provision for doubtful debts as a percentage of sundry debtors reduced to 7% from 12% last year.

Cash and bank balances

Cash and bank balances increased by 56% to Rs. 105.24 crore from Rs. 67.29 crore of last year.

Loans and advances

Loans and advances (net of provision for doubtful debts) aggregated to Rs. 65.20 crore at end of March 2006. It mainly comprised advance income tax (Rs. 39.92 crore), deposits for premises (Rs. 6.72 crore) and advances for value yet to be received (Rs. 18.20 crore).

Current liabilities and provisions

Current liabilities outstanding at the end of the year stood at Rs. 361.16 crore, an increase of 277% over FY2005. The change is largely attributable to increase in deposits collected from MCX & DGCX members towards security, trading margins and network equipment to the tune of Rs. 333.75 crore, up from Rs. 87.77 crore last year.

Provision for taxation as of March 31, 2006 was Rs. 43.01 crore up by 519% compared to last year of Rs. 6.94 core.

The Company's Board of Directors have recommended a final dividend of 260% i.e. Rs. 5.20 per share of face value Rs. 2/- each. This is in addition to an interim dividend of 40% declared during the year, amounting to a total dividend payout of Rs. 6.00 per share. The Company has accordingly appropriated a sum of Rs. 26.09 crore for final dividend and the tax thereof.

Revenue Analysis

Financial Technologies' total group income crossed the Rs. 200 crore threshold in FY2006, registering a 221% growth over last year.

Revenue of the Financial Technologies Group including MCX and DGCX consists of sale of STP technology products, membership fees and transaction charges. Annual subscription fees, VSAT charges etc. form part of rest of the revenues.

Revenues arising from sale of licenses of STP oriented proprietary products more than doubled to Rs. 50.62 crore from Rs. 25.05 crore in the previous fiscal year. Revenues from project-based services provided by Financial Technologies amounted to Rs. 12.66 crore compared with Rs. 2.54 crore in the preceding financial year. During the year, Financial Technologies exported Software Technology License to Dubai Gold and Commodities Exchange (DGCX) for a value of Rs. 18.67 crore (Rs.9.34 crore to the extent of 50% group share in joint venture).

Following the significant expansion in MCX and DGCX membership base and increased level of trading activity, overall income from membership fees related to admission, terminal installations & annual service subscriptions and thereof transaction charges reported strong growth of 284%.

- Membership admission fees for the year stood at Rs. 54.92 crore as against Rs. 21.74 crore.
- Ramp up in trading volumes resulted in a tenfold rise in transaction fees to Rs. 53.73 crore.
- Annual subscription charges increased by 56% to Rs. 2.58 crore.
- Terminal fees increased three-fold to Rs. 3.01 crore.

During the year, MCX, a subsidiary of Financial Technologies, received Rs. 4.58 crore (incorporated only Rs. 2.29 crore in the revenue statement to the extent of Group stake) towards content development and technical know-how support provided to DGCX

Other income earned by Financial Technologies largely comprises receipt of dividend on investments (Rs. 11.37 crore) and interest income (Rs. 2.37 crore).

Expense Review

Growth in total operating expenditure from Rs. 29.02 crore to Rs. 77.39 crore remained in line with the overall income growth.

Employee and related welfare costs accounted for 37% of total expenses, growing 197% over the last year due to doubling of group employee count.

Operating profit before interest, depreciation and tax (EBITDA) amounted to Rs. 123.84 crore, representing a growth of 267% over FY2005. Operating margins improved to 62% as against 54% in FY2005.

Financial Technologies is a debt-free company and therefore, the Company incurs negligible interest expenses in relation to finance lease obligations of vehicles acquired.

Commensurate with the expansion in the Group's asset base, depreciation charges increased to Rs. 5.58 crore from Rs. 3.22 crore.

Profit analysis

Profit before tax, exceptional items and minority interest stood at Rs. 118.16 crore as against Rs. 30.49 crore in FY2005, an increase of 288% from last year.

The Company provided Rs. 32.64 crore towards current tax, fringe benefit tax, deferred tax and wealth tax as against last year of Rs. 7.91 crore.

Post deduction of exceptional items and taxes, the Company reported a net profit of Rs. 83.88 crore compared with Rs. 22.58 crore, an increase of 271%.

Minority share in current year's profits reported by subsidiaries amounted to Rs. 14.60 crore as against Rs. 2.33 crore in FY2005.

Net profit after minority interest adjustments (before adjustment of short provision of tax of earlier years) increased by 242% to Rs. 69.28 crore from Rs. 20.25 crore. This translated into earnings per share (diluted) of Rs. 15.01, up from Rs. 4.77 reported last year.

Financial condition & results of operations (standalone)

Shareholder's equity

Financial Technologies' total reserves and surplus position improved by 9.5% to Rs. 142.22 crore from Rs. 129.85 crore in FY2005. This increase was on account of retention of profits generated during the year. The Company transferred Rs. 5.00 crore from the profit & loss account to the general reserve and retained Rs. 24.77 crore in the profit & loss account.

Total shareholder funds stood at Rs. 151.02 crore as against Rs. 138.66 crore at end of FY2005.

Fixed assets

Rs. in crore

As on March 31	2006	2005	Growth %
Gross block value			
Building (including improvement to lease hold premises)	3.92	3.21	22
Office equipment (including computer hardware)	6.11	4.33	41
Furniture & Fixtures	1.38	1.13	22
Vehicles	0.56	0.43	29
Intangible assets including software, technical know-how etc.	0.89	0.81	11
Total	**12.86**	**9.91**	**30**
Less: Accumulated Depreciation/ amortization	4.50	3.51	28
Add: Capital work-in-progress	0.82	-	NA
Net block value	**9.18**	**6.40**	**43**

Investments in other office infrastructure increased resulting into gross block additions of Rs. 3.27 crore. The net block value as on March 31, 2006 stood at Rs. 9.18 crore, an increase of 43% over the last year.

Investments

Rs. in crore

As on March 31	2006	2005	Growth %
Long-term investments	55.70	23.15	141
Current Investments	104.55	100.08	4
Total	**160.25**	**123.23**	**30**

Investments increased by 30% to Rs. 160.25 crore primarily on account of investments made in shares of five new subsidiaries and a joint venture incorporated during the year i.e. DGCX. In addition to this, Financial Technologies' investment in MCX has increased from Rs.15.05 crore to Rs.25.05 crore.

Deferred tax asset

As on March 31, 2006, the Company reported accrual of total deferred tax asset of Rs. 1.27 crore. Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are capable of reversing in one or more subsequent periods and are measured at substantively enacted tax rates.

Current assets

The Company's gross debtors outstanding position stood at Rs. 7.95 crore, up from Rs. 5.55 crore last year. Debts to the extent of Rs. 1.41 crore were outstanding for a period of over six months. Net of provision for doubtful debts, sundry debtors were at Rs. 6.81 crore as against Rs. 4.86 crore a year ago.

Cash and bank balances were marginally lower at Rs. 9.68 crore from Rs. 10.01 crore last year.

Loans and advances (net of provision for doubtful) amounted to Rs. 34.73 crore as against Rs. 7.97 crore in the previous financial year mainly due to increase in advance payments for income tax and tax deductions at source of Rs. 22.05 crore, up 369% from Rs. 4.70 crore last year and deposit for premises at Rs. 4.84 crore from Rs. 1.83 crore of last year.

Current liabilities and provisions

At the end of March 31, 2006, The Company had a total of Rs. 14.85 crore outstanding to creditors and had received rent deposits and advances against services from subsidiary companies to the tune of Rs. 2.65 crore. The gross current liabilities outstanding stood at Rs. 19.16 crore compared with Rs. 6.06 crore in FY2005.

Provisions related to tax recorded a 371% increase to Rs. 24.62 crore from Rs. 5.22 crore in previous year. The Company provided Rs. 26.09 crore for final dividend to equity shareholders and the dividend tax thereof. This represented a significant jump over the last year gross dividend payout of Rs. 2.01 crore. Combining interim and final dividend, the Company has recommended a total dividend of 300% or Rs. 6.00 per share on the face value of Rs. 2/- each.

Revenue analysis

Total gross income recorded substantial growth to Rs. 96.26 crore from Rs. 33.51 crore last year which is higher by 187%,

Sales net of excise duty were substantially higher at Rs. 89.86 crore from Rs. 30.15 crore recorded last year. The Company derives revenues from sales of IPR licenses and from project based services. Sales of IPR licenses alongwith the annual maintenance charges grossed Rs. 54.23 crore as compared to last year of Rs. 27.61 crore, up 96% over last year. Revenues from project based services aggregated to Rs. 35.69 crore compared with Rs. 2.54 crore last year. This includes software technology license export to DGCX for a value of Rs. 18.67 crore.

Other income almost doubled to Rs. 6.39 crore from Rs. 3.35 crore reported last year. This was primarily due to receipt of dividend from MCX and dividend/ profit accrued on sale of investments in mutual funds.

Expenditure analysis

Total operating expenditure increased to Rs. 31.99 crore from Rs. 19.13 crore mainly on account of significant rise in employee costs. Traveling costs and rental charges also increased in line with the expansion in business operations.

Depreciation and amortization charge was higher at Rs. 1.13 crore from Rs. 0.98 crore following the expansion in physical infrastructure and office equipment.

Operating profit before interest, depreciation and tax (EBITDA) amounted to Rs. 64.27 crore, representing a growth of 347% over FY2005. Operating margins improved by 2400 basis points to 67%.

Profit analysis

Higher volumes with better realizations helped the Company post a 371% rise in profit before tax of Rs. 63.13 crore. The Company made a tax provision of Rs. 14.90 crore for the current year as against of Rs. 3.48 crore of last year

Profit before exceptional items stood at Rs. 48.24 crore, up 387% from Rs. 9.91 crore last year. Profit margins stood at 50% versus 30% in FY2005.

Diluted earnings per share before exceptional/ non-recurring deductions stood at Rs. 10.02 as against Rs. 2.26 in FY2005, an increase by 343% from last year.

Cautionary Statements

This report may contain forward-looking statements about Financial Technologies (India) Ltd and its group companies, including their business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or concern future financial performance (including revenues, earnings or growth rates), possible future Company plans and action. Forward-looking statements are based on current expectations and understanding about future events. They are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the industry in general. The Company's actual performance and events could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in India and internationally, competition, technological change and changes in Government regulations

Report on Corporate Governance

1. **Company's Philosophy on Code of Corporate Governance**

   Your Company believes in practising the principles of good corporate governance as a means of effective protection and enhancement of shareholders' value. Company's mission is to become global leader in developing reliable mission critical Straight Through Processing (STP) applications in all facets of business transactions. The Company is a high believer in moral values, ethics and transparency in its operations. The Company has complied with the requisite mandatory and certain non-mandatory requirements of the revised Clause 49 of the Listing agreement. The Company has its internal control systems in place. The Company has also adopted Code of Conduct for Board of Directors and Senior Management which is strictly adhered to, by them. The Company also has an Insider Trading Dealing Code in place which complies with SEBI (Prohibition of Insider Trading) Regulations 1992, as amended.

2. **Board of Directors**

   Size and Composition of Board of Directors

   The Board of Directors of the Company consist of 6 professionally competent members comprising of 2 Promoter Executive Directors and 4 Non-Executive Directors. The day-to-day management of the Company is conducted by the Managing Director subject to the supervision and control of the Board of Directors. He is assisted by a Whole-time Director.

Name of the Director	Category
Promoter Executive Directors	
1. Mr. Jignesh P. Shah	Chairman & Managing Director
2. Mr. Dewang S. Neralla	Whole-time Director
Non-Executive Directors	
3. Mr. C. Subramaniam	Independent Director
4. Mr. P. G. Kakodkar	Independent Director
5. Mr. Ashish S. Dalal	Independent Director
6. Mr. Ravi K. Sheth	Non-Independent Director

3. **Board Meetings**

   a) **Scheduling of Board Meetings:**

   The Board Meetings are held at least once in every quarter. The Board Meetings are generally held at Mumbai. The Company Secretary cum Compliance Officer prepares the agenda and the documents to be covered in the Meeting and sends it to the Directors. The Board reviews the documents and gives its valuable suggestions during the Meeting, which are discussed at length.

   The Table mentioned below gives the attendance record of each Director at the Board meetings held during 2005-06 as well as at the last Annual General Meeting and the number of other Directorships and Chairmanships/ Memberships of Committee of each Director in various companies as on March 31, 2006.

Name of the Director	No. of Board Meetings held	Attendance Particulars		No. of other Directorships and Committee Chairmanships / Memberships		
		Board Meeting	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Mr. Jignesh P. Shah	6	5	No	10	-	-
Mr. Dewang S. Neralla	6	6	No	4	-	-
Mr. C. Subramanian	6	6	Yes	6	4	-
Mr. Ravi K. Sheth	6	6	No	7	-	1
Mr. P. G. Kakodkar	6	6	No	12	2	3
Mr. Ashish S. Dalal	6	5	No	3	1	-

Mr. P. G. Kakodkar is a Non-Executive Director who is retiring by rotation and is proposed to be appointed/reappointed at the ensuing Annual General Meeting.

Note: The last Annual General Meeting was held at Chennai where the Registered Office of the Company is located. Due to unforeseen circumstances, most of the directors from Mumbai, including the Audit Committee Chairman, could not attend the same.

b) Number of Board Meetings held and the dates thereof:

The Board of Directors met six times during the year as against the minimum statutory requirement of four meetings in a year. The dates of meetings being May 31, 2005, June 24, 2005, July 29, 2005, August 22, 2005, October 26, 2005, January 28, 2006. The maximum time gap between any two meetings was not more than four calendar months.

c) Code of Conduct:

The Company has formulated and implemented a Code of Conduct for the Board of Directors and Senior Management of the Company. Annual affirmation of compliance with the Code have been made by the Directors and Senior Management of the Company. The Code has also been posted on the Company's website www.ftindia.com.

4. Audit Committee

a) Composition, names of members and Chairperson:

The Audit Committee comprises of three non-executive directors:

Name of the member	Designation	Category
Mr. Ashish S. Dalal	Chairman	Independent Director
Mr. C. Subramaniam	Member	Independent Director
Mr. P. G. Kakodkar	Member	Independent Director

The Chairman of the committee, Mr. Ashish S. Dalal is a practising Chartered Accountant. All these Directors possess knowledge of Corporate Finance, Accounts, Costing and Company Law. The Statutory Auditors and the Internal Auditors attend the meetings by invitation. The Company Secretary acts as the Secretary to the Committee.

b) Brief Description of terms of reference/Responsibility of the Audit Committee:

The Audit Committee of the Company, inter-alia, provides assurance to the Board on the adequacy of the internal control systems and financial disclosure.

The functioning of the committee includes the following:

1. To oversee the Company's financial reporting process and to ensure correct disclosure of financial information in the financial statement;
2. To recommend the appointment and removal of external auditor, fixation of audit fees and approval for payment of any other services;
3. To review, discuss with the Management and pre-approve the annual audited financial statements, and quarterly/half-yearly financial statements;
4. To review with the management, external and internal auditors, the adequacy of internal control measures;
5. To review the adequacy of internal audit function;
6. To discuss with the internal auditors any significant findings, recommendations and follow up thereon;
7. To review the financial risk management policies of the Company;
8. To look into the reasons for substantial defaults in the payments to the shareholders and creditors.

c) **Meetings and attendance:**

Name of the Director	*No. of Audit Committee Meetings held*	*Attendance Particulars*
Mr. Ashish S. Dalal	4	3
Mr. C. Subramaniam	4	4
Mr. P. G. Kakodkar	4	4

5. **Remuneration and Compensation Committee**

a) **Composition, names of members and Chairperson**

The Board of Directors at their meeting held on July 15, 2003 constituted Remuneration and Compensation Committee. It comprises of

Name of the member	Designation	Category
Mr. C. Subramaniam	Chairman	Independent Director
Mr. Ashish S. Dalal	Member	Independent Director
Mr. P. G. Kakodkar	Member	Independent Director

b) **Brief Description of terms of reference**

1. Review the overall compensation policy, service agreements and employment conditions of the Managing Director and Whole-time Directors and other employees of appropriate cadres with a view to motivating the best managerial talents, their remuneration package;
2. Evaluate the remuneration paid by comparable organizations;
3. Review the performance of the Managing Director and Whole-time Directors and recommend to the Board in this regard;
4. Monitor and implement the ESOS and also formulate such schemes hereafter for grant of Stock Options to the employees including Managing and Whole-time Directors (other than Promoter Directors) in accordance with the relevant regulations for the time being in force and recommend the same to the Board for its consideration and monitor proper implementation thereof.

During the year the Committee met two times. Mr. Ashish S. Dalal and Mr. C. Subramaniam attended both the meetings, whereas Mr. P. G. Kakodkar attended one meeting.

c) **Remuneration Policy**

The Company's remuneration policy is determined by the success and performance of the individual employee and the Company. The performance of the individual employee is measured through the annual appraisal process. The Company, through its Compensation programme, attract, develop, motivate and retain talented workforce.

6. **Directors Remuneration**

a) **Remuneration to Executive Directors**

The aggregate value of salary and perquisites paid for the year ended March 31, 2006 to the Managing Director and Whole-time Director were as follows:

Amount (in Rs.)

Particulars	Mr. Jignesh Shah Managing Director	Mr. Dewang Neralla Whole-time Director	Total
Salaries & Allowances	6,151,536	1,968,704	8,120,240
Provision for gratuity and leave encashment*	632,352	96,170	728,522
Commission	25,000,000	–	25,000,000
Total	**31,783,888**	**2,064,874**	**33,848,762**

* Gratuity amount is not ascertainable as the Company has policy with LIC under group gratuity scheme where separate amount for each person is not available.

Besides, the Managing Director and Whole-time Director were also entitled to retirement benefits and encashment of leave, as per the rules of the Company and a Notice period of one month is required, as per the terms of appointment. No Fee/compensation is payable to the Directors on severance of directorship of the Company. The Directors have not been issued any stock options by the Company, during the year.

b) **Remuneration to Non-executive Directors**

The Company pays sitting fees of Rs. 6,000/- per meeting to the Non-executive Directors for attending the meetings of the Board and Audit Committee. The sitting fees paid for the year ended March 31, 2006 were as follows:

Name of the Director	Sitting Fees (Rs.)
Mr. C. Subramaniam	60,000/-
Mr. Ravi K. Sheth	36,000/-
Mr. Ashish S. Dalal	48,000/-
Mr. P. G. Kakodkar	60,000/-

c) **Details of Shares held by Non-executive Directors:**

Name of the Director	No. of Equity shares held
Mr. C. Subramaniam	Nil
Mr. Ravi K. Sheth	2,492,854
Mr. Ashish S. Dalal	Nil
Mr. P. G. Kakodkar	20,433

7. **Shareholders'/Investors' Grievance Committee**

a) **Composition, names of members and Chairperson**

The Shareholders'/Investors' Grievance Committee was reconstituted in February 2004. This Committee comprises of:

Name of the member	Designation	Category
Mr. C. Subramaniam	Chairman	Independent Director
Mr. Dewang S. Neralla	Member	Whole-time Director

The Chairman of the Committee, Mr. C. Subramaniam is a Non-executive Director.

b) **Compliance Officer**

Mr. Hariraj S. Chouhan, Company Secretary is the Compliance Officer and can be contacted at Landmark 'B', Suren Road, Chakala, Andheri (East), Mumbai – 400 093. Tel: 91 22 6649 7000, Fax: 91 22 6649 4181, e-mail: info@ftindia.com

c) **Brief Description of terms of reference**

The Committee, *inter alia*, approves transfer and transmission of shares, issue of duplicate share certificates and reviews all the matters connected with the share transfers and issue of equity shares under ESOP. The Committee met 31 times during the year under review.

The status of nature of Complaints received, resolved and pending during the financial year ended March 31, 2006

Nature of complaints	Received	Resolved	Pending
Non receipt of dividend warrant	4	4	0
Non receipt of share certificates	30	30	0
Non receipt of demat credit/remat certificate	11	11	0
Non receipt of rejected DRF	6	6	0
Non receipt of Exchange Certificate	14	14	0
Non receipt of Annual Report	3	3	0
Non receipt of replaced/split/consolidated/duplicate certificate	1	1	0
Total	**69**	**69**	**0**

During the year no share transfer/complaints remained pending for more than 30 days. Also, there were no share transfers pending as on March 31, 2006.

8. **Risk Management**

The Company has devised a formal Risk Management Framework for risk assessment and minimisation. Further, the Company is in the process of engaging a professional consultancy firm for the up-gradation of their risk management framework. The scope of the Audit Committee includes review of company's financial and risk management policies.

9. **General Body Meetings**

The date, time and venue for the last 3 Annual General Meetings is mentioned hereunder:

Financial Year	Date	Time	Venue of the meeting
2002-03	30-09-2003	12.30 p.m.	3rd Floor, 141, Greams Road, Chennai 600 006
2003-04	25-09-2004	12.30 p.m.	Russian Cultural Centre, 74, Kasturi Ranga Road, Chennai 600 018
2004-05	27-09-2005	12.30 p.m.	Russian Cultural Centre, 74, Kasturi Ranga Road, Chennai 600 018

Particulars of Special Resolutions passed in the previous 3 Annual General Meetings:

Date	Particulars
30-09-2003	i) Amendment of Articles of Association (for Postal Ballot) ii) Authority to the Board of Directors/Committee to give effect to the ESOP Scheme initiated by erstwhile Financial Technologies (India) Pvt. Ltd.
25-09-2004	Appointment of Mr. Manjay P. Shah under Section 314(1B) of the Companies Act, 1956, with revised remuneration.
27-09-2005	i) Re-appointment of Managing Director ii) Re-appointment of Whole-time Director iii) Appointment of Mr. Manjay P. Shah under Section 314(1B) of the Companies Act, 1956, with revised remuneration. iv) Increase in holding of FIIs including their Sub-accounts from 24% to 49% v) Consent of the shareholders for payment made towards financial advisory and Investment banking services. vi) Consent of the shareholders for grant of ESOPs under ESOS 2005 to the eligible employees/ Directors of the Company. vii) Consent of the shareholders for grant of ESOPs under ESOS 2005 to the eligible employees/ Directors of the Subsidiary/ies. viii) Consent of the shareholders for payment of sitting fees/compensation to the Non-Executive Directors as per revised Clause 49 of the Listing Agreement. ix) Consent of the shareholders for issue/offer of Depository Receipts/other equity related instruments through International public Offering not exceeding USD 100 million.

10. **Postal ballot**

No special resolution was put through postal ballot last year, as the situation did not arise. The provisions relating to postal ballot will be complied as per the provisions of the Companies Act, 1956 as and when situation may arise. Similarly, no business is required to be transacted through postal ballot at the forthcoming Annual General Meeting.

11. **Disclosures**

The Company has not entered into any transaction of material nature with the Promoter, Directors or Management, their relatives that may have potential conflict of interest of the Company at large. There are no material transactions with related parties that may have any potential conflict with the interest of the Company at large. Apart from receiving sitting fees, there is no pecuniary transaction with the independent/non-executive directors. Transactions with related parties are disclosed in Note no. 17 of Schedule 14 to the Accounts in the Annual Report.

