THINK FINANCIAL TECHNOLOGIES

ANNUAL REPORT 2006-07

Financial Technologies

Creating Markets. Unlocking Value.™


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Welcome to Financial Technologies

Creating Markets
Unlocking Value

Overview

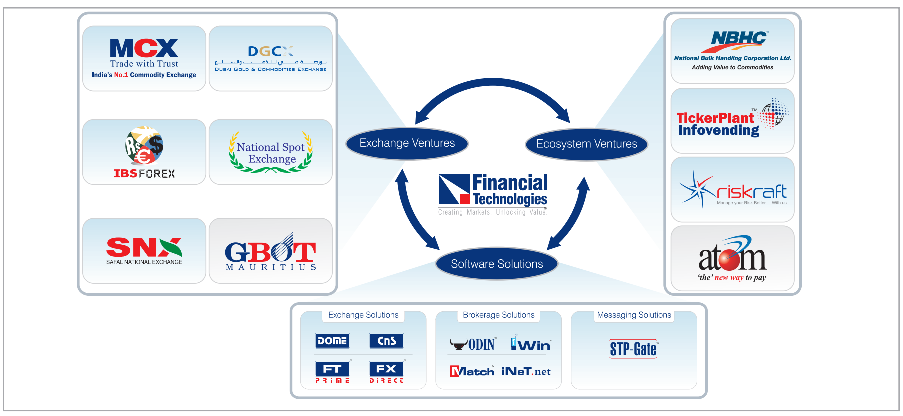
Financial Technologies India Limited (NSE: FINANTECH, BSE: FINTECH), the flagship Company of Financial Technologies Group, a US $3.2 billion Company (market capitalization as on June 30, 2007). It is among the global leaders in offering technology IP (Intellectual Property) and domain expertise to create and trade on next generation financial markets, that are transparent, efficient and liquid, across all asset class including equities, commodities, currency and bonds.

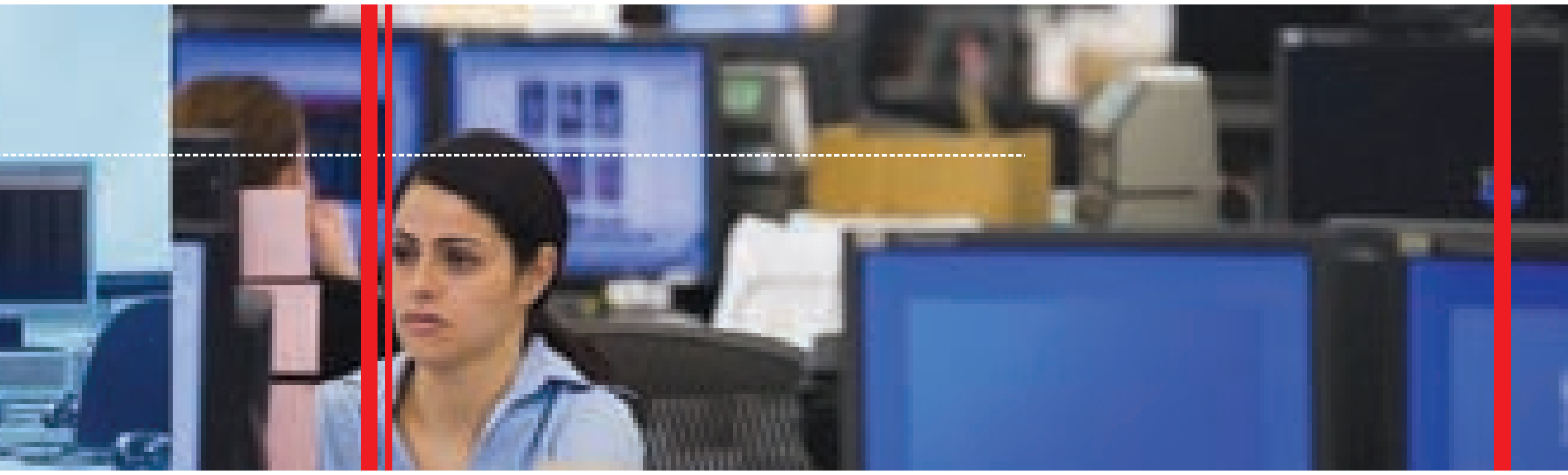
Our relentless focus since 1995 as a super specialist provider of technology IP, productized service and domain expertise for financial markets, has helped us establish ourselves among global leaders in creating successful exchanges in markets that are either underserved or economically unviable to serve by traditional players. Our highly robust and scalable exchange and trading technology platform, coupled with our deep domain expertise, gives us a decisive edge in driving mass disruptive innovation, at the speed and cost of execution that are unmatched in the financial markets industry.

Financial Technologies Group

Financial Technologies has set-up a total of six Exchanges; four in India and two in International markets. Additionally, we have also set up four Ecosystem ventures that complement and augment our Exchange ventures while addressing large market opportunities themselves.

MCX (Multi Commodity Exchange of India) and National Spot Exchange, IBS Forex (Inter Bank Currency Exchange), SNX (Safal National Exchange) have achieved, what next generation financial markets from Financial Technologies, will continue to democratize growth opportunities by leveling the playing field for all market participants in the ecosystem.





Business Model

The technology IP and domain expertise forms an integral part of our business model. With software solutions, exchanges and ecosystem ventures our model forms the three cornerstones of our offering, that enable us to accelerate the economic expansion of the ecosystem in which we operate and make our business model virtually self fuelling.

The exceptional growth of Financial Technologies is attributable to our innovative business model of realizing the highest value for technology IP and domain expertise by

capturing a fair "value share" of the transactions executed on the exchanges in which we are engaged globally.

The prime focus is on IPR creation in the financial markets and trading industry by harvesting intellectual capital.

Leveraging its strong technological platform, the group is ambitiously focused on promoting transaction intensive businesses that are addressing multi-billion dollar market opportunities.

Software Solutions

Exchange Solutions

DOME	Distributed Order Matching Engine
CnS	Clearing and Settlement Solution
FT-PRIME™	Portfolio Based Risk Management Engine
FX-Direct™	Interbank Foreign Exchange Dealing System

Brokerage Solutions

ODIN™	Open Dealer Integrated Network
iNeT.net	Browser based online trading solution
iWin™	Internet based real time trading solutions for mobile or handheld device
MATCH™	Comprehensive back office solution

Messaging Solution

STP-Gate™	Robust secure and scalable transaction processing platform

Exchange Ventures

Multi Commodity exchange (MCX): India's leading multi commodity exchange

Dubai Gold and Commodity exchange (DGCX): The first international commodities and currencies derivatives exchange in the Middle East

IBS Forex: Online Inter bank forex trading platform

National Spot Exchange: Pan India Electronic Spot Market

Global Board of Trade (GBOT): Gateway to serve the African continent

Safal National Exchange of India (SNX): Pan India spot exchange for perishable commodities

Ecosystem Ventures

atom technologies: Wireless payment solutions

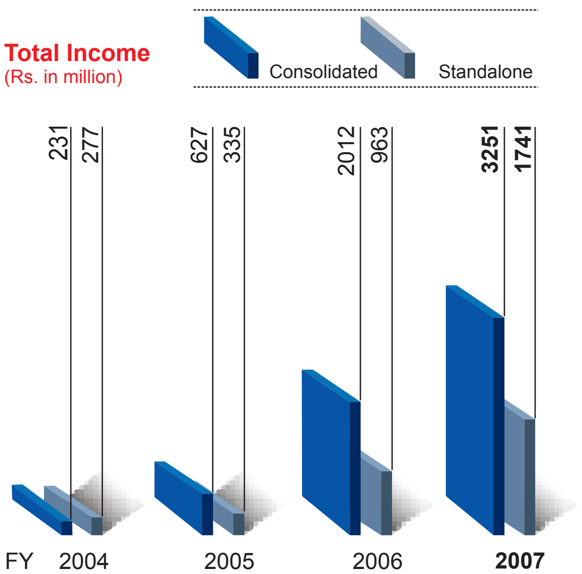
TickerPlant Infovending: Real time financial data service