There were no instances of non-compliances of any matter related to the capital markets during the year and the Company has complied with the requirements of regulatory authorities on capital markets.

Non-Mandatory requirements:

a) The Board

There is no policy at present to determine the tenure of Independent Directors.

b) Remuneration Committee

The Company has constituted a Remuneration and Compensation Committee. A detailed note on Remuneration/ Compensation Committee is provided elsewhere in the report.

c) Shareholders' Rights

Half yearly financial results including summary of the significant events are presently not being sent to shareholders of the Company.

d) Audit qualifications

There are no qualifications in the Auditor's report on the financial statements to the shareholders of the Company.

e) Training of Board Members

As the members of the Board are eminent and experienced professional persons, there is no formal policy at present for their training.

f) Mechanism for evaluating non-executive Board members

There is no policy framed for evaluation of non-executive Directors.

g) Whistle Blower Policy

The Company has not established any formal Whistle Blower Policy.

12. Means of Communication

The quarterly, half yearly results are published in leading newspapers namely *TRINITY MIRROR & BUSINESS STANDARD/ ECONOMIC TIMES* in English and *MAKKAL KURAL* in the regional language.

Your Company does not send the Half yearly report to each household of shareholders. Instead, the half yearly financials are appearing on our corporate website under investors section under Financial News.

The Company has its own corporate website www.ftindia.com. The Company's News releases, other press coverage, press clippings, copy of corporate presentation made to Institutional Investors and Analysts, Annual Reports and Frequently Asked Questions (FAQs) are made available on the Website. During the year no presentations were made to Institutional Investors and Analysts.

The Company is registered with Electronic Data Information Filing and Retrieval System (EDIFAR) website maintained by NIC Delhi and shares the Quarterly/Annual Results, shareholding pattern and Annual Reports of the Company periodically.

13. Management Discussion and Analysis Report

This information is covered elsewhere in this Annual Report.

14. Insider Trading Policy of Financial Technologies (India) Limited

The Company has implemented the Insider Trading System called "Financial Technologies (India) Limited Share Dealing Code" to comply with the Insider trading Regulations issued by SEBI.

Accordingly, the Company observes a "Quiet Period". The quiet period is applicable to "Designated Employees" of the Company, its subsidiary and related external parties as well. The occurrence and closure of quiet period is intimated to all the concerned.

The Company follows the "Prohibition on dealing, communicating or counselling" and policy on disclosures as well.

15. CEO/CFO Certification

This information is covered elsewhere in this Annual Report.

16. Auditors Certificate on Corporate Governance

This information is covered elsewhere in this Annual Report.

Auditors' Certificate on Corporate Governance

To the Members of
Financial Technologies (India) Limited

We have examined the compliance of conditions of Corporate Governance by Financial Technologies (India) Limited, for the year ended on March 31, 2006, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and read with paragraph 8 of the Corporate Governance Report regarding the risk management framework under up-gradation and Note to paragraph 3 (a) thereof, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company based on the records maintained by the Investors Services department and as certified by the Compliance officer of the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner
Membership No. 15291

Place : Mumbai
Date : 17th June, 2006

General Shareholder Information

1. **Annual General Meeting**

Date, Day and Time	:	September 29, 2006, Friday at 12.30 p.m.
Venue	:	Russian Cultural Centre, 74, Kasturi Ranga Road, Chennai 600 018.

2. **Financial Calendar**

Financial Year	:	April 1, 2005 to March 31, 2006	
Results for the quarter ended	:	June 30	End of July
		September 30	End of October
		December 31	End of January
Audited Results for the year ended March 31, 2006			End of April or end June/July (audited figures) as per Stock Exchange guidelines

3. **Book-closure date**

The Books shall be closed from September 26, 2006 to September 29, 2006 (both days inclusive) for the purpose of the ensuing Annual General Meeting. The dividend, if approved by the shareholders at the Annual General Meeting, shall be paid to all shareholders whose names appear:

a) as beneficial owners at the end of the business day on September 25, 2006 as per the details available with NSDL and CDSL and

b) on the Register of Members as on September 25, 2006, of owners holding shares in physical form.

Registered Office:

IIIrd Floor, 16, Surya Flats
IInd Cross Street,
Seethammal Colony Extn., Teynampet,
Chennai – 600 018

4. **Dividend Disclosure**

a) **Announcement of Dividend**

The Board of Directors have proposed a final dividend of 260% i.e. Rs. 5.20 per share (face value Rs. 2/- each) subject to approval of the shareholders at the Annual General Meeting.

b) **Mode of payment and date of payment**

Dividend shall be remitted through Electronic Clearing Service (ECS) at approved locations, wherever ECS details are available with the Company, and in all other cases, through warrants payable at par. These warrants shall be valid for a period of 90 days. Post expiry of validity period, these may be sent to the Company's Office at First Floor, Malkani Chambers, off Nehru Road, Vile Parle (East), Mumbai - 400 099 for revalidation.

Date of payment: On or after October 3, 2006 but within the statutory time limit of 30 days.

5. Listing

The shares of the Company are presently listed on Stock Exchanges at Chennai, Mumbai, Ahmedabad and National Stock Exchange of India Limited (NSE).

The Annual Listing Fees have been paid to these Stock Exchanges for the Financial Year 2006–07.

As on March 31, 2006, there were 13,257 shareholders of the Company.

6. Stock Market Codes

Indexes covering FT India:

a) Trading Symbol

– Chennai	– Scrip Code	:	WTG
	Stock Code	:	FINANC TECH
– Mumbai	– Demat Code	:	526881
	Scrip ID	:	FINTECH
	Group	:	B1
	Index	:	BSEIT, BSETECk, BSE 100
– Ahmedabad	– Scrip Code	:	67641
	Stock Code	:	FINTECH
– NSE	Scrip Symbol	:	FINANTECH
	Index	:	CNXIT, S&P CNX 500
– Reuters		:	FITE.NS (NSE), FITE.BO (BSE)

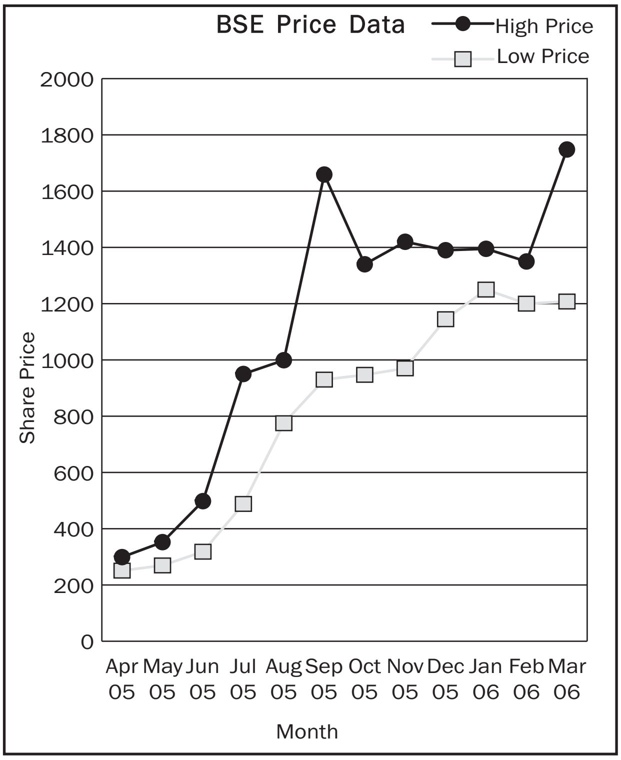
b) Depository for Equity Shares : NSDL and CDSL

c) Demat ISIN Number : INE111B01023

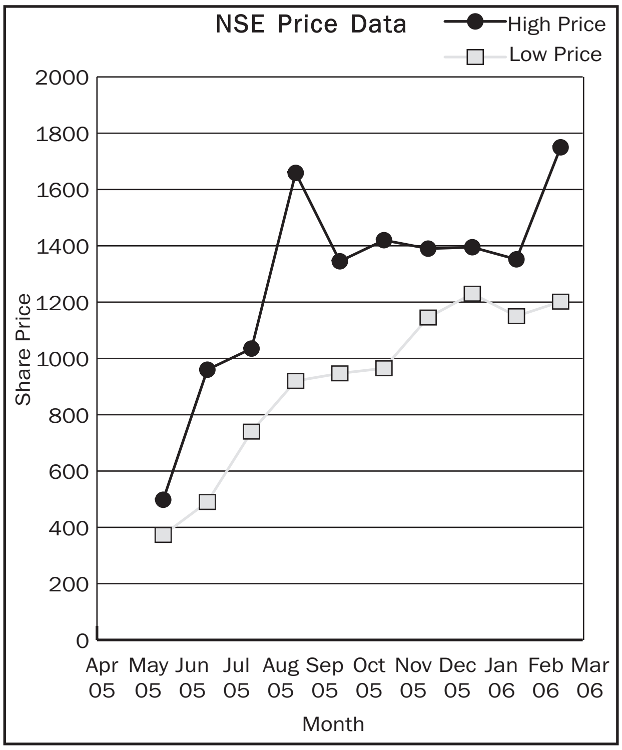
7. Stock Market Data

The market price data covering the period April 2005 to March 2006 are given below:

Month & Year	Bombay Stock Exchange		
	High Price Rs.	Low Price Rs.	Volume Nos.
Apr – 2005	299.00	251.00	673,608
May – 2005	352.30	269.50	1,974,947
Jun – 2005	498.00	318.25	5,076,546
Jul – 2005	950.00	488.10	6,026,858
Aug – 2005	999.00	775.00	487,406
Sep – 2005	1,659.00	930.00	912,049
Oct – 2005	1,340.00	947.00	501,767
Nov – 2005	1,420.00	970.00	402,284
Dec – 2005	1,390.00	1,144.75	488,869
Jan – 2006	1,395.00	1,250.00	367,131
Feb – 2006	1,350.00	1,200.00	544,658
Mar – 2006	1,748.00	1,207.60	1,178,430



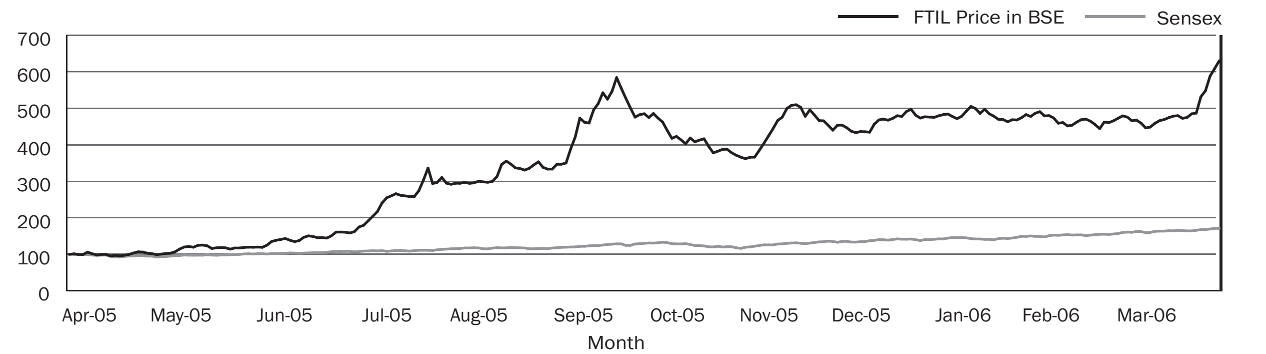
Month & Year	National Stock Exchange		
	High Price Rs.	Low Price Rs.	Volume Nos.
-	-	-	-
-	-	-	-
Jun – 2005	498.00	373.00	743,187
Jul – 2005	960.00	490.00	4,713,995
Aug –2005	1,035.00	740.00	334,391
Sep– 2005	1,659.00	920.00	1,112,393
Oct – 2005	1,345.00	947.00	437,502
Nov– 2005	1,420.00	965.05	408,204
Dec– 2005	1,390.00	1,145.30	291,086
Jan – 2006	1,395.00	1,230.00	213,647
Feb – 2006	1,352.00	1,150.10	386,378
Mar– 2006	1,749.95	1,201.70	724,595



8. Share Price Performance in broad based indices

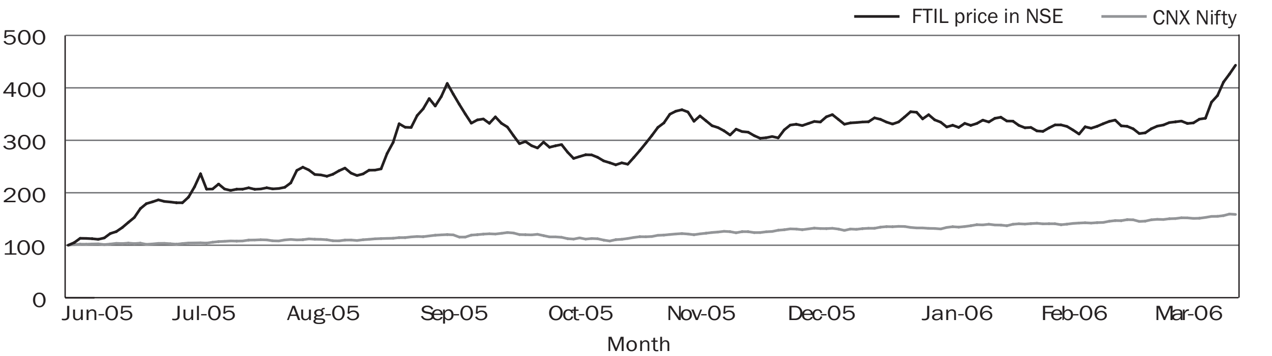
The performance of the Company's shares relative to Sensex at a common base of 100 for the year ended March 31, 2006 is given in the chart below:

Chart showing Financial Technologies price in BSE Vs. Sensex at a common base of 100 for the year ended



The performance of the Company's shares relative to CNX Nifty at a common base of 100 for the year ended March 31, 2006 is given in the chart below :

Chart showing Financial Technologies price in NSE Vs. CNX Nifty at a common base of 100 for the year ended March 31, 06



9. Registrar & Transfer Agents

Intime Spectrum Registry Ltd.
C-13, Pannalal Silk Mills Compound,
L. B. S. Marg,
Bhandup (West),
Mumbai 400 078.
Tel : 91 22 2596 3838
Fax : 91 22 2594 6969
E-mail : isrl@intimespectrum.com

10. Distribution of Shareholding and Shareholding Pattern as on March 31, 2006

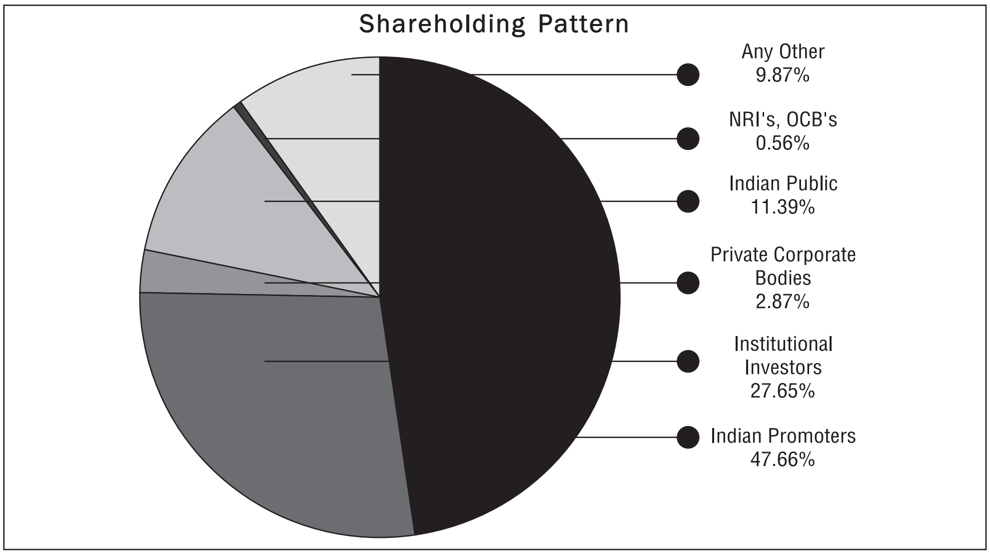
Shareholding Range	Shareholders		Shares held	
	Number	% of total	Number	% to total
1 - 500	11,793	88.956	1,076,462	2.446
501 - 1,000	669	5.047	508,341	1.155
1,001 - 2,000	382	2.882	561,584	1.276
2,001 - 3,000	124	0.935	315,886	0.718
3,001 - 4,000	71	0.536	251,772	0.572
4,001 - 5,000	41	0.309	192,305	0.437
5,001 - 10,000	76	0.573	547,037	1.243
10,001 & above	101	0.762	40,555,549	92.153
Total	**13,257**	**100.000**	**44,008,936**	**100.000**

Shareholding Pattern as per Clause 35 of the Listing Agreement (summarised) as on March 31, 2006

Particulars	No. of Shares Held	% of Share Holding
A. Promoter's Holding		
– Indian Promoters : (Promoters, Directors, their relatives and companies under their control)	20,975,670	47.66%
– Foreign Promoters	–	–
Sub Total (A)	**20,975,670**	**47.66%**
B. Public Shareholdings		
Institutional Investors:		
a) Mutual Funds	910,677	2.07%
b) Banks, Fin. Institutions, Insurance Cos, Govt. Institutions, Non-Govt. Institutions	6,908	0.02%
c) Foreign Institutional Investors	11,250,766	25.56%
Sub Total (B)	**12,168,351**	**27.65%**

Particulars	No. of Shares Held	% of Share Holding
C. Others:		
a) Private Corporate Bodies	1,263,993	2.87%
b) Indian Public	5,013,923	11.39%
c) NRI's / OCB's etc.	244,376	0.56%
d) Any Other	4,342,623	9.87%
Sub Total (C)	10,864,915	24.69%
Aggregate of Public Shareholding	23,033,266	52.34%
Grand Total	44,008,936	100.00%

Notes :



1. The Company has not issued any GDR/ADR
2. The total foreign holding is 11,495,142 shares i.e. 26.12% of the total capital.

11. Statutory Compliance

During the year, the Company has complied with all applicable provisions, filed all returns/forms and furnished all relevant particulars as required under the Companies Act, 1956 and allied Acts and Rules, the Securities and Exchange Board of India (SEBI) Regulations and the Listing Agreements with Stock Exchanges.

12. Reminder

The shareholders who are holding share certificates of erstwhile "e.Xchange on the net Limited" and have not yet surrendered their share certificate/s for exchanging with the share certificates of the Company, are requested to immediately surrender the same to enable the Company to forward the Demat Option letter/s or share certificate/s of the Company, as desired.

13. Unpaid/unclaimed dividend

Pursuant to provisions of Section 205A(5) of the Companies Act, 1956, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by a company to the Investor Education and Protection Fund, established by the Central Government under the provisions of Section 205C of the Companies Act, 1956.

Shareholders of the Company who have either not received or have not encashed their dividend warrants, for the financial year 2003-04, 2004-05 and Interim Dividend 2005-06, are requested to claim the unpaid/unclaimed dividend from the Company before transfer to the above mentioned fund.

Particulars	Rate of dividend	Date of declaration	Due for transfer on or before
Dividend 2003-04	10%	25-Sep-2004	27-Sep-2011
Dividend 2004-05	20%	27-Sep-2005	27-Sep-2012
Interim Dividend 2005-06	40%	26-Oct-2005	28-Oct- 2012

14. Share Transfer System

Shares sent for transfer in physical form are generally registered and returned within a period of 15 days from the date of lodgment and Demat requests are normally confirmed within an average period of 15 days, provided the documents are clear in all respects.

15. Dematerialization of shares and liquidity

The shares of the Company are compulsorily traded in dematerialized (electronic) form and available for trading under both the Depositories viz. NSDL & CDSL. As on March 31, 2006 a total of 4,35,54,825 equity shares of the Company, forming 98.97% of the Share Capital, stood dematerialized.

Category	No. of shareholders	% of shareholders	No. of equity shares	% of shares
Physical	841	6.34%	454,111	1.03%
Electronic				
Under CDSL	2,604	19.64%	569,535	1.29%
Under NSDL	9,812	74.01%	42,985,290	97.68%
Total	**13,257**	**100.00%**	**44,008,936**	**100.00%**

16. Employee Stock Option Scheme (ESOP)

During the year under review, the Company has granted 4,40,000 stock options under the Financial Technologies (India) Limited Employees Stock Option Scheme 2005. Each option is convertible into one equity share of Rs. 2/- each.

The plan is formulated and implemented according to the SEBI guidelines. The vesting of the options has been spread over a period of three years with an exercise period of three months from the vesting date.

The period between grant of option and vesting is not less than 12 months as per the SEBI guidelines. The vested options can be exercised by the grantee by communicating to the Company in writing to exercise.

17. Outstanding GDR/ADR/Warrants or any convertible instruments, conversion date and impact on equity

As on March 31, 2006, the Company did not have any outstanding GDRs/ADRs/Warrants or any convertible instruments.

18. Locations of Offices

1. Chennai

Financial Technologies (India) Limited
IIIrd Floor, 16, Surya Flats,
II Cross Street, Seethammal Colony Ext.,
Teynampet, Chennai – 600 018.

2. Mumbai

a) 101, 102, 202, 203 'Trade Avenue',
Suren Road, Chakala,
Andheri (East), Mumbai – 400 093.

b) 'Landmark', B Wing,
Ground floor, 2nd, 3rd & 6th Floor,
Suren Road, Chakala,
Andheri (East), Mumbai – 400 093.

c) 101, 102, 401, 402, 601 'Boston House',
Suren Road, Chakala,
Andheri (East), Mumbai – 400 093.

d) 1st Floor, Seagull House,
Shivaji Colony, Plot No.6,
Andheri-Kurla Road,
Andheri (East), Mumbai – 400 099.

e) Malkani Chambers,
1st Floor, Off Nehru Road,
Vile Parle (East), Mumbai – 400 099.

19. Investor Correspondence

All routine correspondence regarding transfer and transmission of shares, split, consolidation and issue of duplicate/ renewed share certificates, etc. should be addressed to the Company's Registrars and Share Transfer Agents.

Complaints/grievances, if any, should be addressed to

The Company Secretary,
Financial Technologies (India) Ltd.
'Landmark, 'B' Wing, Suren Road, Chakala, Andheri (East),
Mumbai 400 093. Tel : 91 22 6649 7000 Fax : 91 22 6649 4181
e-mail : info@ftindia.com

20. Company's website

For any further information on the Company please visit Company's website www.ftindia.com.

Declaration by the Chief Executive Officer under Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct

In accordance with Clause 49 Sub-Clause 1(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance with the Code of Conduct of the Company, for the financial year ended March 31, 2006.

For Financial Technologies (India) Limited

Place : Mumbai
Date : 17th June, 2006

Jignesh Shah
Chairman & Managing Director

Certification by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) on Financial Statements of the Company

We, Jignesh Shah, Chairman & Managing Director and Devendra Agrawal, Chief Financial Officer, certify that:

1. We have reviewed the financial statements and the cash flow statement for the year ended March 31, 2006 and that to the best of our knowledge and belief:
   - these statements do not contain any materially untrue statement nor omit any material fact nor contain statements that might be misleading, and
   - these statements present true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct;
3. We accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify the identified deficiencies; and
4. That we have informed the auditors and the Audit Committee of:
   i. significant changes in internal control during the year;
   ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
   iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Jignesh Shah
Chairman & Managing Director

Devendra Agrawal
Chief Financial Officer

Place : Mumbai
Date : 17th June, 2006

Ratio analysis for the year ended March 31,

	Based on Consolidated Financials	2004	2005	2006
A.	Ratios - Financial Performance			
	1. EBITDA / Total Revenue	33%	54%	62%
	2. Operating Expenditure / Total Revenue	67%	46%	38%
	3. Staff Cost / Total Revenue	27%	15%	14%
	4. Deprecation & Amortization / Total Revenue	10%	5%	3%
	5. Profit before Tax (PBT / Total Revenue)	16%	49%	59%
	6. Taxation / Total Revenue	2%	13%	16%
	7. Taxation / PBT	11%	26%	28%
	8. PAT before exceptional items / Total Revenue	20%	36%	42%
	9. ROCE (PBIT / Average Capital Employed)	11%	30%	41%
B.	Data - Per Share			
	1. Basic EPS	1.23	4.77	15.14
	2. Diluted EPS	1.23	4.77	15.01
	Based on Standalone Financials	**2004**	**2005**	**2006**
A.	Ratios - Financial Performance			
	1. EBITDA / Total Revenue	51%	43%	67%
	2. Operating Expenditure / Total Revenue	49%	57%	33%
	3. Staff Cost / Total Revenue	21%	23%	18%
	4. Deprecation & Amortization / Total Revenue	3%	3%	1%
	5. Profit before Tax (PBT / Total Revenue)	48%	40%	66%
	6. Taxation / Total Revenue	1%	10%	15%
	7. Taxation / PBT	3%	26%	24%
	8. PAT before exceptional items / Total Revenue	46%	30%	50%
	9. ROCE (PBIT / Average Capital Employed)	24%	14%	44%
	10. Dividend Payout	20%	40%	300%
B.	Data - Per Share			
	1. Basic EPS	3.38	2.26	10.02
	2. Diluted EPS	3.38	2.26	10.01
C.	Market Capitalization (Rs.crore)	308	1,163	7,521

Consolidated Financials

Auditors' Report on Consolidated Financials

To the Board of Directors of Financial Technologies (India) Limited on the consolidated financial statements of Financial Technologies (India) Limited and its subsidiaries

1. We have audited the attached consolidated balance sheet of Financial Technologies (India) Limited ('the Company') and its subsidiaries (collectively 'the Group'), as at March 31, 2006, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. a) We did not audit the financial statements of certain subsidiaries and joint venture company, whose financial statements reflect the Group's share of total assets of Rs. 737,620,372/- as at March 31, 2006, the total revenues of Rs. 312,514,755/- and net cash inflows amounting to Rs. 517,860,428/- for the year then ended. These financial statements and other financial information, other than to the extent stated in paragraph 3 (b) below, have been audited by other auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts included in respect of these subsidiaries and joint venture company, is based solely on the report of other auditors.

   b) As stated in Note A of Schedule 15 of the notes forming part of the financial statements, as the audited financial statements as at and for the year ended March 31, 2006 of the joint venture company were not available, the Group's share of total assets as at March 31, 2006 of Rs. 624,608,030/-, total revenues for the year then ended of Rs. 289,666,316/- and net cash inflows for the year then ended of Rs. 497,385,405/- and the notes to financial statements, have been recognized/disclosed in the financial statements on the basis of unaudited financial statements as at and for the year ended March 31, 2006 as provided by the management of that joint venture company.

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard AS-21, 'Consolidated Financial Statements', AS-23, 'Accounting for Investments in Associates in Consolidated Financial Statements' and AS-27, 'Financial Reporting of Interests in Joint Ventures' issued by The Institute of Chartered Accountants of India.

5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   a) in the case of the consolidated balance sheet, of the consolidated state of affairs of the Group as at March 31, 2006;

   b) in the case of the consolidated profit and loss account, of the consolidated profit of the Group for the year ended on that date; and

   c) in the case of the consolidated cash flow statement, of the consolidated cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner
Membership No. 15291

Place : Mumbai
Date : 17th June 2006.

Consolidated Financial Statements

Consolidated Balance Sheet as at 31st March, 2006

	Schedule No.	As at 31.03.2006 Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
I. SOURCES OF FUNDS				
(1) Shareholders' funds :				
(a) Share capital	1	88,017,872		88,017,872
(b) Share application money		–		10,000,000
(c) Reserves and surplus	2	2,998,791,230		1,320,844,558
			3,086,809,102	1,418,862,430
(2) Minority interest			1,108,957,631	95,826,232
(3) Loan funds :				
Secured loans	3		–	429,920
(4) Deferred tax liability			35,980,908	29,534,101
(refer Note 9 to Schedule 15)				
	TOTAL		**4,231,747,641**	**1,544,652,683**
II. APPLICATION OF FUNDS				
(1) Fixed assets :	4			
(a) Gross block		472,282,719		288,535,971
(b) Less : depreciation/amortisation		130,241,157		75,933,564
(c) Net block		342,041,562		212,602,407
(d) Capital work-in-progress		20,166,656		4,496,673
			362,208,218	217,099,080
(2) Investments	5		6,309,855,341	1,517,987,950
(3) Deferred tax asset			12,670,949	3,569,217
(refer Note 9 to Schedule 15)				
(4) Current assets, loans and advances :				
(a) Sundry debtors	6	161,270,216		52,782,276
(b) Cash and bank balances	7	1,052,429,308		672,857,302
(c) Loans and advances	8	652,032,190		133,216,935
		1,865,731,714		858,856,513
Less : **Current liabilities and provisions :**				
(a) Current liabilities	9	3,611,568,986		958,762,486
(b) Provisions	10	707,149,595		94,097,591
		4,318,718,581		1,052,860,077
Net current liabilities			(2,452,986,867)	(194,003,564)
	TOTAL		**4,231,747,641**	**1,544,652,683**
Significant accounting policies and notes to accounts	15			

The schedules referred to above form an integral part of the accounts.

As per our attached report of even date.
For Deloitte Haskins & Sells
Chartered Accountants

P. R. Barpande
Partner

Place: Mumbai
Date : 17th June, 2006

For and on behalf of the Board

Jignesh Shah
Chairman and Managing Director

C. Subramaniam
Director

Hariraj Chouhan
Company Secretary

Place: Mumbai
Date : 17th June, 2006

Consolidated Profit and Loss Account for the year ended 31st March, 2006

	Schedule No.	Current Year Rupees	Previous Year Rupees
INCOME			
Sales/operating income	11	1,820,471,730	574,032,808
Less : Excise duty [includes share of joint venture Rs. Nil (Previous year Rs. Nil)]		616,695	–
		1,819,855,035	574,032,808
Other income	12	192,454,657	53,407,992
		2,012,309,692	627,440,800
EXPENDITURE			
Operating and other expenses	13	773,878,262	290,220,597
Interest	14	958,792	100,556
Depreciation/amortisation [includes share of joint venture Rs. 6,775,883/- (Previous year Rs. Nil)]		55,841,632	32,240,081
		830,678,686	322,561,234
Profit before tax and before exceptional/non recurring items		1,181,631,006	304,879,566
Provision for taxation [includes share of joint venture Rs. Nil (Previous year Rs. Nil)]			
Income tax : Current tax		316,017,000	50,660,000
Deferred tax		5,670,302	28,404,499
Fringe benefit tax		4,628,120	–
Wealth tax		101,330	20,000
Profit after tax and before exceptional/non recurring items		855,214,254	225,795,067
Exceptional/non recurring items (net of tax Rs. 8,325,227/-) (refer Note 7 to Schedule 15)		16,408,069	–
Profit for the year after tax and exceptional/non recurring items		838,806,185	225,795,067
Less : Short provision for income tax in respect of earlier years (refer Note 6 to Schedule 15)		42,865,022	6,000,000
Profit after tax (before adjustment for minority interest)		795,941,163	219,795,067
Less : Minority interest		146,043,271	23,344,511
Profit after tax (after adjustment for minority interest)		649,897,892	196,450,556
Balance brought forward from previous year		196,480,846	27,602,765
Profit available for appropriations		846,378,738	224,053,321
Appropriations			
Transfer to general reserve		95,700,000	7,500,000
Proposed dividend		228,846,467	17,603,574
Interim dividend		35,207,149	–
Tax on dividend		39,144,283	2,468,901
Group share of revenue reserves in joint venture carried forward		162,859,089	–
Balance carried to balance sheet		284,621,750	196,480,846
Earning per share (refer Note 15 to Schedule 15)			
Basic (before exceptional/non recurring items)		15.14	4.77
Diluted (before exceptional/non recurring items)		15.01	4.77
Basic (after exceptional/non recurring items)		14.77	4.77
Diluted (after exceptional/non recurring items)		14.64	4.77
Significant accounting policies and notes to accounts	15		

The schedules referred to above form an integral part of the accounts.

As per our attached report of even date.
For Deloitte Haskins & Sells
Chartered Accountants

P. R. Barpande
Partner

Place: Mumbai
Date : 17th June, 2006

For and on behalf of the Board

Jignesh Shah
Chairman and Managing Director

C. Subramaniam
Director

Hariraj Chouhan
Company Secretary

Place: Mumbai
Date : 17th June, 2006

Consolidated Cash Flow Statement for the year ended 31st March, 2006

	Current Year		Previous Year	
	Rupees	Rupees	Rupees	Rupees
A. Cash flow from operating activities				
Net profit before tax and exceptional/non recurring items		1,181,631,006		304,879,566
Adjustments for :				
Depreciation/amortisation	55,841,632		32,240,081	
Employees/compensation cost	734,456		(103,639)	
Profit on sale of investments (net)	(9,809,319)		(5,958,083)	
Loss on sale of fixed assets (net)	280,612		474,777	
Loss on fixed assets scrapped/written off	–		11,159,856	
Diminution in value of investments	287,973		–	
Dividend from investments	(113,694,181)		(6,758,161)	
Interest expense	958,792		100,556	
Exchange rate fluctuations (net)	(35,406)		3,894	
Interest income	(30,673,513)	(96,108,954)	(28,015,099)	3,144,182
Operating profit before working capital changes		1,085,522,052		308,023,748
Adjustments for :				
Trade and other receivables	(287,284,828)		(87,549,698)	
Trade payables and provisions	2,660,628,636	2,373,343,808	822,738,425	735,188,727
Cash from operating activities		3,458,865,860		1,043,212,475
Tax paid		(336,652,450)		(41,114,297)
Net cash from operating activities		3,122,213,410		1,002,098,178
B. Cash flow from investing activities				
Purchase of fixed assets etc.		(232,492,696)		(111,369,281)
Proceeds from sale of fixed assets		1,965,009		577,952
Purchase of investments (including fixed deposits placed)		(16,061,882,990)		(2,836,683,831)
Proceeds from sale of investments (including fixed deposit matured)		11,442,591,341		1,130,786,165
Interest income		34,056,151		28,015,099
Dividend from investments		113,694,181		6,758,161
Net cash used in investing activities		(4,702,069,004)		(1,781,915,735)

Consolidated Cash Flow Statement for the year ended 31st March, 2006

	Current Year Rupees	Current Year Rupees	Previous Year Rupees	Previous Year Rupees
C. Cash flow from financing activities				
Proceeds from borrowings (net)		(429,920)		(897,722)
Proceeds from issue of share capital		–		5,871,720
Share premium received		–		747,227,260
Share application money received		–		10,000,000
Expenses incurred on proposed public issue of a subsidiary company		(81,128,201)		–
Dividend paid during the year (including dividend tax)		(62,030,230)		(9,167,696)
Payment of Dividend to minority shareholders in a subsidiary company (including dividend tax)		(7,366,015)		–
Proceeds from issue of shares to minority shareholders in subsidiaries		2,302,403,036		68,281,721
Interest expenses		(958,792)		(100,556)
Net cash from financing activities		**2,150,489,878**		**821,214,727**
Net cash flow during the year		**570,634,284**		**41,397,170**
Net increase in cash and cash equivalents		**570,634,284**		**41,397,170**
Cash and cash equivalents (opening balance)		163,553,835		122,156,665
Cash and cash equivalents (closing balance)		734,188,119		163,553,835

Notes to cash flow statement :

1. Cash and cash equivalents include cash and bank balances in current and deposit accounts, with original maturities of not exceeding three months. Cash and cash equivalents includes :

	Current Year Rupees	Previous Year Rupees
Cash and cheques on hand	26,856,245	1,221,973
Bank balances	707,371,043	162,262,978
Unrealised exchange (gain)/loss on foreign currency cash and cash equivalents*	(39,169)	68,884
	734,188,119	163,553,835

* Includes Rs. 72,647/- (Previous Year : Rs. 64,990/-) credited/(debited) to Foreign Currency Translation Reserve.

2. Fixed deposits with banks with maturity period of more than three months are classified and grouped in investing activities and not included in cash and cash equivalents.
3. Purchase of fixed assets are stated inclusive of movements of capital work in progress between the commencement and end of the year and are considered as part of investing activities.
4. The Cash Flow Statement has been prepared under the “Indirect Method” as set out in Accounting Standard AS-3 “Cash Flow Statement” issued by the Institute of Chartered Accountants of India.
5. Previous year figures have been regrouped wherever necessary to correspond with the figures of the current year.

As per our attached report of even date.
For Deloitte Haskins & Sells
Chartered Accountants

P. R. Barpande
Partner

Place: Mumbai
Date : 17th June, 2006

For and on behalf of the Board

Jignesh Shah
Chairman and Managing Director

C. Subramaniam
Director

Hariraj Chouhan
Company Secretary

Place: Mumbai
Date : 17th June, 2006

Schedules forming part of the Consolidated Accounts

	As at 31.03.2006 Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
Schedule 1 : Share capital			
Authorised :			
150,000,000 equity shares of Rs. 2/- each		300,000,000	300,000,000
Issued, subscribed and paid up :			
44,008,936 equity shares of Rs. 2/- each fully paid up		88,017,872	88,017,872
Notes :			
(a) Of the above :			
(i) 33,000,494 equity shares of Rs. 2/- each fully paid up have been alloted for consideration other than cash pursuant to scheme of amalgamation.			
(ii) 131,840 equity shares of Rs. 2/- each fully paid up have been alloted to the employees under employee stock option scheme.			
(b) Particulars of options on unissued capital (refer Note 8 to Schedule 15)			
TOTAL		**88,017,872**	**88,017,872**
Schedule 2 : Reserves and surplus			
Capital reserve		14,759,312	14,759,312
Capital reserve on consolidation			
Balance as per last balance sheet	–		–
Add : On increase in groups interest	1,326,952,046		–
		1,326,952,046	–
Securities premium account :			
Balance as per last balance sheet	1,102,265,401		354,347,843
Add : Received during the year	–		747,917,558
		1,102,265,401	1,102,265,401
Employees stock option outstanding :			
Balance as per last balance sheet	–		793,937
Add : Additions during the year	472,329		–
(refer Note 8 to Schedule 15)	472,329		793,937
Less : Shares allotted during the year/credit written back	–		(793,937)
		472,329	–
General reserve			
Balance as per last balance sheet	7,500,000		–
Add : Transferred from profit and loss account	95,700,000		7,500,000
		103,200,000	7,500,000
Foreign currency translation reserve			
Balance as per last balance sheet	(161,001)		–
Add : Movement during the year	3,372,492		161,001
		3,211,491	(161,001)
Profit and loss account		284,621,750	196,480,846
		2,835,482,329	1,320,844,558
Group share of joint venture			
Revenue reserves (including foreign currency translation reserve)		163,308,901	–
TOTAL		**2,998,791,230**	**1,320,844,558**
Schedule 3 : Secured loans			
From banks			
- Vehicle loans		–	429,920
		–	429,920
Group share of joint venture		–	–
TOTAL		**–**	**429,920**

Note :

a) Vehicle loans were secured by hypothecation of motor vehicles.

Schedule 4 : Fixed Assets

(in Rupees)

Particulars	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	Cost as at 01.04.2005	Additions	Deletion/ Adjustments	Cost as at 31.03.2006	Upto 31.03.2005	For the Year	Deletions/ Adjustments	Upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
Tangible assets										
Building (include improvement to leasehold premises)	37,321,887	43,487,597	1,247,897	79,561,587	3,844,947	4,056,618	98,372	7,803,193	71,758,394	33,476,940
Networking equipments	39,743,912	39,151,352	657,900	78,237,364	4,348,779	11,753,978	120,982	15,981,775	62,255,589	35,395,133
Office equipments (including computer hardwares)	75,540,853	64,193,138	1,543,450	138,190,541	28,576,704	13,606,785	1,209,787	40,973,702	97,216,839	46,964,149
Furniture and fittings	13,332,799	13,830,912	–	27,163,711	5,028,063	3,486,136	–	8,514,199	18,649,512	8,304,736
Vehicles	5,501,199	11,316,079	399,452	16,417,826	819,253	1,057,204	173,937	1,702,520	14,715,306	4,681,946
SUB TOTAL	171,440,650	171,979,078	3,848,699	339,571,029	42,617,746	33,960,721	1,603,078	74,975,389	264,595,640	128,822,904
Intangible Assets										
Trade mark	256,970	55,000	–	311,970	148,581	21,627	–	170,208	141,762	108,389
Technical knowhow	633,413	–	–	633,413	633,413	–	–	633,413	–	–
Computer software	86,960,055	6,382,979	–	93,343,034	32,533,824	15,083,401	–	47,617,225	45,725,809	54,426,231
Goodwill (refer Note 1 to Schedule 15)	29,244,883	–	29,244,883	–	–	–	–	–	–	29,244,883
SUB TOTAL	117,095,321	6,437,979	29,244,883	94,288,417	33,315,818	15,105,028	–	48,420,846	45,867,571	83,779,503
Group share of joint venture	–	38,034,385	(388,888)	38,423,273	–	6,775,883	(69,039)	6,844,922	31,578,351	–
TOTAL	288,535,971	216,451,442	32,704,694	472,282,719	75,933,564	55,841,632	1,534,039	130,241,157	342,041,562	212,602,407
Previous Year	201,835,751	108,561,852	21,861,632	288,535,971	49,198,651	32,240,081	5,505,168	75,933,564	212,602,407	152,637,100
Capital work in progress [including capital advances towards intangible assets and office equipments Rs. 20,004,143/- (Previous Year : Rs. 4,353,993/-)]									20,166,656	4,496,673

Notes :

1) Building includes Rs. Nil (Previous Year : Rs. 250/-) towards the cost of the shares in the society.

2) Additions includes Rs. 28,248/- (Previous Year : Rs. 40,750/-) on account of exchange difference during the year.

3) Addition to vehicles includes cost of a vehicle aggregating to Rs. 801,413/- (Previous Year : Rs. 2,889,600/-) in respect of which the Company is in the process of completing transfer and registration formalities as at balance sheet date.

4) Exchange differences on account of translation of Joint Venture fixed assets into Indian Rupees, included under adjustments for the year is Rs. 388,888/- in gross block and Rs. 69,039 - in depreciation/amortisation.

	As at 31.03.2006 Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
Schedule 5 : Investments			
Long term [at cost/carrying amount (unless otherwise stated)]			
Non-trade : (unquoted)			
In equity shares	44,833,296		–
Less : Provision for diminution in value of investments	24,733,296		–
(refer Note 7 to Schedule 15)		20,100,000	–
In units of mutual funds		1,330,832,733	240,086,342
Current (at lower of cost and fair value)			
Non trade : (unquoted)			
In units of mutual funds		4,958,899,608	1,277,901,608
In Government and other securities		23,000	–
		6,309,855,341	1,517,987,950
Group share of joint venture		–	–
TOTAL		6,309,855,341	1,517,987,950
Schedule 6 : Sundry debtors			
Debts outstanding for period exceeding six months (unsecured)	14,105,964		7,185,862
Other debts *	158,521,543		52,469,090
		172,627,507	59,654,952
Less : Provision		11,357,291	6,872,676
		161,270,216	52,782,276
Group share of joint venture		–	–
TOTAL		161,270,216	52,782,276
Notes : Sundry Debtors includes :			
Considered good		161,270,216	52,782,276
Considered doubtful		11,357,291	6,872,676
		172,627,507	59,654,952
Group share of joint venture		–	–
		172,627,507	59,654,952

*includes secured debtors aggregating to Rs. 84,951,789/- (Previous Year : Rs. 13,655,776/-) which are secured by cash margins/bank guarantees/fixed deposit receipts and hypothecation of movables such as commodities, securities etc. from members of MCX.

	As at 31.03.2006 Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
Schedule 7 : Cash and bank balances			
Cash and cheques on hand		26,664,203	1,221,973
Bank Balances :			
(a) with scheduled banks :			
(i) In current accounts [Including in exchange earners' foreign currency account Rs. 3,951,247/- (Previous Year : Rs. 1,141,267/-)]		211,762,117	35,824,187
(ii) In deposit accounts* [Including interest accrued on deposits Rs. 8,293,959/- (Previous Year : Rs. 10,305,031/-)]		313,625,757	633,102,198
(b) with others :			
(i) with PNC Bank - New Jersey branch in current account [Maximum amount outstanding at any time during the year Rs. 3,742,283/- (Previous Year : Rs. 2,994,921/-)]		1,506,519	1,797,634
(ii) with PNC Bank - New Jersey branch in deposit account [Maximum amount outstanding at any time during the year Rs. 8,842,451/- (Previous Year : Rs. 4,169,393/-)]		1,454,743	892,266
(iii) with ANZ Grindlays Bank - Australia branch in current account [Maximum amount outstanding at any time during the year Rs. 120,860/- (Previous Year : Rs. 23,091/-)]		30,564	19,044
		555,043,903	672,857,302
Group share of joint venture		497,385,405	–
TOTAL		1,052,429,308	672,857,302
* includes fixed deposits under lien with banks for overdraft facilities and bank guarantee Rs. 206,324,403/- (Previous Year : Rs. 140,075,625/-)			
Schedule 8 : Loans and advances			
Advances recoverable in cash or kind or for value to be received*	181,977,095		38,796,486
Advance income tax including tax deducted at source	399,154,433		62,937,146
Premises and other deposits	67,183,142		31,644,681
		648,314,670	133,378,313
Less : Provision		161,378	161,378
		648,153,292	133,216,935
Group share of joint venture		3,878,898	–
TOTAL		652,032,190	133,216,935
Notes : Loans and advances includes :			
1. Considered good		648,153,292	133,216,935
Considered doubtful		161,378	161,378
		648,314,670	133,378,313
Group share of joint venture - Considered good		3,878,898	–
		652,193,568	133,378,313
2. Rs. 63,312,165/- (Previous Year : Rs. 31,118,935/- paid as deposits towards premises taken on lease.			
* includes secured advances aggregating to Rs. 2,346,035/- (Previous Year : Rs. 110,449/-) which are secured by cash margins/ bank guarantees/fixed deposit receipts and hypothecation of movables such as commodities, securities etc. from members of MCX.			