National Bulk Handling Corporation: Complete commodity management solutions for the entire commodity ecosystem

Riskraft Consulting: Financial risk management and data warehousing consulting services

Business and Financial Highlights

Total Income
(Rs. in million)



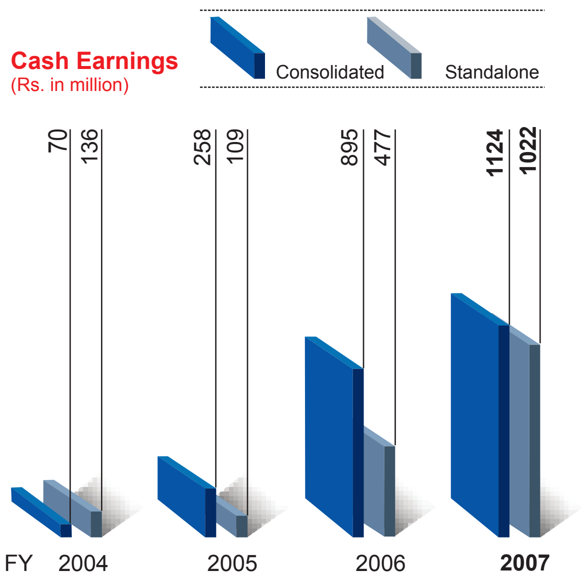
Key Achievements at a Glance

- A global leader in creating exchanges: 4 in India and 2 international
- # 1 technology provider to brokerage houses in India, with 791 brokerage houses using its products
- 80% (est.) market share in securities trading segment in India
- Ranked # 158 in ET*- 500 rankings
- Ranked # 3 in Deloitte Technology Fast 50 India, 2006
- Businessworld** ranked Financial Technologies as the #1 wealth creator in the list of top 10 companies in its segment
- Ranked # 42 in Deloitte Technology Fast 500 Asia Pacific Ranking and CEO Survey 2006
- IT People Award for product innovation Exchange and Brokerage Products on January 19, 2007
- Awarded with “ISV Partner of the year” by Microsoft India in the innovation category at the Microsoft Partner Summit 2006
- MCX awarded Rotary International Corporate Social Responsibility Award for integrating Rural India with Global Markets on January 13, 2007

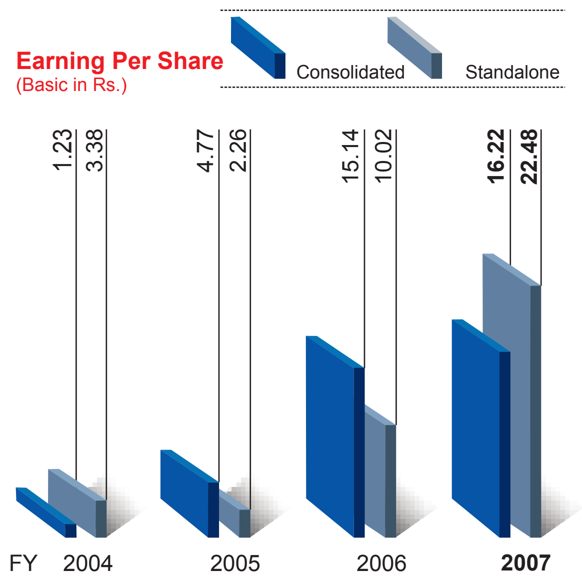
* ET - The Economic Times is the most widely circulated economic and business daily in India and among the top three English financial dailies in the world.

** Businessworld is the largest selling Indian business magazine, and the only business weekly in the country.

Cash Earnings
(Rs. in million)



Earning Per Share
(Basic in Rs.)



Recent Corporate Developments

Financial Technologies has successfully raised US$ 100 million by issuing Foreign Currency Convertible Bonds. The same are listed on Singapore Exchange Securities Trading Ltd. at a premium of 20% to the closing price on December 14, 2006.

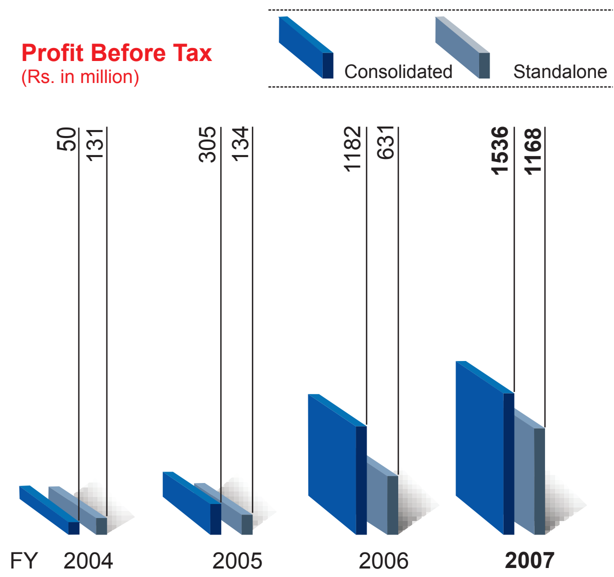
The Financial Services Commission of Mauritius invited Financial Technologies to set up Global Board of Trade (GBOT) in the country. With Mauritius and its open economy as its base, GBOT is expected to become an important and innovative player in the commodity trading process across the globe, with a special focus on Africa.

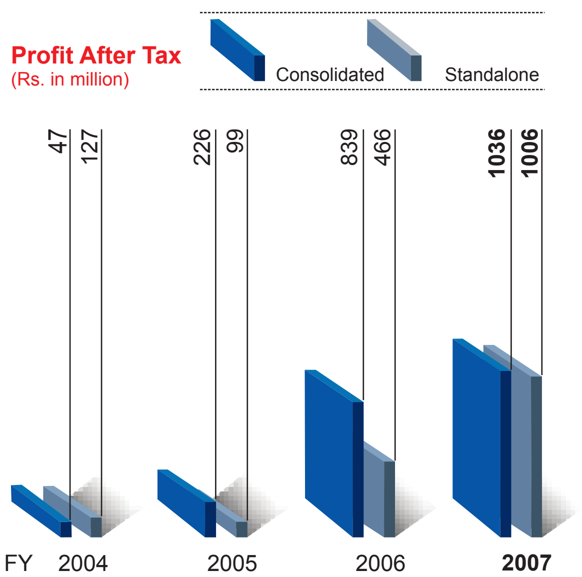
Financial Technologies launches TickerPlant Infovending Ltd., that organizes and delivers real-time market data in an intelligent, user friendly format, supporting quality decision making.

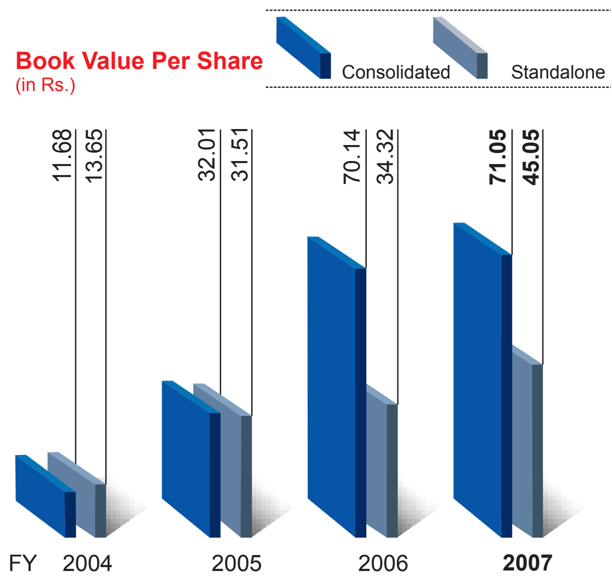
Financial Technologies Group sells 1% stake in DGCX to DMCC, for US$ 12.5 million. Following the sale, Financial Technologies Group holds 49% stake in DGCX.

MCX becomes the first multi commodity exchange in the world to receive ISO/ IEC 27001:2005 certification, the ultimate benchmark of an information security management system.

NBHC is the first Warehousing and Commodity Management solutions provider in India to obtain an ISO 22000:2005 certification, the highest international food standard certification.







01 Letter from Chairman and Managing Director

Creating Markets Transforming Lives

Dear Shareholders,

It gives me great pleasure to report to you on the strong performance of your Company in fiscal 2006-07. It has been a year of robust growth and significant achievements, providing a strong momentum for a secure future for your Company. We reached new records for revenue, profits and dividend payout, while laying a strategic foundation for the future by investing in our core technology Intellectual Property (IP), Exchange and Ecosystem Ventures, both in Indian and International markets.

What I feel most gratified about in addition to the robust financial performance, is that Financial Technologies has emerged as a leader in creating and developing next-generation financial markets globally, across a broad range of asset class

Your Company is ranked 3rd in the Deloitte Technology Fast 50 India 2006. MCX-a subsidiary of the group, was awarded the “Rotary International Corporate Social Responsibility Award” for integrating rural India with global markets. Your Company is also ranked 42nd in the Deloitte Technology Fast 500 Asia Pacific 2006. The Company takes pride in being awarded the “Employer Branding Award 2007” for the category of ”Best HR Strategy in line with business”. Businessworld ranked your Company as #1 wealth creator among the list of Top 10 companies in India in its segment.

I believe, we are incredibly fortunate to have been presented with the opportunity of a lifetime. There are very few businesses in the world where there is a chance to empower and transform the lives of the common man (*aam aadmi*). We have provided them access to tech-centric next generation financial markets that are efficient, inclusive, transparent and liquid, opening new and perhaps unthinkable opportunities. At the same time, we have been able to build a recurring revenue model on these markets.

Driving Inclusive and Equitable Growth

In many respects, your Company is a 'higher-torque' engine today, with both core revenue segments-Exchanges and Trading solutions, starting to gain significant traction. In FY 2006-07, our consolidated income increased by 62% to Rs. 3251 million and net profit stood at Rs. 1036 million. Our standalone results were equally impressive; income growth was at a phenomenal 81% to Rs. 1741 million, and net profit expanded by 116% at Rs. 1006 million.

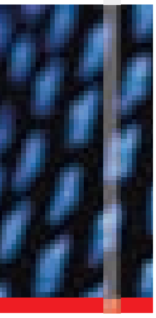
It is a matter of immense satisfaction that these financial results rest on a solid foundation of trust earned by our strong brands, productized services and enduring relationships with our customers and partners over several years. It is on this bedrock of trust, competencies, innovations and partnerships that we have built our aspiration to be a leader in every market and geography in which we operate. Your Company measures its accomplishments not only in terms of financial performance, but also the transformation it has consciously stimulated to augment the natural and social capital.

Efficient, transparent and liquid financial markets are by far the most powerful equalizers, change agents and disruptive platforms, to democratize opportunities for prosperity, by driving inclusive and equitable growth, in India and globally.

Unlocking Value at the middle of the pyramid

Today, it is heartening to see that ODIN™, our flagship trading terminal product, being run on car batteries and trades being conducted on mobile phones on a 9.6 kbps bandwidth in smaller towns and villages. The people using it are fishermen, farmers, retailers and small business owners. It is no surprise that we continued to increase our market share to over 80% in 2007 and have remained the #1 player with a wide lead, consistently for the past several years. We also have 4 out of India's top 5 Internet trading platforms as our clients.

DOME, our Exchange product suite, provides out-of-the-box integrated solutions to set-up multi-asset class Exchanges that offer breakthrough price / value performance to their customers, while driving liquidity and profitability quickly. The solution includes matching engine, surveillance, risk management and clearing & settlement, among other core functions which have made it the:



01 Letter from Chairman and Managing Director

Exchange platform of choice for all new generation markets.

We will continue to make financial markets more affordable and accessible to *aam admi*. We are committed to propagate the benefits of 'price transparency', 'risk hedging' and 'structured finance' platform to the masses, effectively helping them unlock value at the middle or bottom of the pyramid.

Democratising Growth Opportunities

Your Company has always believed that tech-centric next generation markets will do to global finance, what the internet did to content, communication and other industries. We have enabled mass disruptive innovation at a speed and cost that will democratise global economic growth. Our endeavors, through Exchange and Ecosystem Ventures, act as catalysts in accelerating the same in economies, where there are significant opportunities to unlock value.

MCX continues to gain market share (72% as of March 2007) and has also become the third largest bullion exchange in the world this year. Meanwhile DGCX, our strategically positioned exchange, between the time zones of London and Tokyo, continues to register wins and has introduced gold options on its platform. SNX, the first spot exchange in the country to provide a nation wide platform for electronic trading in horticulture, floriculture, dairy and allied products, was also launched this year. Its operations have successfully started in the mango season in the states of Maharashtra, Karnataka and Andhra Pradesh. National Spot Exchange will be a Pan India electronic spot exchange that will complement the existing futures market. This year also saw the incorporation of GBOT in the Republic of Mauritius. It is an embodiment of your Company's vision of creating world class markets, organized to initiate derivatives trading in multi commodities and intended as a gateway to serve the untapped African continent.

NBHC, our Pan India network platform, connects government and private warehouses. It is managing 570+ storage facilities, assisting 8 banks in collateral management and manages stock worth Rs. 7290 million under collateral management. Riskraft is a unique knowledge partnership model, created to identify and mitigate risk, well suited to the business models of banks. TickerPlant has been launched in April 2007, to deliver real-time market data to address middle of the pyramid markets at competitive prices. The market segments proposed to be covered are equity, commodities, foreign exchange, mutual funds and bonds. atom empowers wireless telephony users to transact over the phone. This new generation technology will provide greater convenience by enabling faster counter payments, remote payments and secure ATM transactions.

The success of these ventures has demonstrated our expertise in envisioning and setting up markets that are secure, integrated, transparent, and liquid. The success of our exchange ventures drives demand for our trading terminals, creating a force-multiplier effect and perpetually self-fuelling growth cycle.

Fostering Innovation and Value Creation

Your Company, a first generation entrepreneur Company, has the spirit and appetite of a small Company, but the vision and execution capabilities of a large corporate.

Innovation and value creation are critical to the future success of Financial Technologies. We continue to invest in developing the leadership and management skills that will help us build a world class intellectual capital asset.

The employee base in your Company has grown by 61% to 1451. In order to meet the ever-increasing infrastructure requirements, your Company has under taken the initiative to build its own office premises and state-of-the-art facilities by adding 2,27,000 sq.ft, which is expected to be operational later this year. In order to ensure competence development and the building of a strong team, your Company has imparted approximately 19,000 manhours of training to its employees.

The shifting global economy will continue to reward markets and companies that put innovation and value creation above everything else.

Leadership in Corporate Governance and CSR

To foster greater transparency and as a part of our pursuit for excellence, we continue to benchmark ourselves against global standards, in all areas of operations, including corporate governance and CSR. Your Company is setting new standards in corporate governance by initiating updation of the Code of Conduct, Insider Trading Policy, Information Security Policy and further strengthening its Internal control system. We have also declared and implemented a new communications and analyst policy and put in place the Code of Conduct on Affirmative Action. We believe that these and other measures will protect and enhance shareholder value over the long term.

Your Company is deeply committed to make a difference through its CSR activities by making them integral part of our business and organization culture. This year the group has taken initiatives such as Gramin Suvidha Kendra (GSK), a joint scheme with India Post to provide commodity related information to Indian farmers and 'Pragati', together with Rotary International to empower lesser privileged communities with education and awareness towards personal growth and self employment. Your Company also recently conducted successful blood donation drive, in association with Rotary Blood Bank, resulting in 282 units of blood in a single day. As part of other CSR activities, Financial Technologies has successfully carried out tree plantation drive, old clothes and computers donation drive to NGO's and other qualified charitable institutes as its responsibility towards the society and the environment.

The Journey is the Reward

In summary, I believe, we have successfully positioned ourselves at the center of the financial markets industry and digital transactions space.

Globally, the shift away from the traditional form of trading to greater ease and transparency of electronic trading platforms is inevitable, presenting an affirmative outlook to our core focus of business. Anticipated new regulations and reforms, along with easing process for investment in exchanges are expected to be an important growth engine for strengthening the business further and bringing new dynamics into the markets. We understand how marketplaces function and the complex infrastructure that drives them. Your Company has created an excellent foundation for capitalizing on the future developments in the exchange industry and associated sectors.