	As at 31.03.2006 Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
Schedule 9 : Current liabilities			
Advance received from members towards :			
- Application fees (pending admission)	25,511,000		–
- Security deposits	104,905,005		28,319,820
- Network equipment deposits (refer Note 5 to Schedule 15)	73,654,343		50,409,547
- Other liabilities	15,480,744		477,176
- Trading margin from members	2,910,745,805		798,503,598
		3,130,296,897	877,710,141
Security deposits from depository participants		10,100,000	–
Sundry creditors :			
Total outstanding dues of small scale industrial undertakings	–		–
Total outstanding dues of creditors other than small scale industrial undertakings	226,103,175		73,433,162
		226,103,175	73,433,162
Unpaid dividend*		397,377	99,417
Unearned revenue/advance income		18,781,551	7,519,766
		3,385,679,000	958,762,486
Group share of joint venture		225,889,986	–
TOTAL		3,611,568,986	958,762,486
*The above amount does not include any amount due and outstanding to be credited to Investor Education and Protection fund.			
Schedule 10 : Provisions			
For taxation (including wealth tax)		430,079,262	69,430,000
For fringe benefit tax		2,527,047	–
For gratuity and leave encashment		11,433,110	4,595,116
Proposed dividend		228,846,467	17,603,574
Tax on dividend		32,095,717	2,468,901
		704,981,603	94,097,591
Group share of joint venture		2,167,992	–
TOTAL		707,149,595	94,097,591

	Current Year Rupees	Current Year Rupees	Previous Year Rupees
Schedule 11 : Sales/operating income			
Products (IPR based - license)		506,163,351	250,527,925
Services (Project based)		126,603,530	25,377,370
Sales-traded goods		236,336	–
Service charges		22,159,964	551,084
Membership admission fees		266,607,000	217,441,051
Annual subscription fees		25,796,402	16,453,750
Transaction fees		537,314,151	53,072,716
Terminal charges		30,082,400	10,608,912
Content development/know how fees		22,897,500	–
		1,537,860,634	574,032,808
Group share of joint venture		282,611,096	–
TOTAL		1,820,471,730	574,032,808
Schedule 12 : Other income			
Dividend from:			
- Long term investments	19,208,090		3,808,266
- Current investments	94,486,091		2,949,895
		113,694,181	6,758,161
Interest from:			
- Bank on deposit accounts	23,607,989		27,937,536
- Others	129,101		77,563
[Tax deducted at source Rs. 4,498,936/- (Previous Year Rs. 5,792,754/-)]		23,737,090	28,015,099
Deposit appropriation (refer Note 5 of Schedule 15)		16,416,680	6,826,206
Profit on sale of investments: (net)			
- Long term investments	830,924		5,958,083
- Current investments	8,978,395		–
		9,809,319	5,958,083
Certification fees		2,482,159	–
Penalties from members		13,159,440	–
Other recoveries from members (net)		588,276	–
Vendor empanelment fees		2,495,890	–
Miscellaneous income		1,434,681	5,524,167
Credit balance/provision for doubtful debts/advances written back		15,052	222,637
Employees compensation expenses written back		–	103,639
Service tax set off claimed (prior period)		1,566,669	–
		185,399,437	53,407,992
Group share of joint venture		7,055,220	–
TOTAL		192,454,657	53,407,992

	Current Year Rupees	Current Year Rupees	Previous Year Rupees
Schedule 13 : Operating and other expenses			
Payment to and provisions for employees:			
Salaries and bonus	240,918,360		91,237,393
Contribution to provident fund and other funds	7,808,965		3,044,818
Gratuity	1,181,295		566,632
Employee stock option compensation cost	734,456		–
Staff welfare expenses	8,658,182		2,196,963
		259,301,258	97,045,806
Purchases-traded goods		234,742	–
Electricity		10,131,678	5,167,792
Advertisement expenses		67,185,900	14,829,591
Business promotion/development expenses *		38,329,283	7,192,218
Brokerage and commission charges		14,966,827	8,843,671
Rent (refer Note 12 to Schedule 15)		49,938,780	13,652,659
Service charges		24,553,803	14,242,336
Repairs and maintenance - others		11,598,509	4,379,092
Travelling and conveyance [Net of recovery of Rs. Nil (Previous Year : Rs. 42,672/-)]		32,211,809	13,165,726
Communication expenses [Net of recovery of Rs. 15,868/- (Previous Year : Rs. 37,622/-)]		28,997,274	14,617,541
Insurance (net)		6,411,674	3,035,674
Diminution in value of investments		287,973	–
Loss on sale of fixed assets (net)		280,612	474,777
Loss on assets scrapped/written off		–	11,159,856
Legal and professional charges		66,456,033	46,104,127
Preliminary expenses written off		2,624,904	856,984
Provision for doubtful debts/advances		4,484,615	1,256,684
Membership fees and subscriptions		4,270,282	–
Sponsorships and seminar expenses		12,267,916	6,015,946
Exchange rate fluctuations (net)		3,448,396	3,894
Establishment expenses		1,751,030	–
Software support charges		1,367,295	–
Service tax and sales tax		34,682	8,840,638
Miscellaneous expenses **		42,643,417	19,335,585
		683,778,692	290,220,597
Group share of joint venture		90,099,570	–
TOTAL		**773,878,262**	**290,220,597**

* Business promotion/development expenses include the expenses incurred for conducting training at various locations, distributing literature on the Compnay's business and infrastructure cost in relation thereto.

** Miscellaneous expenses include bank charges, auditor's remuneration, donation [Rs. 2,919,500/- (Previous Year : Rs. 511,001/-)], recruitment expenses, printing and stationery office expenses etc.

	Current Year Rupees	Current Year Rupees	Previous Year Rupees
Schedule 14 : Interest			
Interest on :			
- Fixed loans		44,154	81,654
- Others		914,638	18,902
		958,792	100,556
Group share of joint venture		–	–
TOTAL		**958,792**	**100,556**

Schedule 15

Significant Accounting Policies and Notes to Accounts forming part of Consolidated Financial Statements

I. SIGNIFICANT ACCOUNTING POLICIES :

A. Basis of preparation of financial statements

The accompanying consolidated financial statements of Financial Technologies (India) Limited ('the Parent Company') and its subsidiary companies and joint venture company (together "the Group" or "the Company") have been prepared under the historical cost convention in accordance with generally accepted accounting principles and the Accounting Standards issued by The Institute of Chartered Accountants of India, except in case of a joint venture company located in Dubai, United Arab Emirates ('UAE') whose accounts have been prepared in accordance with International Financial Reporting Standards and the applicable requirements of the local laws. The management believes that no adjustment entries are required for conversion of the accounts of the said joint venture company, from its local GAAP to Indian GAAP.

B. Use of estimates

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

C. Principles of consolidation

The consolidated financial statements have been prepared in accordance with Accounting Standard AS-21 – "Consolidated Financial Statements" and Accounting Standard AS-27 - "Financial Reporting of Interests in Joint Ventures" issued by The Institute of Chartered Accountants of India, on the following basis :

(1) Investments in subsidiaries :

a) The financial statements of the Parent Company and its subsidiaries are combined on line- by-line basis by adding together the book values of like items of the assets, liabilities, income and expenses, after elimination of intra group balances, intra group transactions and unrealized profits or losses. These financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances except as stated in point G below and are presented in the same manner as the Parent Company's separate financial statements.

b) In case of foreign subsidiary, being non-integral foreign operation, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognized in the exchange fluctuation reserve.

c) The difference between the cost of investment in the subsidiaries over the share of equity in the subsidiaries, on acquisition date, is recognized in the financial statements as goodwill or capital reserve, as the case may be.

d) The gains/losses to the Parent Company consequent to an increase/decrease in the Company's carrying value per share on issuance of shares by subsidiaries to other shareholders (minorities) are adjusted in the respective goodwill or capital reserve that was recognized on acquisition of the respective subsidiaries.

e) Minority interest in the net assets of consolidated subsidiaries consists of :

i. The amount of equity attributable to minorities at the date the parent-subsidiary relationship came into existence.

ii. The minority's share of movement in equity since the date the parent-subsidiary relationship came into existence.

f) Minority interest's share of net profit/loss of consolidated subsidiaries is identified and adjusted against the profit of the group. Minority interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated balance sheet separate from liabilities and equity of the Company's shareholders.

(2) Investments in Joint Venture company :

The Group's interest in the non integral, foreign Joint Venture company has been accounted for using proportionate consolidation method using the translation principles stated in 'b' above, on the basis of unaudited financial statements as at and for the period ended March 31, 2006, certified by the management of the said Joint Venture company.

D. Fixed assets (tangible assets)

Fixed assets are stated at cost of acquisition or construction and carried at cost of acquisition less accumulated depreciation and impairment loss, if any.

E. Intangible assets

Intangible assets are stated at cost of acquisition and are carried at cost less accumulated amortization and impairment loss, if any.

F. Operating leases

Assets taken on lease under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreements.

G. Depreciation and amortization

a) Depreciation on fixed assets, including tangible assets is provided for on straight line method, except as stated below, and is based on the following useful lives estimated by the management :

Asset	Estimated useful life
Building	58 years
Leasehold improvements	Over the period of lease
Networking equipments	5 years
Office equipments (excluding computer hardware)	3-20 years
Computer hardware	3-6 years
Furniture and fittings	3-15 years
Vehicles	10 years
Trade mark	5-10 years
Technical knowhow	6 years
Computer software	3-6 years

b) In case of a subsidiary viz. IBS, depreciation is provided for on written down value method. However, the impact of such difference in policy is not significant.

c) Goodwill arising on consolidation is carried forward in the accounts and tested for impairment in accordance with the accounting policy stated below.

H. Investments

Current investments are carried at the lower of cost and quoted/fair value. Long-term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

I. Revenue recognition

a) Revenue is recognized when no significant uncertainty as to determination and realization exists.

b) Sales include sales of products (licenses) and services (contracts). Revenue from sale of licenses for the use of software applications is recognized on transfer of the title in the user license. Revenue from fixed price contracts is recognized based on milestones achieved as specified in the contracts and in the case of time and material contracts, it is recognized on the basis of hours completed and material used. Revenue from annual maintenance contracts is recognized proportionately over the period in which services are rendered. Sales are stated net of returns and sales tax, VAT, lease tax and service tax wherever applicable. (refer Note 11)

c) Admission fees are non refundable and collected from new members on their joining the commodity exchange. They are recognized on collection.

d) Annual subscription fees (non refundable) are collected from members and accrued annually.

e) Transaction fees are charged to members based on the volume of transactions entered into by the members through the exchange. These are accrued when orders placed by members on the network are matched and confirmed.

f) Revenue from terminal charges is accrued on creation of new chargeable user identification.

g) Storage charges are accrued as income on the completion of the storage cycle.

h) Demat charges are charged to clients based on the number of transactions.

i) Dividend income is recognized when the Company's right to receive the dividend is established. Interest income is recognized on time proportion basis.

J. Foreign currency transactions

Transactions in foreign currency are recorded at the original rates of exchange in force at the time transactions are affected. Exchange differences arising on repayment of foreign currency liabilities incurred for the purpose of acquiring fixed assets from a country outside India are adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on settlement of all other transactions are recognized in the profit and loss account.

Monetary items (other than those related to acquisition of fixed assets from a country outside India) denominated in foreign currency are restated using the exchange rate prevailing at the balance sheet date and the resulting net exchange difference is recognized in the profit and loss account. The exchange gain/loss arising on restatement of foreign currency liability relating to fixed assets acquired from a country outside India is adjusted in the value of the related fixed assets. Non-monetary items denominated in foreign currency are carried at historical cost.

Foreign branches

The translation of the financial statements of foreign branches is accounted for in accordance with Accounting Standard AS-11 "Accounting for the effects of changes in foreign exchange rates" (Revised) issued by The Institute of Chartered Accountants of India considering the foreign branches as non integral, as under :

a) All revenues and expenses are translated at average rate.

b) All monetary and non-monetary assets and liabilities are translated at the rate prevailing on the balance sheet date.

c) Resulting exchange difference is accumulated in Foreign Currency Translation Reserve Account until the disposal of the net investment in the said non-integral foreign operation.

K. Retirement benefits

Retirement benefits are expensed to revenue as incurred. Contributions to provident fund, employees' state insurance scheme and other funds are made in accordance with the relevant statute. The liability towards gratuity is funded through schemes (Group Gratuity) administered by the Life Insurance Corporation of India except in the case of those who are not covered by the scheme, which liability is provided in accordance with the provisions of the payment of Gratuity Act, 1972. Leave encashment is provided for on actual basis in accordance with the Parent Company's scheme in this respect.

L. Borrowing costs

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

M. Income taxes

Income taxes are accounted for in accordance with Accounting Standard AS-22 “Accounting for Taxes on Income”, issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are capable of reversing in one or more subsequent periods and are measured at substantively enacted tax rates. At each balance sheet date, the Company reassesses unrealized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

N. Stock based compensation

The compensation cost of stock options granted to employees and directors as per the schemes framed in this respect is measured by the intrinsic value method, i.e. the difference between the market price/fair value of the underlying shares on the date of the grant of options and the exercise price to be paid by the option holders and recognized over the vesting period of the options. The disclosures are made in the financial statements in accordance with the Guidance Note “Accounting for employee share based payments” prescribed by the Institute of Chartered Accountants of India (refer Note 8).

O. Share issue expenses

Share issue expenses, in case of a subsidiary, which are written off against Securities Premium Account of the said subsidiary, are adjusted against Capital Reserve on consolidation.

P. Inventories :

Inventories are valued at lower of cost or net realizable value. Cost of inventories comprises all cost of purchase and other costs incurred in bringing then to their respective present location and condition.

Q. Impairment

At each Balance sheet date, the Company determines whether a provision should be made for impairment loss on fixed assets (including intangible assets), by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard AS-28 “Impairment of Assets” issued by The Institute of Chartered Accountants of India. Where the recoverable amount of any fixed asset is lower than its carrying amount, a provision for impairment loss on fixed assets is made.

R. Provisions, contingent liabilities and contingent assets

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

II. NOTES FORMING PART OF ACCOUNTS :

1. Subsidiaries/Joint Venture to Consolidation :

The consolidated financial statements present the consolidated accounts of Financial Technologies (India) Limited with its subsidiary companies and joint venture company.

a) Investment in subsidiaries :

The subsidiary companies considered in the presentation of the consolidated financial statements are :

Name of Subsidiary	Country of incorporation	Proportion of Ownership Interest
Multi Commodity Exchange of India Limited (MCX)	India	64.31% (69.97%)
IBS Forex Limited (IBS)	India	76.00% (76.00%)
Tickerplant Infovending Limited (Tickerplant)	India	100.00% (100.00%)
atom technologies limited (atom)	India	55.00% (–)
Riskraft Consulting Limited (Riskraft)	India	100.00% (–)
National Spot Exchange Limited	India	99.99% (–)
National Bulk Handling Corporation Limited (NBHC)	India	100.00% (–)
Financial Technologies Middle East DMCC (FTME)	U.A.E.	100.00% (–)

Note : Previous Year proportion of ownership interest disclosed in brackets.

Until March 31, 2005, the Parent Company held 69.97% share capital of MCX. During the year, MCX issued additional equity shares on preferential basis to the Parent Company and also to other investors. Accordingly the net share of the Parent Company in equity of MCX has been reduced to 64.31% as at March 31, 2006 and the net credit (gain) to the Company arising on such net reduction of share in equity amounting to Rs 1,405,391,014/- is credited to goodwill to the extent of balance in goodwill account and excess thereof is credited to Capital Reserve on consolidation in accordance with the Company's policy in this respect (See Schedule 4)

During the year, atom , a 100% Subsidiary (w.e.f October 13, 2005) issued additional equity shares on preferential basis to the Parent Company and other investors. Accordingly the share of the Company in equity of atom has been reduced to 55% as at March 31, 2006 and the net credit (gain) to the Company arising on such reduction of share in equity amounting to Rs 2,979,461/- is credited to Capital Reserve on consolidation in accordance with the Company's policy in this respect.

b) Interests in Joint Venture company :

The joint venture company considered in the consolidated financial statements is :

Name of Entity	Country of incorporation	Proportion of Ownership Interest
Dubai Gold and Commodities Exchange DMCC (DGCX)	U.A.E.	50.00% (–)

Note : Previous Year proportion of ownership interest disclosed in brackets.

Schedule 15

Significant Accounting Policies and Notes to Accounts forming part of Consolidated Financial Statements

		Current Year (Rupees)	Previous Year (Rupees)
2.	Estimated amount of contract to be executed on capital account and not provided for (net of advances)	53,002,436	4,786,132
	Group share in Joint Venture of capital commitments	–	–
3.	Contingent Liability not provided for in respect of :		
	a) Counter guarantee issued against bank guarantee	190,000	2,640,000
	b) Income tax demands disputed in appeal and pending decision before higher authorities	26,780,955	755,233
	Group share of Joint Venture in contingent liability	–	–
4.	(i) Managerial remuneration		
	Salary and allowances	10,955,567	4,889,927
	Provision for gratuity and leave encashment*	728,522	484,668
	Perquisites	32,146	4,800
	Commission	25,000,000	–
		36,716,235	5,379,395

* Excluding gratuity in respect of a director covered under Group Gratuity Scheme and where separate amount is not identifiable.

(ii) Sitting fees paid to non-executive directors Rs. 354,000/- (Previous Year : Rs. 167,000/-).

(iii) The above remuneration excludes Rs. 82,387/- being stock options granted under ESOP to the directors since the subsidiary company viz. MCX has legally advised that such compensation cost does not get covered as remuneration under Section 198 and does not form part of directors remuneration under Section 309 of the Companies Act, 1956.

5. A subsidiary company viz. MCX has received non-refundable deposits from members for networking equipment (‘VSAT’) installed at the members’ locations. VSATs once installed cannot be surrendered to MCX. The VSAT will be transferred to the members at the depreciated value as computed by the exchange in the event of surrender of membership with the exchange. MCX amortizes the deposit received by credit to revenue over a period of five years to match with the five year period over which depreciation on VSAT equipment is provided. Accordingly, during the year, MCX has appropriated Rs. 16,416,680/- (Previous Year : Rs. 6,826,206/-) from the deposits and included the same under Other Income (refer Schedule 12). The aggregate amount received from members for VSAT and outstanding as at March 31, 2006 net of appropriation is Rs. 73,654,343/- (Previous Year : Rs. 57,752,369/-).

6. In the tax assessment of the earlier years, the Income Tax department has disallowed depreciation claimed by the Parent Company on an intangible asset which was accounted on amalgamation of another company with the Parent Company.

   The Parent Company has already preferred an appeal in respect thereof to the higher authorities and is pending decision before the said authorities. However, considering such disallowance, the said Company has, on a prudent basis, made a provision for the tax liability for an amount aggregating to Rs. 41,269,716/- and has appropriately disclosed the same as short provision for tax in respect of earlier years.

7. During the year, the Parent Company made investments in 1,499,943 equity shares of e-Logistics Private Limited (‘ELPL’) constituting 27% of shares of ELPL, for an amount aggregating to Rs. 44,833,296/-.

   Based on the information available, the Parent Company has filed a petition before the Company Law Board (‘the CLB’), Chennai under Section 397 and 398 of the Companies Act, 1956 for relief in case of oppression etc. and continues to pursue claims against ELPL. The Company has also referred the matter for arbitration.

   The hearing before the CLB and arbitrator are yet to commence.

Considering the above, and the financial position of ELPL to the extent known, the Parent Company has made a provision of Rs. 24,733,296/- (deferred tax thereon Rs. 8,325,227/- net of tax Rs. 16, 408,069/-) towards diminution in the value of such investment being other than temporary and since the same is in the nature of exceptional/non recurring item, has disclosed the same accordingly.

8. Stock based compensation

a) The Parent Company had instituted 'Employee Stock Option Plan' for 440,000 options, duly approved by the Remuneration/Compensation Committee of the Board of Directors of the Company and shareholders of the Company in the Extra Ordinary General Meeting held on September 27, 2005. Details of the options granted under the plan are as under :

Grant Date	No. of options granted	Exercise Price (Rs.)	Vesting Period
October 31, 2005	440,000	981.60 981.60 981.60	31.10.2005 - 30.10.2006 31.10.2005 - 30.10.2007 31.10.2005 - 30.10.2008

The options are granted at the exercise price, which is in accordance with the SEBI guidelines in force, at the time of such grants. Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rs. 2/- each. The options have vesting periods as stated above in accordance with the vesting schedule as per the said plan and have an exercise period of three years from the respective grant dates.

The particulars of the options granted and lapsed under the Scheme are as below :

Particulars	Options granted
Options outstanding as at the beginning of the year	–
Options granted during the year	440,000
Options lapsed during the year	–
Options outstanding as at the year-end	440,000

During the year, a subsidiary company viz. MCX granted stock options to its employees and directors and the employees and directors of the holding company, under an 'Employee Stock Option Plan' (ESOP 2005) which is described below :

Type of Arrangement	Employees & Directors of the Company
Date of grant	16-Jan-06
Number granted	650,000
Contractual Life	4 years

The particulars of the options granted and lapsed under ESOP 2005 are as below :

Particulars	Options granted
Options outstanding as at the beginning of the year	–
Options granted during the year	650,000
Options lapsed during the year	–
Options outstanding as at the year-end	650,000

b) The Company has followed the intrinsic value-based method of accounting for stock options granted after April 1, 2005 based on Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. Had the compensation cost of the Company's stock based compensation plan been determined in the manner consistent with the fair value approach as described in the Guidance Note, the Company's net profit for the year would be lower by Rs. 37,533,394/- and earnings per share as reported would be lower as indicated below :

Particulars	Rupees
EPS before extraordinary items	
Basic earnings per share	
Net profit after tax and before exceptional/non recurring items	666,305,961
Less : Total stock-based employee compensation expense determined under fair value based method	37,533,394
Adjusted net profit	628,772,567
Basic earnings per share (face value Rs. 2/- per share)	
- As reported (in Rs.)	15.14
- As adjusted (in Rs.)	14.29
Diluted Earnings per Share	
Net profit after tax and before exceptional/non recurring items	666,305,961
Less : Effect of Dilutive potential equity shares	5,260,500
Less : Total stock-based employee compensation expense determined under fair value based method	37,533,394
Adjusted Net Profit	623,512,067
Diluted earnings per share (face value Rs. 2/- per share) *	
- As reported (in Rs.)	15.01
- As adjusted (in Rs.)	14.17
EPS after extraordinary items	
Basic earnings per share :	
Net profit after tax and exceptional/non recurring items	649,897,892
Less : Total stock-based employee compensation expense determined under fair value base method	37,533,394
Adjusted net profit	612,364,498
Basic earnings per share (face value Rs. 2/- per share)	
- As reported (in Rs.)	14.77
- As adjusted (in Rs.)	13.91
Diluted earnings per share :	
Net profit after tax and exceptional/non recurring items	649,897,892
Less : Effect of Dilutive potential equity shares	5,260,500
Less : Total stock-based employee compensation expense determined under fair value based method	37,533,394
Adjusted Net Profit	607,103,998
Diluted earnings per share (face value Rs. 2/- per share) *	
- As reported (in Rs.)	14.64
- As adjusted (in Rs.)	13.80

* The effect of dilution of Parent Company's stock options are ignored since it is anti dilutive.