Having firmly positioned ourselves among the global leaders in this business, the journey of converting the intangible asset of Technology IP and Financial Market Domain expertise into tangible value will continue to unfold.

Villagers in Dhamangaon benefitting from MCX futures commodity prices.

The more transactions get automated and electronic and the more financial markets become organized and digital, the more we will be able to drive our customers' business growth and scale our business. Most importantly, we have an opportunity to transform more lives in the process. The journey is truly the reward.

I would like to take this opportunity to thank all our shareholders, customers, partners and employees for the continued support and contribution to the growth of your Company.

I am excited about our journey, which I believe has just begun.

Sincerely Yours,

Jignesh Shah
Chairman and Managing Director

02 Letter from Director - Finance

Creating Markets Driving Growth

Dear Shareholders,

I am extremely pleased to state that Financial Technologies (Standalone) has shown a spectacular growth rate of 81% in total income for FY 2006-2007. The net profit after exceptional items for this year has more than doubled to Rs. 1.01 billion, growing by 116% from the previous year, bringing our competency in STP Technologies to the fore. IPR based licenses model provides a strong base to our revenue model.

Financial Technologies Group displayed an impressive growth rate of 62% in revenue. The major contributor to this performance were the exchange ventures, as we witnessed excellent growth in commodity trading volumes by 138% crossing the Rs. 23 trillion mark (for MCX) in the financial year 2006-07. We continue to invest in new lines of businesses, including information feed, mobile payment technology, and others that we believe will contribute to our long-term growth.

We intend to sustain the long-term growth of our businesses through technological innovation and a commitment to delivering high-quality products and services to customers and partners.

Performance Highlights (Standalone)

- Cash earnings during the year: Rs. 1021.50 million
- Total income: Rs. 1741.32 million
- EBIDTA: Rs. 1186.62 million
- Profit after tax: Rs. 1006.12 million
- Earning per share (basic): Rs. 22.48
- Return on equity: 59%

Performance Highlights (Consolidated)

- Cash earnings during the year: Rs. 1124 million
- Total income: Rs. 3250.79 million
- EBIDTA: Rs. 1633.76 million
- Profit after tax before minority interest: Rs. 1035.50 million
- Earning per share (basic): Rs. 16.22
- Return on equity: 49%
- Market capitalization: Rs. 8061 million (as of March 31, 2007)

Self fuelling Business Model

Financial Technologies has its sights squarely focused on building a brand-centric model leveraging quality products to generate sustainable and assured annuity revenues. The business model accelerates the economic expansion of the ecosystem while benefiting from its own growth, and making it virtually self fuelling.

> *As we are in the business of incubating high growth ventures, our efforts are centered on generating free cash flow. The financial yardstick we use to measure cash flow is cash earnings. We generated Rs. 1022 million in cash earnings in the year in review, indicating an impressive 134% increase from 2006.*

Cash earnings are calculated as net income plus depreciation. Continuously achieving progressively higher annual cash earnings targets is testimony to the relentless dedication of our team's focus on leadership via success.

Additionally, we constantly assess our capital structure, and review it with the board of directors throughout the year. To date, we have consciously maintained maximum flexibility by building our cash balances. The start-up expense on each of the subsidiaries and joint ventures have been internally financed and charged as expenses to the P & L A/c as and when incurred.

Growing On Relationships

Financial Technologies excels in its proactive communication with its investors across the globe. Our professionalism has placed us on the global map with a significant assertion by FIIs having increased their stake to around 31.98% as of March 2007 from 0.71% in June 2004. These consist of names such as Fidelity, T. Rowe Price, Merrill Lynch, JP Morgan, Lloyd George Investment and Passport Capital.

The earning per share (EPS) of Financial Technologies (Standalone) has grown by 124% to Rs. 22.48 in the financial year 2006-07, as compared to Rs. 10.02 in the year 2005-06. Financial Technologies is a growth Company with strong cash flows and margins, and once investors understand our business model, they find our strategy compelling.

In the last three years (ended March 31, 2007), the Financial Technologies stock price has outperformed the BSE IT index. Our Company's stock has risen by more than 2300% while the BSE IT index has risen by only 189% over the same period. This implies market acceptability of the Company’s unique growth model and the unparalleled success it has enjoyed so far. The value created for our shareholders is substantial and we aim that in the long run, we will deliver consistently high return on capital to our shareholders.

Looking Beyond

Our business philosophy has been pivoted on investing in ventures, which are highly scalable with high operating margins, which require low fixed capital and negligible working capital. We look at high growth opportunities involving minimal investments in fixed assets and having the potential to reach a sizeable scale in three to four years. The extraordinary opportunities available in the businesses which we operate, should enable us to deliver higher return on the capital thereby, keeping our long-term growth numbers intact.

Regards,

Shreekant Javalgekar
Director - Finance

03 Letter from Director - Technology

Creating Markets Inspiring Innovations

ear Shareholders,

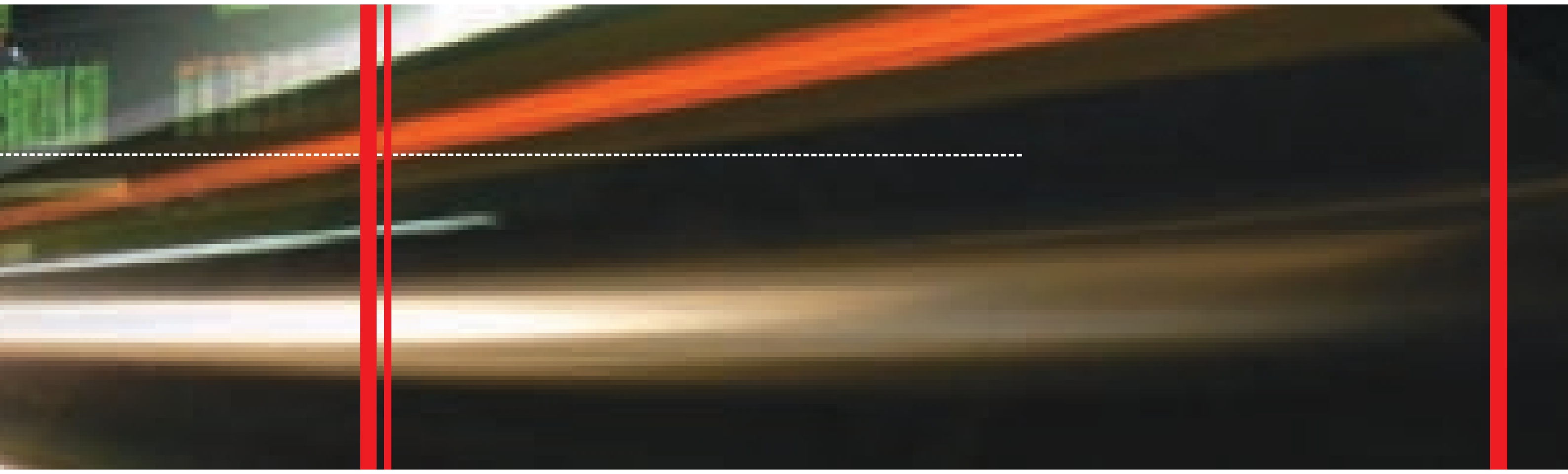
he world is changing and so are we. As we continue to harness the ower of cutting-edge technology, we are moving faster towards the etter, and are offering more.

Our strength lies in our single-minded, customer-centric approach in developing our products. We shrink the timeframes for return on investments, and offer record setup times with maximum uptime.

s a machine critical business, it is imperative that our technology does ot fail. We are innovators in introducing new technology architecture and esigning components and protocols to deliver cutting-edge technology ith enduring performance. Our deep understanding of financial markets nd how brokers operate has enabled us to create the technology that rotects them from the pitfalls that they may encounter. When we design ur products, we make sure that they are “time proofed”, there is enough oom for scalability and adaptability for at least 10 to 15 years. At the end f the day, we aim to become the logical solution provider to our ustomers’ needs

hriving on Disruptive Innovation

oday, the next generation tech-centric financial markets are driving isruptive innovation. We have evolved tremendously from the first eneration of exchange technology that was focused only on constructing reliable domestic trading system for one product, primarily stocks. ommoditization started with the second generation trading systems and, e envisage this trend to continue going forward. The exchange industry expected to continue to play a crucial part in the region's capital arkets to create wealth and growth. Supervision and control will be ritical to a greater extent to guarantee fairness and create a level playing eld. There is an increased pressure to offer standardized solutions with igh interoperability to a low cost of trading. Information Technology(IT)



will continue to be a leading competitive element for exchanges. The next generation trading systems will be a whole new breed, with intensity level increase in execution and further standardized methods for trading and connectivity.

High development costs and risks, involved in running and launching large IT projects, demand highly specialized expertise. Building an inhouse exchange trading system will be a thing of the past, with only a few extremely-sophisticated players having the competence to develop robust high-speed trading systems.

Today, the winning combination for exchanges is one that can combine the best technology with the most cost-efficient operations, while offering the shortest time-to-market, new products and services.

Financial Technologies has gained a prominent presence in this arena. Essentially, we strive to craft smart IT strategies, intended to augment competitiveness, as well as ensure preparedness for the future.

We are speaking the same language!

Globally, exchanges are on a drive towards making trading available 24x7 by extending their trading sessions. This further fuels the possibility of consolidation between exchanges worldwide. There also arises the need for best practices technique for securing ROI and offering resilience to change and early mitigation of risks. This would ultimately necessitate a grid-based model to be implemented by most of the leading exchanges. Eventually, there would be an optimum use of infrastructure and a shift from computing to cross-functional grid architecture. Grid and service-oriented architecture (SOA) are complementary notions with common business goals and fundamentally, the same technology underpinning period. A tactical solution will be required to implement the grid-based model, for addressing various aspects, such as sharing data and communicating results among the market entities. Today our prime focus is to invest our time and resources in capitalizing on these next-generation solutions.

Financial Technologies' integration of SOA has reduced costs as well as brought it into the mainstream, as the standard adopted by most market participants are based on SOA layers. SOA has encouraged us to respond more quickly and cost-effectively to the changing market conditions, facilitating integration, and consolidation of activities within complex enterprise systems. We have been able to achieve the desired results for our service customers, as SOA architecture links business and computational resources (principally organizations, applications, and data).

However, the data issue persists and is expected to become an even larger problem by 2007. The effects of RegNMS, penny option pricing and MiFID, in just the equity and options asset classes alone, across the global exchanges, will create an explosion in transactional data volume. The volume of market data messages is set to soar from under 4 billion messages per day in 2006, to nearly 130 billion per day by 2010, an increase of nearly 140% CAGR. Spurring this growth are the brisk M&A activities, leaving large firms in insulated silos. The exponential growth in transactional data volume in the market today, needs to be accurate with low-latency. As the industry gropes to comply with existing and upcoming regulations, the need for robust data solutions will become unavoidable.

03 Letter from Director - Technology

Having adopted the FIX protocol, Financial Technologies has been able to assist its customers to transact in an electronic, transparent, cost efficient and timely manner.

FIX Protocol adopted by Financial Technologies has become the de-facto messaging standard for pre-trade and trade communication globally within the capital markets, and is now experiencing rapid expansion into the post-trade space.

It supports Straight -Through- Processing (STP) from Indication-of-Interest (IOI) to Allocations and Confirmations. Our Company has been gathering momentum by integrating the FIX standard and we plan to increase our base in all asset classes as we expand globally.

The Future belongs to Mobile Technology!

The wireless mobile market represents the biggest story of technology in recent history period. Today we have come full circle, moving from traditional trading over the phone to the computer and back on to the phone. However there is a big difference in the speed and features. Rapidly evolving technologies, such as PDA, are blurring the line between a Smartphone and a handheld device. This new found freedom is attributed to being able to access and share information from anywhere and at any time, with exceptional clarity, in strikingly innovative ways. Mobile-based payments in lieu of credit cards are fast gaining acceptance. Mobile represent the terminal for trading allowing traders to give speedy responses to all changes in the market and make trades worldwide. Our atom initiative is a positive step in displacing credit cards.

Today, more and more people are starting to interface with the world through their phone, its ubiquitous nature being a powerful tool for deeper market penetration. As new breeds of wireless networks with higher speed and capacity evolve, the sizes of mobile phones are shrinking and their processing power is increasing. The challenge here is the limited real estate on the frame on which, we have to maximize features in a meaningful user friendly manner.

Convergence, Segmentation and Shrinking Timeframes

The emergence of a myriad of devices on diverse media has led to an imperative focus of technological developments in convergence. We are riveted on providing a consistent experience, moving from device to device, on different kinds of media. Our core focus is on financial markets, which is extremely 'content-rich' and therefore delivery has to be streamlined in an intelligent and consistent way, from device to device. Another area of focus is the latency that is inherent in digital infrastructures. Response time being a critical trading aspect is an important area of action, where we are looking at minimizing data transmission delay as much as possible. From seconds we have moved to milliseconds and I guess, the future is in microseconds.

In the global markets, there is a rise in trading segmentation leading to specialized trading, such as arbitrage, program and algorithmic trading, by using sophisticated data analyses in their decision making. To execute orders according to a pre-defined strategy, automated algorithmic trading strategies using computer programs and sophisticated trading analytics are becoming increasingly popular. India, too, is poised to pick up on these trends, presenting an enormous opportunity for upgraded technology and data analyses to handle complex bases for trading.

A Vitalizing Future

Brokerage firms are stepping up major spends in technology infrastructure to be able to handle volumes and compete in a changing marketplace.

Additionally, financial services IT spending is escalating across industries, all over the world. Moreover, cheaper-to-operate electronic markets are proliferating, displacing the traditional "open outcry" trading floors. Our Company is well placed to benefit from the opportunity to provide cutting edge technology to exchanges and the brokers who trade on the markets as well as other financial services companies.

With an eye on the future, our core focus is to use technology as the catalyst to create real value to real people. We are constantly focused on innovation in technology and business models. We will continue to operationalize and commoditize the creation of business enterprises around technology components, taking it to the next level. Through robust growth and strong fundamentals, we aim to deliver good returns to all our shareholders.

Regards

Dewang Neralla
Director - Technology

Leadership Team

Arshad Khan
Director
Business
Development
(MENA)

Paras Ajmera
Director
Operations
& HR

V Hariharan
Director
Strategy

Jignesh Shah
Chairman &
Managing Director

Dewang Neralla
Director
Technology

Manjay Shah
Director
Business
Development

Shreekant Javalgekar
Director
Finance

Miten Mehta
Director
Communications

04 Global Trends

Creating Markets
Democratising Opportunities

Global Economy

The global economy is going through a remarkable overall growth trajectory, in all regions. The global output growth has reached its highest rate in the past decades, with output expanding vigorously in 2006 at 5.4%. Expectations of continued solid economic growth and fading inflation concerns contributed to buoyant global financial market conditions. The global economy remains on track for continued robust growth in 2007 and 2008.

However, an economic slowdown in the United States is expected to bring down its growth to 2.2% this year, from 3.3% in 2006. The growth is also expected to ease in the Euro area. In Japan, the expansion is projected to continue at about the same pace as in 2006. Emerging markets and developing countries are expected to continue to grow strongly, albeit at a somewhat slower pace than in 2006. Commodity-rich countries will continue to prosper.

Technology Trends in Global Financial Markets

Structures and mechanisms of the world trade are constantly evolving, driven in part by the evolution of technology. As markets move quickly, trading in all types of investment classes continues to migrate to electronic trading from the traditional methods. The technology that supports trading practices is changing at a phenomenal pace. Ever-faster systems have created new expectations, putting new pressures on exchanges. They have to be able to deal with a consistent exponential growth of messages and learn to be smarter about where and how to route orders and to do it faster than ever before. To manage this widespread and unprecedented growth, exchanges are being forced to expand their already large investments in both, routing power and bandwidth. For Financial Technologies, a major supplier of solutions to exchanges and marketplaces, these developments present both, challenges and opportunities, enabling it to strengthen its position in the industry.