(c) The fair value of each option of the Parent Company is Rs. 483.88 on the date of grant using the Black-Scholes Option Pricing Formula, considering the following parameters :

(i)	Expected volatility	:	64.48% to 86.41%
(ii)	Expected forfeiture percentage on each vesting date	:	10%
(iii)	Option life	:	3 years
(iv)	Dividend yield	:	0.41%
(v)	Risk-free interest rate	:	5.98% to 6.41%

(vi) To allow for the effects of early exercise, it is assumed that the employees would exercise the options after vesting date.

The intrinsic value per option of the subsidiary company is Rs. 13/-. The estimated fair value per option is Rs. 13.80 using the Binomial Option Pricing Model considering the following parameters -

(i)	Fair value of share at grant date	:	Rs. 41/-
(ii)	Exercise price	:	Rs. 28/-
(iii)	Expected volatility	:	0%
(iv)	Expected forfeiture percentage on each vesting date	:	10%
(v)	Option life	:	3 years
(vi)	Expected dividends	:	10%
(vii)	Risk-free interest rate	:	6.5%

(viii) To allow for the effects of early exercise, it is assumed that the employees would exercise the options after vesting date.

(ix) The volatility has been taken as 0% since the enterprise is an unlisted company and no similar enterprise is listed on any stock exchange in India.

9. In accordance with the Accounting Standard AS-22 “Accounting for Taxes on Income” issued by The Institute of Chartered Accountants of India, deferred tax assets and liabilities should be recognized for all timing differences in accordance with the said standard.

The tax effect of significant timing differences during the year that have resulted in deferred tax assets and liabilities of the parent company and its subsidiaries are given below.

(A) Breakup of net deferred tax assets is as under :

	As at 31st March, 2006 (Rupees)	As at 31st March, 2005 (Rupees)
a) *Deferred tax liability* :		
Depreciation	6,318,959	46,634
	6,318,959	46,634
b) *Deferred tax asset* :		
Provision for doubtful debts, advances etc.	3,877,184	–
Provision for diminution in value of Investment	8,325,277	–
Capital loss	1,995,344	–
Carry forward loss/unabsorbed depreciation	–	3,615,851
Others	4,792,153	–
	18,989,908	3,615,851
Net Deferred tax asset	12,670,949	3,569,217

The Company has recognized deferred asset on capital loss since the Company is of the view that the proposed sale of shares in the subsidiary company viz. MCX (see Note 16) and other current investments would result in sufficient taxable gains against which such deferred tax asset can be realized.

(B) Breakup of net deferred tax liabilities is as under :

	As at 31st March, 2006 (Rupees)	As at 31st March, 2005 (Rupees)
a) *Deferred tax liability* :		
Depreciation	36,869,349	33,706,203
	36,869,349	33,706,203
b) *Deferred tax asset* :		
Provision for doubtful debts, advances etc.	–	2,367,663
Others	888,441	1,804,439
	888,441	4,172,102
Net Deferred tax liability	35,980,908	29,534,101

10. The Parent Company had cash credit facility from a bank in the previous year, which was secured by hypothecation of book debts and personal guarantees of some of the directors of the Parent Company. The facility was further secured by equitable mortgage by deposit of title deeds of the immovable property [residential flat] located at Kandivli (Mumbai). The Parent Company had a positive [debit] balance in the said bank account as at March 31, 2005. During the current year, the Company has closed the said facility and is in the process of intimating to the Registrar of Companies towards satisfaction of charge.

11. In accordance with the Guidance Note issued by the Institute of Chartered Accountants of India on “Accounting for State-level Value Added Tax” (VAT), the Parent Company has, during the year, credited Rs. 14,276,879/- being VAT collected from customers on sale of licenses to liability account.

    Accordingly, the Parent Company has also, during the year, credited sales tax and service tax aggregating to Rs. 20,072,413/-, as the case may be, to separate liability accounts from April 1, 2005, which hitherto, were included in sales/other income, with no impact on the profits for the year ended March 31, 2006. Such a disclosure, however, is not a change in accounting policy.

12. The group has entered into agreements for operating leases for their office premises ranging from 11 months to 36 months. The lease rentals recognized in the profit and loss account during the year and the future minimum lease payments under non-cancelable operating lease are as follows :

	Current Year (Rupees)	Previous Year (Rupees)
Lease rentals (refer Schedule 13)	39,798,538	13,150,347
Obligations on non-cancelable leases		
- Not later than one year	54,414,913	14,986,445
- Later than one year and not later than five years	24,825,174	55,482,454
- Later than five years	–	37,800,772

13. Segment Reporting

a) Primary segment : Business segments

Particulars	STP Technologies	Exchange based Revenue	Others	Elimination	Total
External Revenue	632,820,710 (275,905,295)	1,165,118,900 (298,127,513)	22,532,120 (–)	– (–)	1,820,471,730 (574,032,808)
Less: Excise duty	616,695 (–)	– (–)	– (–)	– (–)	616,695 (–)
Net External Revenue	632,204,015 (275,905,295)	1,165,118,900 (298,127,513)	22,532,120 (–)	– (–)	1,819,855,035 (574,032,808)
Inter-segment revenue	266,416,123 (25,642,988)	189,649 (–)	– (–)	266,605,772 (25,642,988)	– (–)
Total	898,620,138 (301,548,283)	1,165,308,549 (298,127,513)	22,532,120 (–)	266,605,772 (25,642,988)	1,819,855,035 (574,032,808)
Sement Results-(Profit/(Loss) before Tax and exceptional/ non-recurring items	318,463,950 (148,532,163)	885,835,431 (156,347,403)	22,668,375 (–)	– (–)	1,181,631,006 (304,879,566)
Taxation					326,416,752 (79,084,499)
Exceptional Items					16,408,069 (–)
Profit/(Loss) after Tax and exceptional/ non-recurring items					838,806,185 (225,795,067)
Segment Assets	1,608,813,930 (1,332,931,690)	6,864,722,659 (1,261,011,853)	64,258,684 (–)	– (–)	8,537,795,273 (2,593,943,543)
Segment Liabilities	684,589,734 (136,027,015)	3,624,205,340 (917,262,982)	9,923,507 (–)	– (–)	4,318,718,581 (1,053,289,997)
Additions to FA	33,483,374 (35,773,080)	167,620,086 (73,359,190)	15,347,982 (–)	– (–)	216,451,442 (109,132,270)
Depreciation	11,407,482 (9,820,314)	42,993,603 (22,419,767)	1,440,546 (–)	– (–)	55,841,631 (32,240,081)
Non-cash expenses	6,320,438 (10,690,684)	2,824,779 (1,330,050)	2,147,154 (–)	- (–)	11,292,371 (12,020,734)

Notes :

1. As stated in Note C to Schedule 15, the consolidated financial statements relate to the Parent Company, its eight subsidiaries and Joint Venture. Each of these companies operates in a single primary business segment on a stand-alone basis, the results of which are disclosed in the financial statements of the respective entities.
2. On a consolidated basis, business segments are identified as its primary segments taking into account the nature of services, differing risks and returns, the organizational structure and the internal reporting system. Each primary segment includes the results of the respective primary segments of each entity in the group, as adjusted for inter-company eliminations and the segment results, assets, liabilities represent those of the entities themselves.
3. The aforesaid three segments comprise of consolidation of companies under each segment. The segments are based on the primary businesses carried on by each of these companies. The revenue, results, assets, liabilities of each of these companies is directly attributable to the respective segments on the basis of the financial statements of these companies and hence there are no unallocated expenses/income in respect of the said three segments.

4. The management believes that considering the nature of services, differing risks and returns, the aforesaid segment results enclose meaningful segment information.
5. Inter-segment transfers : Segment revenue, segment expenses and segment result include transfers between business segments. Such transfers are accounted for at market prices and are eliminated on consolidation.
6. Previous year figures are given in brackets and are regrouped to confirm with current year's classification.

b) Secondary Segment : Geographical segments

	Current Year Rupees	Previous Year Rupees
Net Revenue from Operations		
Within India	1,511,815,443	607,190,029
Outside India	500,494,250	20,250,771
Segment Assets		
Within India	1,323,546,422	2,587,033,668
Outside India	542,185,292	6,909,875
Segment Liabilities		
Within India	4,085,423,823	1,051,169,607
Outside India	233,294,758	1,690,470
Additions to fixed assets		
Within India	78,762,733	109,132,270
Outside India	153,358,692	—

14. Related Party Information

I. Names of related parties and nature of relationship :

a) Entities over which control exists

i. National Bulk Handling Corporation Limited (NBHC) } Subsidiary companies incorporated after
ii. National Spot Exchange Limited } March 31, 2005
iii. Dubai Gold and Commodities Exchange (DGCX) : Joint Venture entity

b) Key Management Personnel :

Mr. Jignesh Shah : Chairman and Managing Director
Mr. Dewang Neralla : Whole-time Director
Mr. Joseph Massey : Deputy Managing Director of MCX
Mr. V. Hariharan : Director of MCX
Mr. Arshad Khan : Director of FTME

c) Relatives of the Key Management Personnel where transactions have taken place

Mr. Manjay Shah : Director, Business Development & Marketing

II. Transactions with related parties

Transactions during the year	Entities over which control exists	Key Management Personnel	Relatives of Key Management Personnel
1. Sales - Services (DGCX) (Project based)	179,348,200 (–)	– (–)	– (–)
2. Investment (DGCX)			
- Investment made during the year	174,480,000 (–)	– (–)	– (–)
- Balance at the close of the year	174,480,000 (–)	– (–)	– (–)

Transactions during the year	Entities over which control exists	Key Management Personnel	Relatives of Key Management Personnel
3. Remuneration (including commission)	–	38,852,352	1,333,871
	(–)	(7,007,637)	(800,000)
4. ESOP			
- Joseph Massey	–	11,299	–
	(–)	(–)	(–)
- V. Hariharan	–	46,794	–
	(–)	(–)	(–)
5. Dividend paid	–	10,273,206	90,677
	(–)	(842,391)	(240,678)
6. Advances – Expense incurred	–	–	–
	(5,494,855)	(–)	(–)

Note :

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

Transaction during the year	Amount (Rupees)
Remuneration to Jignesh Shah	31,783,888
	(2,482,249)
Dividend paid to Jignesh Shah	10,209,551
	(827,941)
Advances – Expense incurred for National Spot Exchange	–
	(3,110,595)
Advances – Expense incurred for DGCX	–
	(1,918,560)

Notes :

a) Related party relationship is as identified by the Company and relied upon by the auditors.

b) Previous year figures are given in brackets.

c) The Company holds equity investments of 27% in e-Logistics Private Limited ('ELPL'). However the transactions with ELPL are not included in the aforesaid disclosure as an associate of the Company since in the opinion of the Company, there is no significant influence exercised over ELPL and hence, its accounts are not consolidated on equity accounting basis and accordingly, the same is also not a related party. (refer Note 7)

15. Earnings Per Share is calculated as follows :

Particulars	Current Year Rupees	Previous Year Rupees
EPS before extraordinary items		
a) Net profit after tax and before exceptional/non-recurring items	666,305,961	196,450,556
Less : Adjustment for Stock options of Subsidiary Company	5,260,500	(–)
Net Profit for Diluted Earnings per Share	661,045,461	196,450,556
b) Weighted average number of equity shares		
Basic	44,008,936	41,187,674
Add : Effect of Dilutive Stock Options	36,655	36,955
Diluted	44,045,591	41,224,629
c) Basic earnings per share (Rs.)	15.14	4.77
Diluted earnings per share (Rs.)	15.01	4.77
d) Face value per share (Rs.)	2.00	2.00
EPS after extraordinary items		
a) Net profit after tax and exceptional/non-recurring items	649,897,892	196,450,556
Less : Adjustment for Stock options of Subsidiary Company	5,260,500	(–)
Net Profit for Diluted Earnings per Share	644,637,392	196,450,556
b) Weighted average number of equity shares		
Basic	44,008,936	41,187,674
Add : Effect of Dilutive Stock Options	36,655	36,955
Diluted	44,045,591	41,224,629
c) Basic earnings per share (Rs.)	14.77	4.77
Diluted earnings per share (Rs.)	14.64	4.77
d) Face value per share (Rs.)	2.00	2.00

16. On March 16, 2006, the subsidiary company viz, MCX filed its Draft Red Herring Prospectus with SEBI in respect of its proposed public issue ('the Issue') of 5 million equity shares of Rs. 10/- each for cash consisting of fresh issue of 1.4 million equity shares by MCX and an Offer for Sale of Rs. 3.6 million equity shares by the Parent Company and Corporation Bank (together, 'the Selling Shareholders') at a price to be determined in accordance with the book building process. The Issue expenses (except the listing fees) are shared between MCX and the Selling Shareholders in proportion of the number of shares sold as a part of the Issue as approved by the Board of Directors of the Company.

17. Figures for the previous accounting year have been regrouped/rearranged wherever necessary to correspond with the figures of the current year and are disclosed in brackets. Amounts and other disclosures for the preceding year are included as an integral part of the current year financial statements are to be read in relation to the amounts and other disclosures relating to the current year.

The schedules referred to above form an integral part of the accounts.

As per our attached report of even date.
For Deloitte Haskins & Sells
Chartered Accountants

P. R. Barpande
Partner

Place: Mumbai
Date : 17th June, 2006

For and on behalf of the Board

Jignesh Shah
Chairman and Managing Director

C. Subramaniam
Director

Hariraj Chouhan
Company Secretary

Place: Mumbai
Date : 17th June, 2006

Standalone Financials

Auditors' Report

To the Shareholders

1. We have audited the attached Balance Sheet of **Financial Technologies (India) Limited** as at March 31, 2006 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that :
   - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;
   - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   - v) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2006 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 with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
     - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2006;
     - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
     - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner
Membership No. 15291

Place : Mumbai
Date : 17th June 2006.

Annexure to the Auditors' Report

Re : Financial Technologies (India) Limited

Referred to in Paragraph 3 of our report of even date

i) In respect of its fixed assets :

a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all items over a period of two years, which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Pursuant to the programme, a portion of the fixed assets of the Company has been physically verified by the management during the year and no material discrepancies were noticed on such verification as compared with the records of fixed assets maintained by the Company.

c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

ii) The activities of the Company and the nature of its business do not involve the use of inventories. Accordingly, clause 4(ii) of the Order is not applicable to the Company.

iii) The Company has not granted or taken any loans, secured or unsecured, to/from parties covered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly, clause 4(iii) of the Order is not applicable to the Company.

iv) According to the information and explanations given to us and having regard to the explanation that there is an internal control system commensurate with the size of the Company and nature of its business for purchase of fixed assets and sale of services, which, in our opinion, *needs to be strengthened in respect of certain areas of sale of services viz. annual maintenance contracts and fixed price service contracts.* As informed to us, the Company has initiated steps to strengthen such controls. 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 other continuing failure to correct major weaknesses in the internal control system.

v) According to the information and explanations given to us, the Company has not entered into any contracts and arrangements in excess of Rs. 500,000/- during the year with parties covered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly, clause 4(v) of the Order is not applicable to the Company.

vi) The Company has not accepted any deposits from the public.

vii) In our opinion, the internal audit function carried out during the year by a firm of Chartered Accountants appointed by the management is commensurate with the size of the Company and the nature of its business.

viii) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act. Accordingly, clause 4(viii) of the Order is not applicable to the Company.

ix) According to the information and explanations given to us in respect of statutory and other dues :

a) The Company has generally been regular in depositing with the appropriate authorities, undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and any other material statutory dues applicable to it *except in the case of depositing tax deducted at source, provident fund dues, employees' state insurance dues, value added tax, advance tax, sales tax and service tax dues where there have been delays in deposit in some months for few days.* According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, custom duty, excise duty and cess as at March 31, 2006 outstanding for a period more than six months from the date they became payable.

b) According to the information and explanations given to us, there are no dues of sales tax/income tax/wealth tax/service tax/customs duty/excise duty and cess, which have not been deposited on account of any dispute except as follows :

Annexure to the Auditors' Report

Name of statute	Nature of the dues	Amount Rupees	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax demands	386,548	Assessment Year 2000-01	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income tax demands	368,685	Assessment Year 2001-02	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income tax demands	12,832,068	Assessment Year 2001-02	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income tax demands	361,354	Assessment Year 2004-05	Commissioner of Income Tax (Appeals)

x) The Company has no accumulated losses as at the end of the financial year and it has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.

xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company has not borrowed any amounts from financial institutions or by issue of debentures.

xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and any other securities and accordingly, clause 4(xii) of the Order is not applicable to the Company.

xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable to the Company.

xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the Order is not applicable to the Company.

xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the Company has not availed any term loans during the year and hence clause 4(xvi) of the Order is not applicable to the Company.

xvii) According to 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 not, prima facie, 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 to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clause 4(xviii) of the Order is not applicable to the Company.

xix) According to the information and explanations given to us, the Company has not issued any debentures during the year and hence, the question of creation of security or charge in respect of debentures issued, does not arise.

xx) According to the information and explanations given to us, the Company has not raised funds by way of public issue during the year.

xxi) To the best of 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. Attention is invited to matter regarding the Company's investment in a company aggregating to Rs. 44,833,296/- as detailed in Note 6 to Schedule 14.

For **Deloitte Haskins & Sells**
Chartered Accountants

P. R. Barpande
Partner
Membership No. 15291

Place : Mumbai
Date : 17th June 2006.

Financial Statements

Balance Sheet as at 31st March, 2006

	Schedule No.	Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
I. SOURCES OF FUNDS				
(1) Shareholders' funds :				
(a) Share capital	1	88,017,872		88,017,872
(b) Reserves and surplus	2	1,422,158,452		1,298,489,278
			1,510,176,324	1,386,507,150
(2) Deferred tax liability (net) [refer Note 9 to Schedule 14]			–	1,315,528
TOTAL			**1,510,176,324**	**1,387,822,678**
II. APPLICATION OF FUNDS				
(1) Fixed assets :	3			
(a) Gross block		128,564,142		99,078,168
(b) Less : depreciation/amortisation		44,992,163		35,126,958
(c) Net block		83,571,979		63,951,210
(d) Capital work in progress		8,181,416		–
			91,753,395	63,951,210
(2) Investments	4		1,602,458,865	1,232,343,491
(3) Deferred tax asset (net) [refer Note 9 to Schedule 14]			12,670,949	–
(4) Current assets, loans and advances :				
(a) Sundry debtors	5	68,143,587		48,598,333
(b) Cash and bank balances	6	96,811,062		100,114,516
(c) Loans and advances	7	347,270,029		79,707,318
		512,224,678		228,420,167
Less : Current liabilities and provisions :				
(a) Current liabilities	8	191,546,609		60,596,787
(b) Provisions	9	517,384,954		76,295,403
		708,931,563		136,892,190
Net current (liabilities)/assets			(196,706,885)	91,527,977
TOTAL			**1,510,176,324**	**1,387,822,678**
Significant accounting policies and notes to accounts	14			

The schedules referred to above form an integral part of the accounts.

As per our attached report of even date.
For Deloitte Haskins & Sells
Chartered Accountants

P. R. Barpande
Partner

Place: Mumbai
Date : 17th June, 2006

For and on behalf of the Board

Jignesh Shah
Chairman and Managing Director

C. Subramaniam
Director

Hariraj Chouhan
Company Secretary

Place: Mumbai
Date : 17th June, 2006

Profit and Loss Account for the year ended 31st March, 2006

	Schedule No.	Current Year Rupees	Previous Year Rupees
INCOME			
Sales	10	899,236,833	301,548,283
Less : Excise duty		(616,695)	–
		898,620,138	301,548,283
Other Income	11	63,949,022	33,543,614
		962,569,160	335,091,897
EXPENDITURE			
Operating and other expenses	12	319,862,114	191,340,746
Interest	13	31,144	3,627
Depreciation/amortisation		11,347,302	9,820,314
		331,240,560	201,164,687
Profit before tax and before exceptional/non recurring items		631,328,600	133,927,210
Provision for taxation			
Income Tax : Current tax		152,625,000	33,460,000
Deferred tax		(5,661,250)	1,315,528
Fringe Benefit tax		1,983,007	–
Wealth tax		31,630	20,000
Profit after tax and before exceptional/non recurring items		482,350,213	99,131,682
Exceptional/non recurring items (net of tax Rs. 8,325,227/-) (refer Note 6 of Schedule 14)		16,408,069	–
Profit for the year after tax and exceptional/non recurring items		465,942,144	99,131,682
Less : Short provision for income tax in respect of earlier year (refer Note 5 to Schedule 14)		41,269,716	6,000,000
Balance brought forward from previous year		174,125,566	108,566,359
Amount available for appropriation		598,797,994	201,698,041
Appropriations			
Transfer to general reserve		50,000,000	7,500,000
Final dividend (proposed)		228,846,467	17,603,574
Interim dividend		35,207,149	–
Tax on dividend		37,033,520	2,468,901
Balance carried to balance sheet		247,710,858	174,125,566
Earnings Per Share (refer Note 19 to Schedule 14)			
Basic (before exceptional/non recurring items)		10.02	2.26
Diluted (before exceptional/non recurring items)		10.01	2.26
Basic (after exceptional/non recurring items)		9.65	2.26
Diluted (after exceptional/non recurring items)		9.64	2.26
Significant accounting policies and notes to accounts	14		

The schedules referred to above form an integral part of the accounts.

As per our attached report of even date.
For Deloitte Haskins & Sells
Chartered Accountants

P. R. Barpande
Partner

Place: Mumbai
Date : 17th June, 2006

For and on behalf of the Board

Jignesh Shah
Chairman and Managing Director

C. Subramaniam
Director

Hariraj Chouhan
Company Secretary

Place: Mumbai
Date : 17th June, 2006

Cash Flow Statement for the year ended 31st March, 2006

		Current Year		Previous Year	
		Rupees	Rupees	Rupees	Rupees
A.	**Cash flow from operating activities**				
	Net profit before tax and exceptional/ non-recurring items		631,328,600		133,927,210
	Adjustments for :				
	Depreciation/amortisation	11,347,302		9,820,314	
	Employees/compensation cost	–		(103,639)	
	Profit on sale of investments (net)	(8,429,390)		(5,958,361)	
	Loss on sale of fixed assets (net)	260,065		511,813	
	Loss on fixed assets scrapped/written off	–		10,207,286	
	Diminution in value of current investments	287,973		–	
	Dividend from investments	(42,251,661)		(4,051,943)	
	Interest expense	31,144		3,627	
	Exchange rate fluctuations (net)	(35,406)		3,894	
	Interest income	(3,516,773)	(42,306,746)	(4,128,665)	6,304,326
	Operating profit before working capital changes		589,021,854		140,231,536
	Adjustments for :				
	Trade and other receivables	(61,768,641)		(35,167,347)	
	Trade payables and provisions	134,889,320	73,120,679	38,091,600	2,924,253
	Cash from operations		662,142,533		143,155,789
	Tax paid		(173,396,155)		(25,249,779)
	Net cash from operating activities		488,746,378		117,906,010
B.	**Cash flow from investing activities**				
	Purchase of fixed assets		(40,858,189)		(31,278,154)
	Proceeds from sale of fixed assets		1,448,638		565,474
	Purchase of investments in subsidiary companies		(214,607,667)		(28,450,000)
	Purchase of investments-others (including fixed deposits placed)		(2,821,242,294)		(1,897,212,435)
	Redemption of investments (including fixed deposits)		2,679,297,427		1,088,336,165
	Interest income		3,009,113		4,128,665
	Loans and advances to subsidiary companies (net)		(51,858,904)		8,844,094
	Dividend from investments		42,251,661		4,051,943
	Net cash used in investing activities		(402,560,215)		(851,014,248)

Cash Flow Statement for the year ended 31st March, 2006

	Current Year Rupees	Current Year Rupees	Previous Year Rupees	Previous Year Rupees
C. Cash flow from financing activities				
Proceeds from issue of share capital		–		5,871,720
Share premium received		–		747,227,260
Dividend paid during the year (including dividend tax)		(59,919,467)		(9,167,696)
Interest expense		(31,144)		(3,627)
Net cash (used in)/from financing activities		**(59,950,611)**		**743,927,657**
Net cash flow during the year		**26,235,552**		**10,819,419**
Net increase in cash and cash equivalents		**26,235,552**		**10,819,419**
Cash and cash equivalents (opening balance)		23,237,708		12,418,289
Cash and cash equivalents (closing balance)		49,473,260		23,237,708

Notes to cash flow statement :

1. Cash and cash equivalents include cash and bank balances in current and deposit accounts, with original maturities not exceeding three months. Cash and cash equivalents include :

	Current Year Rupees	Previous Year Rupees
Cash on hand	54,195	17,559
Bank balances	49,458,234	23,151,265
Unrealised (Gain)/ Loss on foreign currency cash and cash equivalents*	(39,169)	68,884
	49,473,260	23,237,708

*Includes Rs.72,647/- (Previous Year : Rs. 64,990/-) credited/(debited) to Foreign Currency Translation Reserve.