As exchanges rapidly scale the evolution ladder, there are essentially eight recent trends shaping the global exchange industry:

1. Organized Markets

Over the past years, there has been a marked shift from open outcry (pit-based) to electronic exchanges. In the USA, which is the slowest to react to this trend, electronic trading now accounts for more than 70% of the volume (a share that is rapidly increasing as growth on the traditional open outcry systems stagnates).

Virtually, all of the new exchanges introduced globally (since the early 1990s) were electronic markets. All the established European exchanges went electronic before the turn of the century, with the exception of the Budapest Stock Exchange, which still operates an open outcry system in its commodity segment, during part of the day.

The next generation exchange framework of Financial Technologies provides two important advantages:

a. Low Operating and Transaction Costs

Computerized trading systems generally cost more to set up than an open outcry system. However this system is cheaper to operate, once it is up and running. The hardware infrastructure is expensive but fixed, and overhead costs are lower, because screen-based trading requires less labor and skill than an open outcry system. In addition, electronic trading eliminates errors in recording and reporting (out-trades).These factors also account for a lower transaction cost.

b. High Speed

Automation eliminates human intervention in many parts of the trade cycle, thereby bringing high speed and efficiency to the process. It also reduces the possibility of human error.

2. Untapped Markets

At present, markets such as Africa, East Europe, the Middle East, Latin America, South East Asia and the CIS countries remain largely under-penetrated in terms of exchange ventures. These regions account for only 20-25% of the number of exchanges as compared to the developed markets, while their economies are growing at a much faster pace. The growing number of international listings from these countries, the steady rise in consumption in natural commodities and the move towards financial futures (currency futures, stock and bond futures, and options on futures) all pose exciting opportunities. Going forward, given this favorable market environment, Financial Technologies has good opportunities for becoming involved in the setting up and upgrading of exchanges in these regions.

3. Regulations

There is currently little uniformity in exchange regulations and countries follow different regulatory systems and protocols. New regulations such as Markets in Financial Instruments Directive (MiFID) in Europe and Regulation NMS in the USA are expected to streamline the processes, following their implementation in November 2007 and March 2008 respectively.

Financial Technologies intends to keep up with these new market regulations and strives to be an early adapter in making its trading systems compliant to the above mentioned regulatory frameworks.

4. Consolidation

At present, there are many different exchange platforms in the world, each of which runs on a non-compatible platform. These act as a hindrance to the traders and investors since they have to trade on multiple platforms. It is expected that with acceptability on industry wide standards like FIX Protocol, there would be a gradual consolidation of the front end trading platforms, thus allowing the trader / investor to trade across different exchanges. For example, Mumbai based trader would be able to trade real time in New York equities, commodities, currencies and financial futures. Given the inherent low cost, short time-to-market, multiple asset class platform of our trading software, Financial Technologies is expected to be in a unique position to capture this remarkable opportunity.

5. More Players

With evolving technologies in all spheres of commerce, leaning towards user friendliness and accessibility, many more institutional and individual players have been

04 Global Trends

inducted into the world of trading and investing. Additionally, rising market capitalization, coupled with continuously improving technologies for securities trading, has stimulated unprecedented volumes of transactions with a growing turnover rate. A high number of market participants would enable Financial Technologies to market its worldclass software to all categories of market players.

6. Trading Infrastructure

In order to stay competitive in the global markets, the potentially critical differentiator, in the arena for trading centers is technology. Efficient and innovative technology is being used creatively to enhance trading, for example-program trading, algorithmic trading and arbitrage trading. As emerging countries are stepping into the global arena, the potential and possibilities of growth are infinite. Huge amounts of money are being deployed into the development and maintenance of electronic trading platforms, typically in a single asset class. Total US capital market spending on advanced trading technology is expected to amount to US$ 860 million at the end of 2007 and reach US$1.3 billion by 2010. Given Financial Technologies' unique reach in India and globally, it is well positioned to capture the growth in capital market spending on technology at a rapid pace.

7. Evolving Standards

There is an incessant expansion of standards in the financial services industry.

- FIX, making huge inroads in the pre-trade equities market, is aiming to capture the post-trade market and also penetrate into other asset classes, including fixed income, FX, and derivatives.
- XBRL (eXtensible Business Reporting Language) is gaining ground as the main standard for financial reporting.
- Other standards such as FpML (Financial Product Mark-Up Language) and MDDL (Market Data Definition Language) will seek to drastically increase their adoption rate in their respective areas in 2007-08.
- 2007-08 is the year SOA (Service-Oriented Architecture) becomes SOP (Standard Operating Procedure) in the financial services enterprise. Both vendors and correspondent clearing firms are actively putting SOA layers into their product offering. As more vendors and service providers support SOA initiatives, they will benefit from these integration efforts with reduced costs and reduced marketing time because everyone is following the same development standard, regardless of the underlying technology choices.

Financial Technologies believes in the open source model and has been at the forefront in adopting emerging global standards.

8. Competition among exchanges

US and Europe

Time-to-market is crucial to competitiveness. Exchanges are spending more time and money on business development and introducing new products and services. Competition in Europe is still not that fierce, but is slated to change with the introduction of the MiFID this year.

Asia Pacific

The Asia Pacific region was an early adopter of electronic trading and has also been active in the demutualization of its exchanges. Several Asia Pacific exchanges are currently planning to float their IPOs. Competition among Asia Pacific exchanges is beginning to heat up, the most well-known example being OSE and SGX competing over the Nikkei225 contract. There is also growing competition among exchanges worldwide to attract the Chinese listings. However, the competition in Asia Pacific is not as heated as in the US and Europe. This is mainly due to regulatory constraints and restrictions on foreign participation in many markets. It is just a matter of time until there are more attempts to "steal" trading volumes and create attractive and competitive financial hubs in this region; a precursor can be seen in the consolidation of ASX and SFE.

Indian Economy

The Indian economy is on a robust upside trajectory, clocking 9.2% growth in GDP to touch US$ 904.2 billion in 2006. A stable annual growth rate, rising foreign exchange reserves and a thriving capital market, reinforce the confidence in the continuing high-growth phase as India is poised to enter into the big league with a trillion dollar economy.

Commodity Markets

The commodity exchanges, which have seen steady increase in turnovers in recent years, are expected to continue booming in 2007-08 through larger volumes and value of commodities traded.

At present, gold, silver, copper and crude oil dominate trade in the futures market.

On the other hand, agricultural commodities are rapidly gaining ground, against a background of a systemic move from administrative pricing mechanisms to free market pricing. Bringing farmers, traders and consumers on to an electronic trade platform will further promote institutionalization of agriculture and provide viable alternatives to contract farming and corporate farming.

The proposed amendments to the Forward Contracts Regulation Act 1952, are expected to fortify the regulatory features and ensure a systematic setting in the commodity derivatives market.

Equity Markets

The market capitalization of the Indian equity markets has recently exceeded the US $1 trillion mark placing India among the top 10 countries of the world.

At present, the market capitalization to GDP ratio has increased to 1 for India, as compared to 0.3 to 0.4, three years ago. Most of the developed markets have a market capitalization to GDP ratio in the region of 1-1.2 and therefore, the Indian markets, despite their volatile nature and higher interest rates, are now very much valued within this range.

Investment opportunities are growing with new sectors coming up; new infrastructure projects being mooted as public-private partnerships; new oil and gas reserves being found and the government increasingly focusing on social sectors.

The growing economy is witnessed by the boost in the retail segment wherein the number of demat accounts are

Exchange competition will spur technology efficiencies like the lowest round trip time (order matching time) and encourage exchanges to invest more on the latest technology. The exchange trading platforms of Financial Technologies are already highly scalable in terms of high trading volumes and high speed.

04 Global Trends

- growing at a CAGR of 22% over the last three years. There is tremendous growth in the number of trading workstations among major Indian bourses, with CAGR of above 68%, during the same period.
- The rise in the markets is accompanied by an equally strong upswing in the fundamentals, arising largely from a major boom in both, investment and consumption in the Indian economy.

Technology for Financial Markets Industry - An Overview of Domestic Trends

The evolving macroeconomic environment, financial market reforms, and several micro-level factors are responsible for a paradigm shift in the Indian financial citadel. Constantly developing through innovation, this sector is closely allied to the evolution of securities markets, spurring growth in the financial sector. IT spending by Indian industries is expected to grow at a 5-year CAGR of 14%, exceeding US $36 billion by 2009.

Changing Trends in Markets

Until recently, marked by lack of information relating to price and trade, the Indian commodities landscape was characterized by unorganized and fragmented markets. Market disruptions were frequent, and inefficient markets created an insecure trading environment. Due to lack of price transparency, every mandi became an oligopoly of the local trading community. The need of the time was a common interface on a simple communications infrastructure by which prices from one market became accessible to another. With the establishment of three successful national exchanges in the country in 2003/04, all indicators point to the probability of the currently still fragmented regional markets to form a unified national market place in the near future. With more automation, particularly in the spot market segment, major changes in commodity markets are bound to take place.

In addition, the process of regulatory reform initiated in 2000 is moving ahead, and several developments are in the pipeline:

- Banks, foreign institutional investors and mutual funds are expected to be allowed to participate on commodity exchange by the government in the near future.
- The following opportunities will arise with the clearance of FCRA Amendment Bill 2006 which is already placed in the Parliament of India
- Intangibles such as freight rates, weather derivatives, and commodity indices are expected to be allowed in near future.
- Options trading would be seen
- More autonomous powers are expected to be allowed once the amendments on the Forward Contract (Regulations) Act, 1952, are passed by the Parliament

Drivers of New Markets

Bonds / debt exchange

The government bond segment is the oldest and largest component of the debt market. Growing exponentially, the total stock of debt outstanding is roughly US $280 billion as in June 2006. With growing demand from institutional investors such as, insurance companies and pension funds, bonds with maturity extending to 30 years are now available.The potential for the segment to pick up is promising, judging by the large corporate debt being raised in international capital markets.

Currency
Foreign exchange trading increased by 38% between April 2005 and April 2006.This can be attributed to the growing importance of foreign exchange as an asset class and an increase in fund assets, particularly hedge funds and pension funds.

Power
Electricity trading has been recognized as a separate line of business and regulatory commissions have been directed to develop rules on open trading.

SME
The small and medium enterprises(SME) sector has been playing a vital role as a growth-engine of the Indian economy, contributing as much as 80% of total employment. It is estimated that SMEs account for over 90% of industrial units in India and 40% of value addition in the manufacturing sector. They contribute 35% to India's merchandise exports. The four southern regional stock exchanges have started talks for setting up a common trading platform for trading in shares of SMEs.

Others

Insurance
The concept of insurance exchanges is poised to aid the insurance agents rather than displacing them. It is a way for carriers to partner with agents providing them with a comprehensive rather than piecemeal portfolio and guaranteed access to markets, which they otherwise might not be able to reach.

Weather
The global market for weather risk derivatives is valued at US$ 3 - 8 billion and is mainly in the US. Over the past two years, the cross trading of weather and commodities has grown significantly, and increasingly, the two markets are seen to complement and supplement each other in various ways. In the Indian context, weather futures would prove extremely beneficial with the agriculture sector being dependent on the monsoons. This derivatives product could be an alternative to the crop insurance product that now prevails in India, a product that comes with high premium and large costs for the government.

Carbon Credits
With regard to levying taxes on overshooting the allowable carbon emission limits, some countries already have a carbon dioxide tax ranging between US $10 and US $100 per ton. Under the rules of the Kyoto Protocol, companies from these countries can buy “Carbon Emission Reduction” certificates from developing countries, and India has tremendous scope for becoming the world's prime supplier of such certificates, this is likely to become the country's major export in the years to come. This new market needs efficient support, in the form of a high-performing trading and clearing platform.

Diamond
Diamonds may have a future as a commodity. At present, there is reluctance from the traders' community to accept diamonds as a commodity. Standardization and grading is difficult as no two diamonds are alike. However as other sectors have shown, there may be ways to overcome this obstacle.

Creating Markets

Incubating Future

Group Overview

05 Group Overview

Creating Markets Incubating Future

MCX
Trade with Trust
India's No.1 Commodity Exchange

MCX Shareholders

Financial Technologies (India) Ltd.
FID Funds (Mauritius)Limited
State Bank of India
Corporation Bank
NABARD
NSE
Bennett, Coleman & Company Limited
Union Bank of India
Bank of Baroda
Canara Bank
HDFC Bank
Bank of India
SBI Life Insurance Co. Ltd
State Bank of Saurashtra
State Bank of Patiala
State Bank of Indore
State Bank of Hyderabad
State Bank of Travancore
State Bank of Mysore
State Bank of Bikaner & Jaipur

Multi Commodity Exchange of India Ltd. (www.mcxindia.com)

Overview

Multi Commodity Exchange of India Ltd. (MCX) is a demutualized commodity futures exchange with permanent recognition from the Government of India. It started operations on November 10, 2003 and is today the country's market leader with 72% market share. It is the world's first commodity exchange with a dual ISO certification, the ISO/IEC 27001:2005 and the ISO 9001:2000 certification - the first is the ultimate benchmark of an information security management system and the second is on quality management. MCX is also the first and the only commodity exchange in India to become member of the Futures Industry Association (FIA), US, the apex association of all global derivative exchanges.

MCX facilitates online trading, clearing and settlement operations for commodity futures markets across the country. As on March 31, 2007, MCX has 1381 registered members trading on 7214 trading workstations, across 393 cities in 24 states. Plans are afoot to further expand its reach, by penetrating into more cities, towns and villages across India.

Platform for inclusive and equitable growth

Today MCX is:

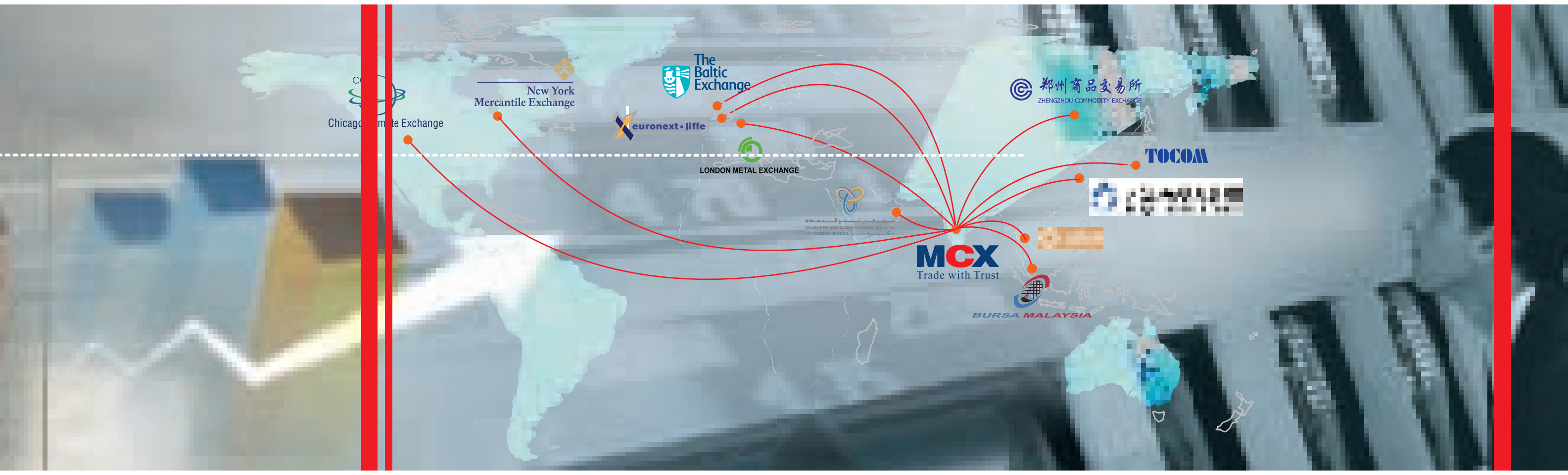
- India's No. 1 commodity exchange with a market share of 72%
- Amongst the top 10 global commodity exchanges in terms of number of contracts traded
- World ranking in commodity-wise contracts traded in 2006:
  - 1st in silver*,
  - 2nd in copper and natural gas* and
  - 3rd in gold and crude oil*.