2. Loans and advances given to subsidiary companies are considered as part of investing activities and are net of repayments.
3. Fixed deposits with banks with maturity period of more than three months are classified and grouped in investing activities and not included in cash and cash equivalents.
4. Cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard AS-3 " Cash Flow Statement" issued by The Institute of Chartered Accountants of India.
5. Previous years figures have been regrouped/rearranged wherever necessary to correspond with the figures of the current year.

As per our attached report of even date.
For Deloitte Haskins & Sells
Chartered Accountants

P. R. Barpande
Partner

Place: Mumbai
Date : 17th June, 2006

For and on behalf of the Board

Jignesh Shah
Chairman and Managing Director

C. Subramaniam
Director

Hariraj Chouhan
Company Secretary

Place: Mumbai
Date : 17th June, 2006

	As at 31.03.2006 Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
Schedule 1 : Share Capital			
Authorised :			
150,000,000 Equity shares of Rs. 2/- each		300,000,000	300,000,000
Issued, subscribed and paid up :			
44,008,936 Equity shares of Rs. 2/-each fully paid-up		88,017,872	88,017,872
Notes :			
a) Of the above :			
(i) 33,000,494 Equity shares of Rs. 2/- each fully paid-up have been allotted for consideration other than cash pursuant to schemes of amalgamation.			
(ii) 131,840 Equity shares of Rs. 2/- each fully paid-up have been allotted to the employees under employee stock option schemes.			
(b) Particulars of options on unissued capital (refer Note 8 to Schedule 14)			
TOTAL		88,017,872	88,017,872
Schedule 2 : Reserves and surplus			
Capital reserve :			
Balance as per last balance sheet		14,759,312	14,759,312
Securities premium account :			
Balance as per last balance sheet	1,102,265,401		354,347,843
Add : Received during the year	–		747,917,558
		1,102,265,401	1,102,265,401
Employees stock option outstanding :			
Balance as per last balance sheet	–		793,937
Less : Shares allotted during the year/credit written back	–		(793,937)
		–	–
General reserve			
Balance as per last balance sheet	7,500,000		–
Add : Transferred from profit and loss account	50,000,000		7,500,000
		57,500,000	7,500,000
Foreign currency translation reserve			
Balance at the commencement of the year	(161,001)		–
Add : Movement during the year	83,882		(161,001)
		(77,119)	(161,001)
Profit and loss account		247,710,858	174,125,566
TOTAL		1,422,158,452	1,298,489,278

Schedule 3 : Fixed Assets

(in Rupees)

Particulars	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	Cost as at 01.04.2005	Additions	Deletion/ Adjustments	Cost as at 31.03.2006	Upto 31.03.2005	For the Year	Deletions/ Adjustments	Upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
Tangible assets										
Building (including improvement to leasehold premises)	32,079,098	8,382,861	1,247,897	39,214,062	3,420,167	2,291,682	98,372	5,613,477	33,600,585	28,658,931
Office equipments (including computer hardware)	43,270,032	19,330,293	1,543,450	61,056,875	21,126,064	6,590,977	1,209,787	26,507,254	34,549,621	22,143,968
Furniture and fittings	11,328,669	2,463,874	–	13,792,543	4,485,171	1,257,518	–	5,742,689	8,049,854	6,843,498
Vehicles	4,340,511	1,646,498	399,452	5,587,557	668,062	349,801	173,938	843,925	4,743,632	3,672,449
SUB TOTAL	91,018,310	31,823,526	3,190,799	119,651,037	29,699,464	10,489,978	1,482,097	38,707,345	80,943,692	61,318,846
Intangible assets										
Trade mark	202,970	–	–	202,970	134,874	9,779	–	144,653	58,317	68,096
Technical knowhow	633,413	–	–	633,413	633,413	–	–	633,413	–	–
Computer software	7,223,475	853,247	–	8,076,722	4,659,207	847,545	–	5,506,752	2,569,970	2,564,268
SUB TOTAL	8,059,858	853,247	–	8,913,105	5,427,494	857,324	–	6,284,818	2,628,287	2,632,364
TOTAL	99,078,168	32,676,773	3,190,799	128,564,142	35,126,958	11,347,302	1,482,097	44,992,163	83,571,979	63,951,210
Previous Year	88,474,466	31,278,154	20,674,452	99,078,168	34,696,523	9,820,314	9,389,879	35,126,958	63,951,210	53,777,943
Capital work in progress represents Capital Advances towards Intangible assets and Office equipments									8,181,416	–

Note :

Building includes Rs.Nil (Previous Year : Rs. 250/-) towards cost of shares in the Society.

	As at 31.03.2006 Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
Schedule 4 : Investments			
I] Long-term investments [at cost/carrying amount (unless otherwise stated)]			
A) Trade investments (unquoted) :			
In equity shares of subsidiary companies			
(i) 21,692,000 (Previous Year : 15,050,000) Equity shares of Rs.10/- each fully paid-up of Multi Commodity Exchange of India Limited (a company under the same management)	216,920,000		150,500,000
(ii) 3,040,000 (Previous Year : 3,040,000) Equity shares of Rs.10/- each fully paid-up of IBS Forex Limited	30,400,000		30,400,000
(iii) 750,000 (Previous Year : 50,000) Equity shares of Rs.10/- each fully paid-up of Tickerplant Infovending Limited (a company under same management in the previous year)	7,500,000		500,000
(iv) 1,499,900 (Previous Year : Nil) Equity shares of Rs.10/- each fully paid-up of National Spot Exchange Limited	14,999,000		–
(v) 600,000 (Previous Year : Nil) Equity shares of Rs.10/- each fully paid-up of Riskraft Consulting Limited	6,000,000		–
(vi) 1,100,000 (Previous Year : Nil) Equity shares of Rs.10/- each fully paid-up of atom technologies limited	11,000,000		–
(vii) 2,500 (Previous Year : Nil) Equity shares of AED 1000/- each fully paid-up of Financial Technologies Middle East DMCC	30,608,667		–
(viii) 4,500,000 (Previous Year : Nil) Equity shares of Rs.10/- each fully paid-up of National Bulk Handling Corporation Limited	45,000,000		–
		362,427,667	181,400,000
B) Other investments :			
- In equity shares of :			
Joint Venture Company			
4,000 (Previous Year : Nil) Class B Shares of USD 1,000/- each, fully paid in Dubai Gold and Commodities Exchange DMCC		174,480,000	–
Others			
1,499,943 (Previous Year : Nil) Equity shares of Rs.10/- each fully paid-up of eLogistics Private Limited	44,833,296		–
Less : Provision for diminution in value of investments (refer Note 6 to Schedule 14)	(24,733,296)		–
		20,100,000	–
- In units of mutual funds :			
(i) Nil (Previous Year : 4,570.79) Units of Rs.10/- each of Franklin Templeton Mutual Fund - Income Builder Fund - Plan A Growth	–		86,342
(ii) Nil (Previous Year : 5,000,000) Units of Rs.10/- each of Reliance Mutual Fund - Fixed Term Scheme - Monthly Plan - Dividend Option	–		50,000,000
		–	50,086,342
		557,007,667	231,486,342

		As at 31.03.2006 Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
II.	Current (unquoted) (at lower of cost and fair value) Other investments : - In equity shares of subsidiary company : 3,358,000 (Previous Year : Nil) Equity shares of Rs.10/- each fully paid-up of Multi Commodity Exchange of India Limited (a company under the same management) (See note 4 below)	33,580,000		–
	- In units of mutual funds :			
(i)	772,269.46 (Previous Year : Nil) Units of Rs.10/- each of HDFC Liquid Fund Units -Dividend Reinvestment	7,887,499		–
(ii)	945,467.70 (Previous Year : 3,000,000) Units of Rs.10/- each of DSP Savings Plus- Conservative Fund Growth Option	10,556,052		30,000,000
(iii)	1,400,480.90 (Previous Year : Nil) Units of Rs.10/- each of FT India Monthly Income Plan-A Growth	26,434,777		–
(iv)	3,000,000 (Previous Year : Nil) Units of Rs.10/- each of Prudential ICICI Fixed Maturity Plan- Series 28	30,000,000		–
(v)	10,000,000 (Previous Year : Nil) Units of Rs.10/- each of Reliance Fixed Maturity Fund - Monthly Series II - Dividend Option	100,000,000		–
(vi)	1,251,649.32 (Previous Year : Nil) Units of Rs.10/- each of Templeton Floating Rate Income Fund- Long Term Plan Growth	14,852,373		–
(vii)	2,263,776 (Previous Year : Nil) Units of Rs.10/- each of Kotak Income Plus - Monthly Income Plan-Dividend Reinvestment	25,108,639		–
(viii)	6,118,145.06 (Previous Year : Nil) Units of Rs.10/- each of Kotak Cash Plus - Dividend	61,184,501		–
(ix)	5,249,345.38 (Previous Year : Nil) Units of Rs.10/- each of Kotak Fixed Maturity Plan Series 19- Dividend	52,493,454		–
(x)	250,000 (Previous Year : 250,000) Units of Rs.10/- each of JM Equity & Derivatives Fund -Dividend	2,500,000		2,500,000
(xi)	5,431,201.66 (Previous Year : 5,431,201.66) Units of Rs.10/- each of Kotak Flexi Debt Scheme - Growth	55,398,800		55,398,800
(xii)	2,000,000 (Previous Year : Nil) Units of Rs.10/- each of Reliance Fixed Maturity Fund - Series II-Annual Plan- I - Dividend Option	20,000,000		–
(xiii)	6,645,263.88 (Previous Year : Nil) Units of Rs.10/- each of HDFC Cash Management Fund Savings Plan -Daily Dividend Reinvestment	70,681,685		–
(xiv)	4,997,475 (Previous Year : Nil) Units of Rs.10/- each of HDFC Floating Rate- Income Fund-Short Term Plan- Dividend Reinvestment	50,426,803		–
(xv)	506,463.38 (Previous Year : Nil) Units of Rs.10/- each of SBI - Mutual Fund -Magnum Institutional.Income - Savings Dividend	5,081,064		–
(xvi)	5,747,941.18 (Previous Year : Nil) Units of Rs.10/- each of Reliance Liquidity Fund Daily Dividend Reinvestment	57,497,230		–
(xvii)	Nil (Previous Year : 921,837.41) Units of Rs.10/- each of DSPML Floating Rate Fund Growth Scheme	–		10,000,000

		As at 31.03.2006 Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
(xviii)	Nil (Previous Year : 2,154.80) Units of Rs.15.573/- each of DSP Merill Lynch - Liquidity Fund Growth Account	–		33,519
(xix)	Nil (Previous Year : 702,541.31) Units of Rs.10/- each of Kotak Liquid Regular - Dividend	–		7,039,941
(xx)	Nil (Previous Year : 65,011.07) Units of Rs.10/- each of Reliance Mutual Fund - Treasury Plan - Retail-Plan Growth Option	–		1,019,452
(xxi)	Nil (Previous Year : 1,117,479.65) Units of Rs.10/- each of Kotak Mahindra Mutual Fund- Liquid Scheme- Growth Option	–		14,388,221
(xxii)	Nil (Previous Year : 2,539,493.21) Units of Rs.10/- each of Franklin Templeton Mutual Fund- Templeton Floating Rate Fund - Long Term Plan - Growth Option	–		30,000,000
(xxiii)	Nil (Previous Year : 750,000) Units of Rs.10/- each of ING Vysya Mutual Fund Select Debt Fund Growth Option	–		7,500,000
(xxiv)	Nil (Previous Year : 1,490,016.89) Units of Rs.10/- each of Kotak Mutual Fund Kotak Floater Long Term Scheme Growth Plan	–		15,000,000
(xxv)	Nil (Previous Year : 61,399.90) Units of Rs.10/- each of UTI Liquid Cash Plan - Institutional Plan - Daily Income Option	–		62,242,144
(xxvi)	Nil (Previous Year : 20,467,269.73) Units of Rs.10/- each of Kotak Liquid Fund - Institutional Plan — Daily Dividend Scheme	–		250,275,821
(xxvii)	Nil (Previous Year : 16,368,962.37) Units of Rs.10/- each of Reliance Treasury Plan - Institutional Plan - Weekly Dividend Scheme	–		250,152,138
(xxviii)	Nil (Previous Year : 249,953.76) Units of Rs.10/- each of Templeton Treasury Management Account - Institutional Plan - Weekly Dividend Scheme	–		250,210,581
(xxix)	2,069,580.18 (Previous Year : 991,761.52) Units of Rs.10/- each of Kotak Flexi Debt Scheme - Dividend	20,782,518		10,000,000
(xxx)	5,000,000 (Previous Year : Nil) Units of Rs.10/- each of Birla Fixed Term Plan Series H	50,000,000		–
(xxxi)	5,000,000 (Previous Year : Nil) Units of Rs.10/- each of JM Fixed Maturity Fund- Series II- Yearly Plan- YSA - Growth (156)	50,000,000		–
(xxxii)	5,112,997.68 (Previous Year : Nil) Units of Rs.10/- each of Prudential ICICI Blended Plan B- Institutional Dividend	51,130,803		–
(xxxiii)	15,000,000 (Previous Year : Nil) Units of Rs.10/- each of HDFC Multiple Yield Fund - Plan 2005	150,000,000		–
(xxxiv)	10,000,000 (Previous Year : Nil) Units of Rs.10/- each of Reliance Fixed Tenor Fund- Plan A- Growth Plan	99,855,000		–
(xxxv)	Nil (Previous Year : 509,400.02) Units of Rs.10/- each of Kotak Mutual Fund Kotak Floater Long Term Scheme Dividend Weekly	–		5,096,532
			1,045,451,198	1,000,857,149
	TOTAL		1,602,458,865	1,232,343,491

	As at 31.03.2006 Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
Notes			
1) Aggregate value of unquoted investments		1,602,458,865	1,232,343,491
2) Purchased and sold during the year			

Scheme name	Face value (Rs.)	Nos.	Cost (Rs.)
DSP Merrill Lynch Floating Rate Fund - Regular Plan - Weekly Dividend	10	7,533,626.04	75,589,070
DSP Merrill Lynch Floating Rate Short Term - Weekly Dividend Reinvestment	10	3,289,719.15	33,015,199
HDFC Liquid Fund - Dividend Reinvestment	10	2,685,384.00	27,401,359
HDFC Cash Management Fund- Savings Plan - Daily Dividend Reinvestment	10	2,820,503.00	30,000,000
Reliance Liquidity Fund - Daily Dividend Reinvestment	10	52,447,079.46	524,579,700
Kotak Liquid (Regular) - Weekly Dividend	10	6,371.99	63,844
Reliance Liquid Fund - Treasury Plan - Institutional Option Weekly Dividend	10	70,234.63	1,074,259
ING Vysya Select Debt Fund - Quarterly Dividend	10	745,315.66	7,593,184
Kotak Bond Short term - Monthly Dividend	10	5,218,555.90	52,583,451
Kotak Floater Short term - Monthly Dividend	10	1,008,846.18	10,110,860
Kotak Floater Long Term - Weekly Dividend	10	16,805.35	168,202
Kotak Floater Short Term - Weekly Dividend	10	10,079,104.46	100,868,416
Kotak Liquid - IP Daily Dividend	10	114,486.52	1,399,953
Prudential ICICI - Blended Plan B - Dividend	10	5,000,000.00	50,000,000
Reliance Fixed Maturity Quarterly Plan I - Series II	10	15,000,000.00	150,000,000
Reliance Fixed Maturity Quarterly Plan II - Series II - Dividend Option	10	15,000,000.00	150,000,000
Reliance Fixed Maturity Fund - Monthly Plan - Series II - Dividend Option	10	25,000,000.00	250,000,000
Reliance Fixed Term Quarterly Plan - 9 - Dividend Option	10	10,000,000.00	100,000,000
Reliance Floating Rate Fund - Monthly Dividend Reinvestment	10	10,190,731.21	102,801,394
SBI-Mutual Fund (SBIMF-MIP-FRP)-Short Plan - Dividend Reinvestment	10	2,530,067.60	25,399,216
Templeton - Floating Rate Income Fund-STP - Dividend Reinvestment	10	1,033,535.81	10,356,472
Templeton India Treasury Management Account - Institutional Weekly Dividend	1000	1,217.56	1,218,271
Templeton -Floating Rate Income Fund - STP - Dividend Reinvestment	10	10,059,035.61	100,855,341
UTI Floating Rate Fund - Short Term Plan (Dividend Option)	10	5,024,895.39	50,574,182

3) Refer Note 15 to Schedule 14 for utilization of funds raised through preferential allotment

4) Upon reclassification from long term trade investment under disinvestment proposal (refer Note 22 of Schedule 14)

	As at 31.03.2006 Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
Schedule 5 : Sundry debtors (Unsecured)			
Debts outstanding for a period exceeding six months	14,095,009		7,185,862
Other debts	65,405,869		48,285,147
		79,500,878	55,471,009
Less : Provision		11,357,291	6,872,676
TOTAL		**68,143,587**	**48,598,333**
Notes : Sundry Debtors include :			
1. Considered good		68,143,587	48,598,333
Considered doubtful		11,357,291	6,872,676
		79,500,878	55,471,009
2 Debts due from Multi Commodity Exchange of India Limited, a company under the same management.		–	10,407,223
Schedule 6 : Cash and bank balances			
Cash on hand		54,195	17,559
Bank balances :			
(a) With scheduled banks :			
(i) In current accounts [including in exchange earners' foreign currency account Rs. 3,951,247/- (Previous Year : Rs. 1,141,267/-)]		46,466,408	20,442,320
(ii) In deposit accounts* [including interest accrued on deposits Rs. 2,417,494/- (Previous Year : Rs.538,267/-)]		47,298,633	76,945,693
(b) With others :			
(i) with PNC Bank - New Jersey branch in current account [Maximum amount outstanding at any time during the year Rs. 3,742,283/- (Previous Year : Rs. 2,994,921/-)]		1,506,519	1,797,634
(ii) with PNC Bank - New Jersey branch in deposit account [Maximum amount outstanding at any time during the year Rs. 8,842,451/- (Previous Year : Rs. 4,169,393/-)]		1,454,743	892,266
(iii) with ANZ Grindlays Bank - Australia branch in current account [Maximum amount outstanding at any time during the year Rs. 120,860/- (Previous Year : Rs. 23,091/-)]		30,564	19,044
*[Includes Rs. 2,751,054/- (Previous Year : Rs. 694,985/-) under lien with bank against bank guarantees]			
TOTAL		**96,811,062**	**100,114,516**

	As at 31.03.2006 Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
Schedule 7 : Loans and advances (Unsecured)			
Loans and advances to subsidiary companies	52,321,878		462,974
Advances recoverable in cash or kind or for value to be received	26,220,649		14,075,313
Advance income tax including tax deducted at source	220,468,783		47,072,628
Premises and other deposits	48,420,097		18,257,781
		347,431,407	79,868,696
Less : Provision		161,378	161,378
TOTAL		**347,270,029**	**79,707,318**
Notes : Loans and advances include :			
1. Considered good		347,270,029	79,707,318
Considered doubtful		161,378	161,378
		347,431,407	79,868,696
2. Due from companies under the same management :			
(a) Due from Multi Commodity Exchange of India Limited [Maximum amount outstanding at any time during the year Rs. 21,548,061/- (Previous Year : Rs. 9,307,068/-)] towards reimbursment of leasehold improvements.		21,548,061	–
(b) Due from Tickerplant Infovending Limited [Maximum amount outstanding at any time during the year Rs. Nil (Previous Year : Rs. 462,974-)], not under the same management during the year.		–	462,974
3. Rs. 47,815,164/- (Previous Year : Rs. 17,738,835/-) paid as deposits towards premises taken on lease.			
Schedule 8 : Current liabilities			
Sundry creditors			
– Total outstanding dues to small scale industrial undertakings	–		–
– Total outstanding dues of creditors other than small scale industrial undertakings	148,494,838		52,106,382
		148,494,838	52,106,382
Subsidiary companies*		26,485,492	871,222
Unpaid dividend**		397,377	99,417
Unearned revenue		16,168,902	7,519,766
TOTAL		**191,546,609**	**60,596,787**

* Represents rent deposits and advance against services.

** The above amount does not include any amount due and outstanding to be credited to Investor Education and Protection Fund.

	As at 31.03.2006 Rupees	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
Schedule 9 : Provisions			
For taxation (including wealth tax)		246,156,346	52,230,000
For fringe benefit tax		1,983,007	–
For gratuity and leave encashment		8,303,417	3,992,928
Proposed dividend		228,846,467	17,603,574
Tax on dividend		32,095,717	2,468,901
TOTAL		517,384,954	76,295,403

	Current Year Rupees	Current Year Rupees	Previous Year Rupees
Schedule 10 : Sales			
Products (IPR based - license)		542,314,214	276,170,913
Services (Project based)		356,922,619	25,377,370
TOTAL		899,236,833	301,548,283
Schedule 11 : Other income			
Dividend from subsidiary company	15,050,000		–
Dividend from other investments :			
– Long term investments	–		3,146,785
– Current investments	27,201,661		905,158
		42,251,661	4,051,943
Interest :			
From bank on deposit accounts		3,148,037	3,906,188
From others		368,736	222,477
[Tax deducted at source Rs. 681,481/- (Previous Year : Rs. 809,968/-)]			
Profit on sale of investments (net)			
– Long term investments	23,360		5,958,361
– Current investments	8,406,030		–
		8,429,390	5,958,361
Service charges		8,166,970	18,000,000
Service tax set off claimed (prior period)		1,566,669	–
Employees stock compensation expenses written back		–	103,639
Miscellaneous income		17,559	78,369
Provision for doubtful debts/advances/credit balance written back		–	222,637
Premises rentals		–	1,000,000
TOTAL		63,949,022	33,543,614

	Current Year Rupees	Current Year Rupees	Previous Year Rupees
Schedule 12 : Operating and other expenses			
Payment to and provisions for employees :			
Salaries and bonus [net of recovery of Rs. 1,631,368/- (Previous Year : Rs. Nil)]	165,815,490		71,517,218
Contribution to provident fund and other funds [Including Rs. 1,288,376/- (Previous Year : Rs. 1,349,844/-) paid to/ collected by various authorities located outside India as contributions]	5,144,184		3,044,818
Gratuity	761,475		566,632
Staff welfare expenses [net of recovery of Rs. 143,463/- (Previous Year : Rs. Nil)]	4,742,630		2,196,152
		176,463,779	77,324,820
Electricity [net of recovery of Rs. 24,093/- (Previous Year : Rs. Nil)]		4,447,403	3,374,254
Brokerage and commission charges		14,866,827	8,843,671
Sales tax and service tax [(including prior period expense Rs. 5,940/-) (Previous Year : Rs. Nil)]		17,130	8,840,638
Rent (refer Note 11 to Schedule 14) [net of recovery of Rs. 16,556,984/- (Previous Year : Rs. Nil)]		13,604,636	9,325,671
Rates and taxes		2,620	6,520
Service charges [net of recovery of Rs. 7,550,074/- (Previous Year : Rs. Nil)]		10,707,207	9,897,254
Repairs and maintenance - others [net of recovery of Rs. 356,718/- (Previous Year : Rs. Nil)]		4,379,548	3,134,528
Travelling and conveyance [net of recovery of Rs. 608,506/- (Previous Year : Rs. 42,672/-)]		13,805,847	2,917,689
Communication expenses [net of recovery of Rs. 22,635/- (Previous Year : Rs. 37,622/-)]		9,916,531	6,099,906
Insurance		2,736,128	2,016,661
Diminution in value of current investments		287,973	–
Loss on sale of fixed assets (net)		260,065	511,813
Loss on assets scrapped/written off		–	10,207,286
Legal and professional charges		39,196,769	34,789,641
Irrecoverable debts/advances written off		569,442	185,150
Provision for doubtful debts/advances		4,484,615	1,256,684
Exchange rate fluctuations (net)		1,835,822	3,894
Miscellaneous expenses ** (including prior period expense Rs. 76,136/-) (Previous Year : Rs. Nil)]		22,279,772	12,604,666
TOTAL		319,862,114	191,340,746

** Miscellaneous expenses include bank charges, auditor's remuneration, donation [Rs. 27,000/- (Previous Year : Rs.Nil)], advertisement expenses, sales promotion expenses, recruitment expenses, printing and stationery, office expenses, fees and subscription etc.

	Current Year Rupees	Current Year Rupees	Previous Year Rupees
Schedule 13 : Interest			
Interest on :			
– others		31,144	3,627
TOTAL		31,144	3,627

Schedule 14

Significant Accounting Policies and Notes to Accounts

I. SIGNIFICANT ACCOUNTING POLICIES :

A. Basis of preparation of financial statements

The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles and the accounting standards issued by The Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

B. Use of estimates

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

C. Fixed assets (tangible assets)

Fixed assets are stated at cost of acquisition or construction and carried at cost of acquisition less accumulated depreciation and impairment loss, if any.

D. Intangible assets

Intangible assets are stated at cost of acquisition and are carried at cost less accumulated amortization and impairment loss, if any.

E. Operating leases

Assets taken on lease under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreements.

F. Depreciation and amortization

Depreciation on assets other than leasehold improvements is provided for on straight-line method at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. Leasehold improvements are amortized over the period of lease on a straight line basis.

Trademarks are amortized over eight years and technical know-how and computer software are each amortized over six years on a straight line basis considering their related useful lives.

G. Investments

Current investments are carried at the lower of cost and quoted/fair value. Long-term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

H. Revenue recognition

Revenue is recognized when no significant uncertainty as to determination or realization exists.

Sales include sale of products (licenses) and services (contracts). Revenue from sale of licenses for the use of software applications is recognized on transfer of the title in the user license. Revenue from fixed price contracts is recognized based on milestones achieved as specified in the contracts and in the case of time and material contracts, it is recognized on the basis of hours completed and material used. Revenue from annual maintenance contracts is recognized proportionately over the period in which the services are rendered. Sales are stated net of returns and sales tax, VAT, lease tax and service tax wherever applicable. (refer Note 12)

Dividend income is recognized when the Company's right to receive dividend is established. Interest income is recognized on time proportion basis.

I. Foreign currency transactions

Transactions in foreign currency are recorded at the original rates of exchange in force at the time transactions are affected. Exchange differences arising on repayment of foreign currency liabilities incurred for the purpose of acquiring fixed assets from a country outside India are adjusted in the carrying amount of the respective fixed assets. Exchange differences arising on settlement of all other transactions are recognized in the profit and loss account.

Monetary items (other than those related to acquisition of fixed assets from a country outside India) denominated in foreign currency are restated using the exchange rate prevailing at the balance sheet date and the resulting net exchange difference is recognized in the profit and loss account. The exchange gain/loss arising on restatement of foreign currency liability relating to fixed assets acquired from a country outside India is adjusted in the value of the related fixed assets. Non monetary items denominated in foreign currency are carried at historical cost.

Foreign branches

The translation of the financial statements of foreign branches is accounted for in accordance with Accounting Standard AS-11 "Accounting for the effects of changes in foreign exchange rates" (Revised) issued by The Institute of Chartered Accountants of India considering the foreign branches as non integral, as under :

1. All revenues and expenses are translated at average rate.
2. All monetary and non-monetary assets and liabilities are translated at the rate prevailing on the balance sheet date.
3. Resulting exchange difference is accumulated in Foreign Currency Translation Reserve Account until the disposal of the net investment in the said non integral foreign operation.

J. Retirement benefits

Retirement benefits are expensed to revenue as incurred. The Company's contributions to provident fund and employees' state insurance scheme are made in accordance with the relevant statute. The Company's liability towards gratuity is funded through a scheme (Group Gratuity) administered by the Life Insurance Corporation of India except in the case of those who are not covered by the scheme, which liability is provided in accordance with the provisions of the payment of Gratuity Act, 1972. Leave encashment is provided for on actual basis in accordance with the Company's scheme in this respect.

K. Borrowing costs

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

L. Income taxes

Income taxes are accounted for in accordance with Accounting Standard AS-22 "Accounting For Taxes on Income", issued by The Institute of Chartered Accountants of India. Tax expense comprises both current tax and deferred tax. Deferred tax assets and liabilities are recognized for future tax consequence attributable to timing difference between taxable income and accounting income that are capable of reversing in one or more subsequent periods and are measured at substantively enacted tax rates. At each balance sheet date, the Company reassesses unrealized deferred tax assets, to the extent they become reasonably certain or virtually certain of realization, as the case may be.

M. Stock based compensation

The compensation cost of stock options granted to employees and directors of the Company and a subsidiary company is measured by the intrinsic value method, i.e. the difference between the market price of the Company's shares on the date of the grant of options and the exercise price to be paid by the option holders. The compensation cost is amortised uniformly over the vesting period of the options. (refer Note 8)

N. Impairment

At each Balance sheet date, the Company determines whether a provision should be made for impairment loss on fixed assets (including intangible assets) by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard AS-28 "Impairment of Assets" issued by The Institute of Chartered Accountants of India. Where the recoverable amount of any fixed asset is lower than its carrying amount, a provision for impairment loss on fixed assets is made.

O. Provisions, contingent liabilities and contingent assets

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

SIGNITIFANT ACCOUNTING POLICIES

II. NOTES FORMING PART OF ACCOUNTS

		Current Year Rupees	Previous Year Rupees
1.	Estimated amount of contract to be executed on capital account and not provided for (net of advances)	51,968,209	450,000
2.	Contingent liabilities not provided for in respect of :		
	(a) Counter guarantees issued against bank guarantees	190,000	2,640,000
	(b) Income tax demands disputed in appeal and pending decision before higher authorities	26,780,955	755,233
3.	Payment to auditors :		
	(a) For audit fees	2,100,000	600,000
	(b) For other matters (such as certification work, etc.)	40,000	37,500
	(c) For reimbursement of out of pocket expenses	3,709	4,970
	(d) For service tax	–	54,715
	Total	2,143,709	697,185
4.	(i) Managerial remuneration under Section 198 of the Companies Act, 1956 paid or payable during the year		
	(a) Salaries and allowances	8,120,240	3,389,040
	(b) Provision for gratuity and leave encashment*	728,522	484,668
	(c) Commission	25,000,000	–
	Total	33,848,762	3,873,708

The aforesaid remuneration for the earlier year was for three executive directors, of which one was only for fifteen days, whereas for the current year, the remuneration is for two directors on revised remuneration scale as approved by the shareholders.

* Excluding gratuity in respect of a director covered under Group Gratuity Scheme and where separate amount is not identifiable.

(ii) The Company has also paid sitting fees of Rs. 204,000/- (Previous Year : Rs. 111,000/-) to its non executive directors during the year.

(iii) Computation of net profit in accordance with Section 198 read with Section 309(5) of the Companies Act, 1956 :

		Current Year Rupees
	Net profit before tax and after exceptional/ non recurring items	606,595,305
Add :	Directors remuneration (including commission)	33,848,762
	Directors sitting fees	204,000
	Provision for doubtful debts/advances	4,484,615
	Provision for diminution in the value of investments (Gross)	24,733,296
	Loss on sale of fixed assets (net)	260,065
		670,126,043
Less :	Profit on sale of investments (net)	8,429,390
	Net profit under Section 349 of the Companies Act, 1956	661,696,653
	Eligible salaries, perquisites and commission @ 10% of above	66,169,665
	Commission to Managing Director (As restricted by Board of Directors)	25,000,000

Computation of profits under Section 349 has not been given for the earlier year since no commission was payable to the directors.

5. In the tax assessment of the earlier years, the Income Tax department has disallowed depreciation claimed by the Company on an intangible asset which was accounted on amalgamation of another company with the Company.

   The Company has already preferred an appeal in respect thereof to the higher authorities and is pending decision before the said authorities. However, considering such disallowance, the Company has, on a prudent basis, made a provision for the tax liability for an amount aggregating to Rs. 41,269,716/- and has appropriately disclosed the same as short provision for tax in respect of earlier years.

6. During the year, the Company made investments in 1,499,943 equity shares of e-Logistics Private Limited ('ELPL') constituting 27% of shares of ELPL, for an amount aggregating to Rs. 44,833,296/-

   Based on the information available, the Company has filed a petition before the Company Law Board ('the CLB'), Chennai under Section 397 and 398 of the Companies Act, 1956 for relief of oppression etc. and continues to pursue claims against ELPL. The Company has also referred the matter for arbitration.

   The hearing before the CLB and arbitrator are yet to commence.

   Considering the above, and the financial position of ELPL to the extent known, the Company has made a provision of Rs. 24,733,296/- (deferred tax thereon Rs. 8,325,227/- net of tax Rs. 16, 408,069/-) towards diminution in the value of such investment being other than temporary and since the same is in the nature of exceptional/non recurring item, has disclosed the same accordingly.

7. The Company has equity investments aggregating to Rs. 145,507,667/- in seven subsidiary companies and has also given loans/advances in the nature of loans aggregating to Rs. 30,773,818/- which are outstanding as on March 31, 2006.

   In respect of six subsidiaries incorporated recently, they have suffered losses mainly on account of initial start up costs and they are yet to commence business operations. Management expects these companies to achieve turnover as per their business plans and profitability on commencement of business operations shortly.

   As regards the seventh subsidiary, which, though, has carried forward losses, has, during the year, achieved higher turnover, reduced the loss as compared to earlier year and expects to increase its revenue as per business plan.

   Considering the above and the fact that the aforesaid investments are held as long-term strategic investments, in the opinion of the management, no provision is considered necessary towards investments and loans.

8. Stock based compensation

   a) The Company had instituted 'Employee Stock Option Plan' for 440,000 options, duly approved by the Remuneration/Compensation Committee of the Board of Directors of the Company and shareholders of the Company in the Extra Ordinary General Meeting held on September 27, 2005. Details of the options granted under the plan are as under:

Grant Date	No. of Options Granted			Vesting Period
	Employees of the Company	Employees of Subsidiary Company	Exercise Price (Rs.)	
October 31, 2005	439,200	800	981.60 981.60 981.60	31.10.2005 - 30.10.2006 31.10.2005 - 30.10.2007 31.10.2005 - 30.10.2008

   Each option entitles the holder to exercise the right to apply for and seek allotment of one equity share of Rs. 2/- each. The intrinsic value of each option is nil, since the options are granted at the market price of the shares existing on the date of grant.

   The options have vesting periods as stated above in accordance with the vesting schedule as per the said plan and have an exercise period of three months from the respective vesting dates.

The particulars of the options granted and lapsed under the Scheme are as below :

Particulars	Employees of the Company	Employees of Subsidiary Company
Options outstanding as at the beginning of the year	–	–
Options granted during the year	439,200	800
Options lapsed during the year	–	–
Options outstanding as at the year-end	439,200	800

b) The Company has followed the intrinsic value-based method of accounting for stock options granted after April 01, 2005 based on Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. Had the compensation cost of the Company's stock based compensation plan been determined in the manner consistent with the fair value approach as described in the Guidance Note, the Company's net profit for the year would be lower by Rs. 37,504,332/- and earnings per share as reported would be as indicated below:

Particulars	Rupees
EPS before extraordinary items	
Net profit after tax and before exceptional/non recurring items	482,350,213
Less : Short provision for tax of earlier years	41,269,716
Net profit for equity shareholders	441,080,497
Less : Total stock-based employee compensation expense determined under fair value base method	37,504,332
Adjusted net profit	403,576,165
Basic and diluted earnings per share (face value Rs. 2/- per share)	
- As reported (in Rs.) Basic	10.02
Diluted	10.01
- Adjusted (in Rs.)*	9.17
EPS after extraordinary items	
Net profit after tax and exceptional/non recurring items	465,942,144
Less : Short provision for tax of earlier years	41,269,716
Net profit for equity shareholders	424,672,428
Less : Total stock-based employee compensation expense determined under fair value base method	37,504,332
Adjusted net profit	387,168,096
Basic and diluted earnings per share (face value Rs. 2/- per share)	
- As reported (in Rs.) Basic	9.65
Diluted	9.64
- Adjusted (in Rs.)*	8.80

* Adjusted basic and diluted EPS are equal since potential equity shares are anti-dilutive.

The fair value of each option is Rs.483.88 on the date of grant using the Black-Scholes Option Pricing Formula, considering the following parameters:

(i) Expected volatility : 64.48% to 86.41%

(ii) Expected forfeiture percentage on each vesting date : 10%

(iii) Option life : 3 years

(iv) Dividend yield : 0.41%

(v) Risk-free interest rate : 5.98% to 6.41%

(vi) To allow for the effects of early exercise, it is assumed that the employees would exercise the options after vesting date.

9. In accordance with the Accounting Standard AS-22 "Accounting for Taxes on Income" issued by The Institute of Chartered Accountants of India, deferred tax assets and liabilities should be recognized for all timing differences in accordance with the said standard.

The tax effect of significant timing differences during the year that have resulted in deferred tax assets and liabilities are given below :

	As at 31.03.2006 Rupees	As at 31.03.2005 Rupees
a) *Deferred tax liability :*		
Depreciation	6,318,959	5,103,087
	6,318,959	5,103,087
b) *Deferred tax asset :*		
Provision for doubtful debts, advances etc.	3,877,184	2,367,663
Provision for diminution in the value of long-term investment	8,325,227	—
Carried forward capital loss	1,995,344	—
Others	4,792,153	1,419,896
	18,989,908	3,787,559
Net deferred tax (asset)/liability	(12,670,949)	1,315,528

The Company has recognized deferred asset on capital loss since the Company is of the view that the proposed sale of shares in MCX (see Note 22) and other current investments would result in sufficient taxable gains against which such deferred tax asset can be realised.

10. The Company had cash credit facility from a bank in the previous year, which was secured by hypothecation of book debts and personal guarantees of some of the directors of the Company. The facility was further secured by equitable mortgage by deposit of title deeds of the immovable property [residential flat] located at Kandivli (Mumbai). The Company had a positive [debit] balance in the said bank account as at March 31, 2005. During the current year, the Company has closed the said facility and is in the process of intimating to the Registrar of Companies towards satisfaction of charge.

11. The Company has entered into operating lease agreements for its development centers ranging from 11 months to 36 months. The lease rentals recognized in the profit and loss account during the year and the future minimum lease payments under non cancelable operating lease are as follows :

	Current Year Rupees	Previous Year Rupees
Lease rentals (net of recoveries)	11,868,644	9,325,671
Obligations on non-cancelable leases		
Not later than one year	47,872,975	11,210,342
Later than one year and not later than five years	23,323,701	13,790,158
Later than five years	–	–

12. In accordance with the Guidance Note issued by The Institute of Chartered Accountants of India on "Accounting for State-level Value Added Tax" (VAT), the Company has, during the year, credited Rs.14,276,879/- being VAT collected from customers on sale of licenses to liability account.

Accordingly, the Company has also, during the year, credited sales tax and service tax aggregating to Rs. 20,072,413/-, as the case may be, to separate liability accounts from April 1, 2005, which hitherto, were included in sales/other income, with no impact on the profits for the year ended March 31, 2006. Such a disclosure, however, is not a change in accounting policy.

13. The Company is engaged in development of computer software. The additional information pursuant to the provisions of paragraphs 3, 4C, 4D of Part II of Schedule VI to the Companies Act, 1956 is as under (to the extent applicable)

A. **Expenditure in foreign currency (including foreign branches) :**

	Current Year Rupees	Previous Year Rupees
Travelling	6,768,782	199,495
Professional fees	4,404,642	2,548,882
Salaries	11,170,567	12,469,727
Rent	1,738,672	269,365
Other matters	1,284,163	386,051
Total	**25,366,826**	**15,873,520**

B. **Earnings in foreign currency (including foreign branches):**

	Current Year Rupees	Previous Year Rupees
Sale of software	191,618,700	–
Consultancy	19,106,485	20,218,170
Interest on deposits	102,749	32,601
Total	**210,827,934**	**20,250,771**

14. **Remittance in foreign currency on account of dividend :**

The Company has paid dividend, during the year, in respect of shares held by non-resident shareholders including Foreign Institutional Investors. The total amount remitted in this respect is given below:

- Year to which the dividend relates	2005-06 (interim)	2004-05
- Number of non-resident shareholders	195	183
- Number of Shares held by non-resident shareholders on which dividend is due	9,849,623	9,196,381
- Amount of dividend paid to Non-Resident shareholders (Amount in Rs.)	7,879,698	3,678,552

15. **Statement of utilization of proceeds out of preferential allotments as of March 31, 2006 :**

Year of preferential allotment	No. of shares	Price	Proceeds (Rs.)
2004	3,600,000	63	226,800,000
2005	2,873,951	262	752,975,162
Total			**979,775,162**
Less : Expenses relating to the allotments			(16,595,572)
Net proceeds			**963,171,590**
Deployment upto March 31, 2006			
Investments in subsidiaries/joint venture/associate company			462,370,963
Advances to subsidiary companies			52,321,878
Capital expenditure and working capital requirements			91,706,135
Total amount utilized			**606,398,976**
Held under current investments in mutual fund units pending utilization			**356,780,615**

16. **Segment Reporting**

The Company has presented segmental information based on its consolidated financial statements, which are presented in the same annual report. Accordingly, in terms of the provisions of Accounting Standard AS-17 “Segment Reporting”, no disclosures related to segments are presented in its stand-alone financial statements.

17. Related Party information

I. Names of related parties and nature of relationship :

(i) Entities where control exists (Subsidiaries)

1. Multi Commodity Exchange of India Limited (MCX)
2. Tickerplant Infovending Limited (Tickerplant)
3. IBS Forex Limited (IBS)
4. atom technologies limited (w.e.f October 13, 2005) (atom)
5. Riskraft Consulting Limited (w.e.f November 28, 2005) (Riskraft)
6. National Spot Exchange Limited (w.e.f September 30, 2005)
7. National Bulk Handling Corporation Limited (w.e.f September 30, 2005) (NBHC)
8. Financial Technologies Middle East- DMCC (w.e.f August 1, 2005) (FTME)

(ii) Joint Venture Company

Dubai Gold and Commodities Exchange (DGCX) – a joint venture in which Company holds 40% Share Capital

(iii) Key Management Personnel

Mr. Jignesh Shah	Chairman and Managing director
Mr. Dewang Neralla	Whole-time director

(iv) Relatives of the Key Management Personnel where transactions have taken place

Mr. Manjay Shah	Director, Business Development & Marketing

II. Transactions with subsidiaries and joint venture

Sr. No.	Nature of Transaction	Subsidiary Companies	Joint Venture - DGCX
1.	**Loan given :**		
	- Opening balance	462,974 (9,307,068)	– (–)
	- Given during the year	30,350,000 (462,974)	– (-)
	- Repaid during the year	30,812,974 (9,307,068)	– (–)
	- Balance as at 31.03.2006	(–) (462,974)	– (–)
2.	**Sales - Services (Project based)**	137,099,658 (–)	179,348,200 (–)
3.	**Sales - Products (IPR Based License) - MCX**	34,500,000 (25,500,000)	– (–)
4.	**Reimbursement of**		
	- Cost of Leasehold Improvements and other assets charged to them	47,507,681 (6,971,719)	– (–)
5.	**Expenses recovered**	26,700,003 (–)	– (–)
6.	**Rent received - MCX**	– (1,000,000)	– (–)

7.	**Expenses charged to the Company** - by MCX relating to Offer for Sale by the Company as part of the proposed public issue of MCX - other expenses	15,914,046 (–) 5,277,175 (–)	– (–) – (–)
8.	**Advances** - Advances made during the year - Balance as at the close of the year	8,598,150 (–) 52,321,878 (–)	– (–) – (–)
9.	**Service charges received – MCX**	8,166,970 (18,000,000)	– (–)
10.	**Transaction Fees received – IBS**	1,650,863 (142,988)	– (–)
11.	**Interest received**	242,847 (144,914)	– (–)
12.	**Sundry Debtors** - Balance as at the close of the year	– (10,407,223)	– (–)
13.	**Received towards** - Rent deposits - Advance against services – IBS	23,524,824 (–) 2,960,668 (–)	– (–) – (–)
14.	**Investment** - Investment made during the year - Balance at the close of the year	214,607,667 (30,900,000) 396,007,667 (181,400,000)	174,480,000 (–) 174,480,000 (–)
15.	**Dividend Received from MCX**	15,050,000 (–)	– (–)

III. Transactions with Key Managerial Personnel and relatives of Key Managerial Personnel

Sr. No.	Nature of Transaction	Key Managerial Personnel	Relatives of Key Managerial Personnel
1.	Salary & Allowances	33,848,762 (3,873,708)	1,333,871 (800,000)
2.	Car Recoveries	– (7,500)	– (–)
3.	Dividend paid	10,265,206 (842,391)	90,677 (240,678)

Notes :

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

Transaction during the year		Subsidiary Companies
Loan given:		
	Tickerplant	5,350,000 (462,974)
	National Spot Exchange	6,000,000 (–)
	NBHC	15,500,000 (–)
Loan repaid during the year		
	Tickerplant	5,812,974 (–)
	National Spot Exchange	6,000,000 (–)
	NBHC	15,500,000 (–)
Sales – Services (Project based)		
	MCX	136,000,000 (–)
Reimbursement of		
- Cost of leasehold improvements & other assets charged to them		
	MCX	27,243,928 (6,971,719)
	National Spot Exchange	8,678,179 (–)
Expenses recovered		
	MCX	15,740,387 (–)
	National Spot Exchange	2,983,500 (–)
	NBHC	3,090,546 (–)
Expenses charged to the Company		
- Other expenses		
	MCX	4,164,599 (–)
	FTME	628,641 (–)

Transaction during the year		Subsidiary Companies
Advances made during the year		
	atom	3,180,187 (–)
	Riskraft	1,320,731 (–)
	National Spot Exchange	895,151 (–)
	NBHC	1,269,143 (–)
	FTME	2,174,996 (–)
Interest received		
	MCX	– (144,914)
	National Spot Exchange	45,833 (–)
	NBHC	192,838 (–)
Received towards rent deposits		
	MCX	12,550,000 (–)
	National Spot Exchange	5,508,000 (–)
Investment made during the year		
	MCX	100,000,000 (–)
	NBHC	45,000,000 (–)
	IBS	– (30,400,000)
Salary and allowances		
	Jignesh Shah	31,783,888 (2,482,249)
	Dewang Neralla	2,064,874 (1,302,419)
	Ajay Narasimhan	– (89,040)
Car Recoveries		
	Ajay Narasimhan	– (7,500)
Dividend paid		
	Jignesh Shah	10,209,551 (827,941)

(b) Related party relationship is as identified by the Company and relied upon by the auditors.

(c) Previous years figures are given in brackets.

(d) The Company holds equity investments of 27% in e-Logistics Private Limited ('ELPL'). However the transactions with ELPL are not included in the aforesaid disclosure as an associate of the Company since in the opinion of the Company, there is no significant influence exercised over ELPL and hence, its accounts are not consolidated on equity accounting basis and accordingly, the same is also not a related party. (refer Note 6)

18. Loans and advances in the nature of loans (as required by clause 32 of the Listing Agreement with the stock exchanges)

Name of the Company		Balance as at 31.03.2006 Rupees	Balance as at 31.03.2005 Rupees	Maximum balance outstanding during the year Rupees
Multi Commodity Exchange of India Limited	Subsidiary	21,548,061	–	21,548,061 (9,307,068)
Tickerplant Infovending Limited #	Subsidiary	1,798,719	462,974	5,682,488 (462,974)
atom technologies limited #	Subsidiary	6,006,146	–	14,174,624 (–)
Financial Technologies Middle East	Subsidiary	1,546,356	–	6,376,730 (-)
National Bulk Handling Corporation Limited	Subsidiary	1,773,824	–	26,149,644 (–)
National Spot Exchange Limited	Subsidiary	13,733,169	–	13,733,169 (–)
Riskraft Consulting Limited #	Subsidiary	5,915,603	–	5,915,603 (–)
Parshva Systems	Others	1,360,327	1,466,419	1,466,419 (1,500,000)

non-interest bearing

Notes :

i) Loan to Parshva Systems is repayable in instalments within 120 months.

ii) Loans to employees as per the Company's policy are not considered.

iii) None of the loanees has made investments in the shares of the Company.

iv) Previous years figures are given in brackets.

19. Earnings Per Share is calculated as follows:

Particulars	Current Year Rupees	Previous Year Rupees
EPS before extraordinary items		
a) Net profit after tax and before exceptional/non-recurring items	482,350,213	99,131,682
Short provision for income tax of earlier years	41,269,716	(6,000,000)
Net profit available for equity shareholders	441,080,497	93,131,682
b) Weighted average number of equity shares		
Basic	44,008,936	41,187,674
Add : Effect of dilutive stock options	36,655	36,955
Diluted	44,045,591	41,224,629
c) Basic earnings per share (Rs.)	10.02	2.26
Diluted earnings per share (Rs.)	10.01	2.26
d) Face value per share (Rs.)	2	2
EPS after extraordinary items		
a) Net profit after tax and exceptional/non recurring items	465,942,144	99,131,682
Short provision for income tax of earlier years	41,269,716	(6,000,000)
Net profit available for equity shareholders	424,672,428	93,131,682
b) Weighted average number of equity shares		
Basic	44,008,936	41,187,674
Add : Effect of dilutive stock options	36,655	36,955
Diluted	44,045,591	41,224,629
c) Basic earnings per share (Rs.)	9.65	2.26
Diluted earnings per share (Rs.)	9.64	2.26
d) Face value per share (Rs.)	2	2

20. Joint Venture Disclosure :

a) Jointly Controlled Entity by the Company :

Name of the Entity : Dubai Gold and Commodities Exchange DMCC
Country of Incorporation : United Arab Emirates
% Holding : 40.00%

b) Interest in the assets, liabilities, income and expenses with respect to Jointly Controlled Entity ('JCE') (each without elimination of the effects of transactions between the Company and the jointly controlled entity) on the basis of unaudited financial statements of the JCE as at and for the period ended March 31, 2006 and translated at period end rate for assets and liabilities and average rate for income and expenses :

	As at / for the period ended 31st March, 2006 Rupees
I. Assets	
1. Fixed Assets	98,674,981
2. Current Assets	
a) Cash and Bank Balances	397,908,324
b) Loans and Advances	3,103,118
II. Liabilities	
1. Current Liabilities	180,711,988
2. Provisions	1,734,393
III. Income	
1. Admission Fees	226,088,877
2. Interest Income	5,549,137
3. Other Income	95,038
IV. Expenses	
1. Operating and Other Expenses	72,079,656
2. Depreciation	21,243,605
V. Contingent liabilities	–
VI. Capital Commitments	–

21. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below -

Amounts receivable/payable in foreign currency on account of the following :

i. Debtors	Rs. 19,306,816	(US$ 432,718)
ii. Current Liabilities	Rs. 4,389,206	(US$ 98,374)

Note : Previous year figures are not included as the above disclosures have become mandatory from March 31, 2006.

22. During the year, the Company decided to divest part of its investments in equity shares of MCX at a price at which MCX proposes to make a public issue (“the Issue”). The expenses related to the proposed public issue of MCX, including Offer for Sale by the Company, are shared by the Company (as a selling shareholder) in proportion to the number of shares proposed to be sold as a part of the Issue, as approved by the Board of Directors of the Company.

23. The Ministry of Company Affairs, Government of India vide its order no. 47/188/2006-CL-III dated May 22, 2006 issued under Section 212(8) of the Companies Act, 1956, has exempted the Company from attaching the Balance Sheet and Profit and Loss Account of subsidiaries under Section 212(1) of the Companies Act, 1956. As per the order, key details of each subsidiary are attached along with the statement under section 212 of the Companies Act, 1956.

24. Figures for the previous accounting year have been regrouped/rearranged wherever necessary to correspond with the figures of the current year and are disclosed in brackets. Amounts and other disclosures for the preceding year are included as an integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to the current year.

As per our attached report of even date.
For Deloitte Haskins & Sells
Chartered Accountants

P. R. Barpande
Partner

Place: Mumbai
Date : 17th June, 2006

For and on behalf of the Board

Jignesh Shah
Chairman and Managing Director

C. Subramaniam
Director

Hariraj Chouhan
Company Secretary

Place: Mumbai
Date : 17th June, 2006

Balance Sheet Abstract

Balance Sheet Abstract and the Company's General Business Profile

I. Registration Details

Registration Number	15586	State Code	18
Balance Sheet date	31-03-2006		

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

Public Issue	Rights Issue
–	–
Bonus Issue	Private Placements
–	–

III. Position of Mobilization and deployment of funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
1,510,176	1,510,176
Paid-up Capital	Reserves & Surplus
88,018	1,422,158
Secured Loans	Unsecured Loans
–	–
Net Fixed Assets	Investments
91,753	1,602,459
Net Current Assets	Deferred Tax
(196,707)	12,671
Misc. Expenditure	Accumulated Losses
–	–

IV. Performance of Company (Before Exceptional Items) (Amount in Rs. Thousands)

Turnover (Sales and Other Income)	Total Expenditure
962,569	331,241
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
631,329	482,350
Earnings per Share in Rs. (refer Note 19 of Schedule 14)	Dividend Rate %
10.02	300%

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

Item Code (ITC Code)	Product Description
85249009.10	Software Product

Jignesh Shah
Chairman and Managing Director

C. Subramaniam
Director

Place : Mumbai
Date : 17th June, 2006

Hariraj Chouhan
Company Secretary

Statement Regarding Subsidiary Companies

(Amount in Rupees)

Particulars	Multi Commodity Exchange of India Ltd.	IBS Forex Ltd.	Riskraft Consulting Ltd.	atom technologies ltd.	National Spot Exchange Ltd.	National Bulk Handling Corporation Ltd.	Financial Technologies Middle East	Tickerplant Infovending Ltd.
Paid Up Capital	389,568,250	40,000,000	6,000,000	20,000,000	15,000,000	45,000,000	30,376,250	7,500,000
Reserves	2,567,802,769	(12,083,603)	(5,355,144)	(9,954,743)	(17,404,322)	(7,951,975)	(19,311,422)	(3,986,624)
Total Assets	6,498,643,354	28,785,090	7,953,571	17,580,339	15,206,434	46,251,885	20,643,432	5,376,682
Total Liabilities	6,498,643,354	28,785,090	7,953,571	17,580,339	13,206,434	46,251,885	20,643,432	5,376,682
Details of Investment [Except in case of Investment in Subsidiaries]	5,244,158,485	21,181,569	–	8,476,855	–	4,067,235	–	–
Revenue	1,043,897,574	6,773,529	243,805	76,856	64,447	22,463,331	–	–
Profit before Taxation	632,302,552	(2,556,868)	(5,304,144)	(9,914,743)	(17,302,322)	(7,831,975)	(19,311,739)	(3,487,320)
Provision for Taxation	173,437,108	3,670,957	51,000	40,000	102,000	120,000	–	17,300
Profit after Taxation	458,865,444	(6,227,825)	(5,355,144)	(9,954,743)	(17,404,322)	(7,951,975)	(19,311,739)	(3,504,620)
Proposed Dividend	77,913,650	–	–	–	–	–	–	–

Notes

Financial Technologies
Powering e-Xchange Markets

Financial Technologies (India) Limited

Regd. Office: IIIrd Floor, 16, Surya Flats, IInd Cross Street, Seethammal Colony Ext., Teynampet. Chennai 600 018.

Notice

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of Financial Technologies (India) Limited will be held on Friday, the 29th September, 2006 at 12.30 p.m. at the Russian Cultural Centre, 74, Kasturi Ranga Road, Chennai – 600 018, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors' thereon.
2. To confirm the payment of Interim Dividend and to declare a Final Dividend on Equity Shares.
3. To appoint a Director in place of Mr. P. G. Kakodkar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, the retiring Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification(s) the following resolution as a Special Resolution:

   "RESOLVED THAT pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 including any amendments thereto, the Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time (hereinafter referred to as "the Guidelines") other applicable laws and subject to such approvals, consents, permissions and sanctions as may be required from appropriate authorities or bodies from time to time, the Board of Directors (hereinafter referred to as "the Board" which term shall include a duly authorized and constituted Committee of Directors), be and is hereby authorized to create, offer and grant from time to time, upto 4,40,000 (Four Lacs Forty Thousand) stock options in the aggregate (in case of bonus and rights issues and split of shares, the aggregate number of stock options would increase in the proportion of bonus and rights and split of shares) to the eligible employees and Directors of the Company in one or more tranches, under the Employees Stock Option Scheme - 2006 ("the Scheme") of the Company, and each such stock option shall be exercisable for one fully paid-up equity share on payment to the Company for such shares at price(s) to be determined by the Board from time to time in accordance with the Scheme.

   RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot equity shares upon exercise of stock options from time to time in accordance with the Scheme and such shares shall rank *pari passu* with the existing equity shares of the Company in all respects.

   RESOLVED FURTHER THAT the Board be and is hereby authorized to modify or amend any of the terms and conditions of the Scheme as it may deem fit from time to time in its sole and absolute discretion in conformity with provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and the Guidelines.

   RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds and things and to execute all such deeds, documents, instruments and writings as it may in its sole and absolute discretion deem necessary or expedient and to settle any question, difficulty or doubt that may arise in regard thereto."

6. To consider and, if thought fit, to pass, with or without modification(s) the following resolution as a Special Resolution:

   "RESOLVED THAT pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 including any amendments thereto, the Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended from time to time (hereinafter referred to as "the Guidelines"), other applicable laws and subject to such approvals, consents, permissions and sanctions as may be required from appropriate authorities or bodies from time to time, the Board of Directors (hereinafter referred to as "the Board" which term shall include a duly authorized and constituted Committee of Directors), be and is hereby authorized to create, offer and grant from time to time stock options within the aggregate limit of 4,40,000 (Four Lacs Forty Thousand) stock options as referred to in Resolution at Serial Number 5 above to the eligible employees and the Directors of the Subsidiary(ies) of the Company in one or more tranches, under the Employees Stock Option Scheme - 2006 ("the Scheme") of the Company as referred to in Resolution at Serial Number 5 above; and each such stock option shall be exercisable for one fully paid-up Equity Share on payment to the Company for such shares at price(s) to be determined by the Board from time to time in accordance with the Scheme.

RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot equity shares upon exercise of stock options from time to time in accordance with the Scheme and such shares shall rank *pari passu* with the existing equity shares of the Company in all respects.

RESOLVED FURTHER THAT the Board be and is hereby authorized to modify or amend any of the terms and conditions of the Scheme as it may deem fit from time to time in its sole and absolute discretion in conformity with provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and the Guidelines.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds and things and to execute all such deeds, documents, instruments and writings as it may in its sole and absolute discretion deem necessary or expedient and to settle any question, difficulty or doubt that may arise in regard thereto."

Notes:

1. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
2. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.**
3. Instrument of proxy, in order to be effective, must be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
4. Members/Proxies are requested to fill in the enclosed attendance slip and deposit it at the entrance of the meeting hall.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 26th September, 2006 to 29th September, 2006 (both days inclusive) in connection with Annual General Meeting.
6. If the Final Dividend, as recommended by the Board of Directors is approved at the meeting, payment of such dividend will be made on or after 3rd October, 2006 to those Members whose names shall appear on the Company's Register of Members after entertaining all valid requests for transfer of shares lodged on or before 25th September, 2006. In respect of the shares held in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited and Central Depository Services (India) Limited as on 25th September, 2006.
7. Members are requested to notify immediately any change in their address/bank mandate to their respective Depository Participants (DPs) in respect of their electronic share accounts and to the Registrar and Share Transfer Agent of the Company at Intime Spectrum Registry Limited, C-13, Pannalal Silk Mills Compound, Bhandup (West), Mumbai – 400 078, in respect of their physical share folios, if any.
8. Members seeking any information relating to the Accounts should write to the Company, at least 10 days before the date of the meeting, so as to enable the management to keep the information ready.

By Order of the Board

Place : Mumbai
Date : 17th June, 2006

H. S. Chouhan
Company Secretary

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956:

Item Nos. 5 & 6

The Company recognizes the importance of its employees as well as the employees of its Subsidiaries in bringing about growth of the organization. Employee Stock Option Plans (ESOP) gives an opportunity to employees to participate in the growth of the Company and are an effective means of recognizing and rewarding the employees.

The Board of Directors (hereinafter referred to as 'the Board') at its meeting held on 17th June, 2006 has recommended the resolution to be passed as reflected at Items nos. 5 & 6 of the Notice to grant Stock Options under the Employees Stock Option Plan - 2006 ('the ESOP Scheme') in accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme ('Guidelines') of the Securities and Exchange Board of India (SEBI).

In accordance with the Guidelines, it is proposed to grant Stock Options under the ESOP Scheme for employees of the Company and its subsidiaries including the Director(s) of the Company and its subsidiaries, except the Directors belonging to the promoter group who are not eligible to participate in the ESOP Scheme, as per the Guidelines.

Under the ESOP Scheme, which will be administered under the superintendence of the Company's Board/Compensation Committee, the employees will be given an option to acquire a certain number of shares at a price(s) to be determined from time to time in accordance with the Scheme. The vesting of the option, exercise period and other salient features of the ESOP Scheme are as under.

Approval of members is being sought to issue upto 4,40,000 Stock Options under the Employees Stock Option Scheme – 2006 ("the Scheme") of the Company from time to time.

Main features of the scheme are as under:

i) Total number of options to be granted:

Upto 4,40,000 (Four Lacs Forty Thousand) stock options in the aggregate (each stock option after it is vested being exercisable for one fully paid-up equity share on payment to the Company at price(s) to be determined in accordance with the Scheme) will be available for being granted to eligible employees and Directors of the Company and its Subsidiaries.

In case of bonus and rights issues and split of shares, the aggregate number of stock options would increase in the proportion of bonus and rights and split of shares.

Due to non-exercise or resignation of any employee or for any other reason whatsoever, un-used stock options earmarked under this scheme will automatically lapse.

ii) Eligibility:

All permanent employees of the Company and its subsidiaries, working in India or out of India, including the Director(s) of the Company and its subsidiaries, shall be eligible to receive grants under the ESOP Scheme, except the Directors belonging to the promoter group who are not eligible to participate in the ESOP Scheme as per the SEBI Guidelines. The eligibility of any given employee or class of employees for the grant of any option shall be as determined by the Compensation Committee based on such parameters as it may deem fit. The options granted to an employee will not be transferable to any person.

iii) Vesting and maximum period of vesting:

Vesting shall commence on the expiry of twelve months from the date of grant of stock option(s). The requirements of vesting and the period of vesting shall be mentioned in the grant letter which would be issued to the employees or as may be determined by the Compensation Committee.

iv) Maximum period within which the options shall be vested:

The maximum period within which the options shall be vested, shall be 5 (five) years from the date of grant of options.

v) Exercise price or pricing formula:

The options under the ESOP 2006 would be issued at the "Market Price" of the shares at the date of grant of options.

Presently SEBI Guidelines defines "Market Price" as under;

"The latest available closing price, prior to the date of the meeting of the Board of Directors in which Stock Options are granted/shares are issued, on the Stock Exchange on which the shares of the Company are Listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered."

vi) **Exercise period and the process of exercise:**

The employees shall after vesting of the options, exercise the options within a period of three months or within such time as may be decided by the Compensation Committee by making the application and the payment in such manner and on such terms and conditions and on execution of such documents as may be decided by the Board/Compensation Committee.

vii) **Appraisal process:**

The Compensation Committee will select employees in each grade, who shall be eligible for options under ESOP 2006. The selection will be based on employees performance, exceptional contribution, length of service, present grade and compensation structure, integrity and behaviours and or such other basis as the committee may deem fit.

viii) **Maximum number of options to be granted per employee and in aggregate:**

The maximum number of options to be granted to any employee in any one year, shall not exceed 1% of the Issued equity share capital of the Company.

ix) **Accounting Policy:**

The Company shall conform to the accounting policies specified in clause 13.1 of Securities and Exchange Board of India (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999.

The Company intends to use the intrinsic value method to value the options.

In case the Company calculates the Employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of stock options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

Approval of members is sought in terms of Section 81(1A) of the Companies Act, 1956 and also in terms of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 for issue of equity shares of the Company under the Scheme.

The Board/Committee shall have the absolute authority to vary or modify the terms of ESOP Scheme in accordance with the regulations and guidelines prescribed by SEBI or regulations that may be issued by any appropriate authority, from time to time, unless such variation, modification or alteration is detrimental to the interests of the employees/ Directors.

Directors of the Company may be deemed to be interested or concerned in the Resolutions to the extent of stock options/equity shares that could be granted/issued to them under the Scheme.

The Board recommends the Resolutions for approval of the members.

By Order of the Board

Place : Mumbai
Date : 17th June, 2006

H. S. Chouhan
Company Secretary

Details of Director seeking re-appointment at the forthcoming Annual General Meeting

Name of Director	Mr. P. G. Kakodkar
Date of Birth	10/03/1937
Date of Appointment	31/01/2001
Qualifications	M.A. (Economics)
Expertise in specific functional area	Ex-Chairman of State Bank of India (SBI), work spanning over four decades with SBI, handled all aspects of Banking and Finance.
Other Directorships	Sesa Goa Ltd., Sesa Industries Ltd., Goa Carbon Ltd., Fomento Resorts and Hotels Ltd., Mastek Ltd., Hexaware Technologies Ltd., Uttam Galva Steels Ltd., Centrum Capital Ltd., Multi Commodity Exchange of India Ltd., SBI Funds Management (I) Ltd., Auditime Information Systems Ltd., IBS Forex Ltd.
Membership/Chairmanship of Committees of other public companies	3 - Chairmanship 2 - Membership
Number of shares held in the Company	20,433

ATTENDANCE SLIP
[To be handed over at the entrance
of the meeting hall]

Financial Technologies
Powering e-Xchange Markets

FINANCIAL TECHNOLOGIES (INDIA) LIMITED
Regd. Office: III floor, 16, Surya Flats, IInd Cross street, Seethammal Colony Ext., Teynampet, Chennai – 600 018.

Full name of the Member attending (in block letters) ____________________

Full name of the first joint holder ____________________
(to be filled in, if first named joint holder does not attend the meeting)

Name of the Proxy ____________________
(to be filled in, if the proxy form has been duly deposited with the company)

I hereby record my presence at the Eighteenth Annual General Meeting of the Company to be held on Friday, the 29th day of September, 2006 at Russian Cultural Centre, 74, Kasturi Ranga Road, Chennai – 600 018 at 12:30 p.m.

No. of Shares held : ____________

Regd. Folio No. : ____________

DP ID/Client ID No.* : ____________

____
Members/Proxy Signature
(To be signed at the time of handing over of this slip.)

* Applicable to the members whose shares are held in dematerialized form

Note : Shareholders are requested to bring their copies of Annual Report to the meeting.

FORM OF PROXY

Financial Technologies
Powering e-Xchange Markets

FINANCIAL TECHNOLOGIES (INDIA) LIMITED
Regd. Office: III floor, 16, Surya Flats, IInd Cross street, Seethammal Colony Ext., Teynampet, Chennai – 600 018.

I/We ____________________ of ____________
____________________ in the district of ____________________
being a member(s) of the above named Company, hereby appoint Mr./Ms. ____________________
____________ of ____________ in the district of ____________ or failing him/her
Mr./Ms. ____________________ of ____________ in the district of
____________ as my/our proxy to vote for me/us on my/our behalf at the Eighteenth Annual General Meeting of the Company to be held on Friday, the 29th day of September, 2006 at 12:30 p.m. and at any adjournment thereof.

Signed this ______ day of __________, 2006

No. of Shares held : ____________

Regd. Folio No. : ____________

DP ID/Client ID No. : ____________

Affix
15 paise
Revenue
Stamp

Signature