MCX's evening trading session runs in tandem with global exchanges and manifests its global outlook. MCX's average daily turnover was approximately US$ 2.2 billion (INR 9463 crore), with a record peak daily turnover of US$ 4.1 billion (INR 17,988 crore) on April 20, 2006. The Exchange has also seen large deliveries in domestic commodities, signifying the efficiency of its price discovery process.

Product Offerings

MCX offers trading in futures contracts based on 59 commodities covering

* As per contracts traded in 2006



various market segments, including globally referencable commodities, benchmarked against international prices. The commodity segments are precious metals, energy, base metals, plastics and agriculture.

Strategic Alliances

Global

Through striking strategic alliances with global benchmark commodity exchanges, MCX has become the nerve centre for information sharing and co-operation towards strengthening of commodity exchanges across the world.

These strategic alliances include

- Chicago Climate Exchange
- New York Mercantile Exchange
- Euronext.liffe
- The Baltic Exchange
- London Metal Exchange
- Dubai Multi Commodities Centre
- Bursa Malaysia Derivatives, Berhad
- Zhengzhou Commodity Exchange
- The Tokyo Commodity Exchange
- Agricultural Futures Exchange of Thailand
- Shanghai Futures Exchange

Regional

MCX has astutely collaborated with several domestic commodity and farmers associations and bodies, promoting growth of the Indian commodity sector as a whole.

Partners in these alliances include:

- Bombay Bullion Association
- Bombay Metal Exchange
- Solvent Extractors' Association of India
- Pulses Importers Association
- Shetkari Sanghatana
- Rajkot Seeds, Oil and Bullion Association
- World Gold Council (to form the National Gold Delivery Market)

Financial Technologies has demonstrated a record time-to-market,which has enabled us to pass on cost savings to our customers. This helps them to begin trading on the exchange without committing a substantial, initial investment. Financial Technologies' trading platform has delivered 99.99 per cent availability and a robust architecture, enabling MCX to maintain its market integrity and reputation for operational excellence in the long term.

- **Joseph Massey**, Deputy Managing Director and COO, MCX

Major Indices ready to be Listed are:

MCX COMDEX

MCX COMDEX is a first-of-its-kind Composite Commodity Futures Index in India, mirroring the commodity prices discovered on MCX. The MCX COMDEX tracks futures contracts of the major exchange-traded physical commodities:

MCX METAL Index

The group index of metals include gold, silver, zinc, aluminum, nickel and copper, which are representative of the metal sector.

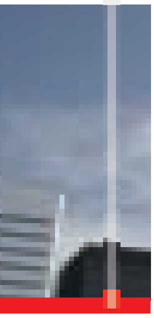
MCX ENERGY Index

The group index of energy comprises crude oil and natural gas, which are representative of the energy sector.

MCX AGRI Index

The group index of agri commodities will include refined soya oil, mentha , potatoes, cardamom, kapaskhalli, chana and guarseed representing different sections of the Indian agriculture.

Note: Brands & logos are ownership of the respective companies.



05 Group Overview

Dubai Gold & Commodities Exchange (www.dgcx.ae)

The first international commodities and currencies derivatives exchange in the Middle East. JV between DMCC (51%) and Financial Technologies Group (49%)

Overview

Dubai Gold & Commodities Exchange (DGCX), the first-of-its-kind in the Middle East region, is a demutualized, fully electronic global commodities and currencies derivatives exchange. DGCX is a joint venture between the Dubai Multi Commodities Centre (DMCC - 51%) the Government of Dubai, Financial Technologies - 39% and MCX - 10%. DGCX commenced trading operations from the November 22, 2005. At present, it facilitates trading in gold futures, silver futures, marine fuel oil, and currency futures in addition to Euro-US$, Japanese Yen-US$,GBP-US$ futures.

DGCX is the first international commodities and currencies derivatives exchange located in a Free Trade Zone, where trading hours overlap with markets in the Far East, Europe and the US. It also provides no barrier on capital and profits repatriation and no foreign exchange control together with a 50-year tax holiday.

DGCX currently has 194+ members which include names such as JP Morgan, Man Financial, HSBC and Deutsche Bank. Trading on 596 trader workstations, DGCX is focused on continued expansion, with exciting new contracts in the pipeline. Traded volumes on DGCX established a new record on April 19, 2007 for the highest number of contracts traded in a day, at 12877 contracts valued at US $853.93 million. Cumulative volume up to March 2007 was recorded at 831,635 contracts and an aggregate value of contracts traded crossed US$ 22 billion.

Product Offerings

Having started out with trading in the US dollar denominated standardized futures contracts in gold futures, DGCX also introduced silver futures and currency futures trading. Extending opportunities to the region's burgeoning investment community, DGCX plans to introduce a diversified range of commodities such as steel, freight rates, pulses and cotton for trading, as the exchange progresses further.

I am happy that DGCX has a technology engine that is powered by Financial Technologies, which guarantees us continuous uptime, low cost of operations and seamless integration with our members and clearing banks. Financial Technologies' understanding of the technological domain and its technology solutions gives DGCX an edge over others.

- Colin Griffith, Chairman, DGCX and Executive Director, DMCC

Partners & Strategic Alliances

DGCX's partners include Financial Technologies, DMCC and Multi Commodity Exchange of India Ltd.(MCX). DGCX has entered into an agreement with Chicago Board of Trade (CBOT) that permits sharing of information for mutual benefits. It also has a strategic alliance with The Tokyo Commodity Exchange (TOCOM).

IBS FOREX

IBS Forex Limited (www.ibsfx.com)

Online Inter bank Forex trading platform

Overview

The foreign exchange market is, by far, the largest market in the world in terms of value traded, with a daily average global turnover in traditional foreign exchange market transactions totaling US $2.7 trillion in April 2006[2]. According to International Financial Services, London (IFSL) estimates, the foreign exchange trading has increased by 38%, between April 2005 and April 2006, largely due to the growing importance of foreign exchange as an asset class and an increase in fund management assets, particularly of hedge and pension funds.

In a growing market with enormous potential, IBS Forex offers a digital trading platform for the Interbank Forex market in India, with an optimum price-performance combination.

When very high value transactions are put through, the speed and reliability of the system are very important. IBS Forex is committed to deliver strong 'value-for-money' and reliable service to its customers through FX - Direct™, built around .NET Framework. Banks are excited at the prospect of having an alternative system that delivers superior performance at a substantially lower price.

- **Ganesh Rao**, CEO, IBS Forex Ltd.

The IBS Forex service operates through a cutting edge communication network constructed on global standards. It is reinforced within a secure and encrypted closed user group environment, with all in-built redundancies, which ensure maximum availability.

Product Offerings

FX - Direct™, the digital currency trading platform of IBS Forex is an indigenous interbank foreign exchange marketplace that facilitates deal matching in an online, real-time and anonymous environment. Ensuring dependability, accessibility and scalability, the platform is geared to deliver liquidity, efficiency and deep functionality in foreign exchange dealing. These apply to both spot and forward trading in US$:INR with optimal 'price-performance' features. It also includes a negotiated dealing system for one-to-one trades in any currency pair.

Impressive Client List

Several public sector banks, private banks and MNC banks in India today trade on FX - Direct™. These banks include State Bank of India and its associate banks, HDFC Bank, Axis Bank, Bank of India, Citibank, American Express Bank etc. Today the trading platform has about 26 banks in its client list.

[2] Euromoney FX Survey 2006

05 Group Overview

National Spot Exchange Limited (www.nseap.com)

Where farmers become equal partners in the farm-to-fork and the farm-to-fashion value chain

Overview

In India, the Green Revolution led to momentous growth in agricultural production and making the country self-sustaining in food grains. However, the Green Revolution was purely focused on productivity. The need of the time is to have a revolution in agricultural marketing and marketing infrastructure, to ensure proper price realization by the farmer. In a system where farmers get only 30-35% of the price paid by the end-user, the heartrending stories of the plight of farmers, today, demand reforms to consistently protect their interest.

The Solution

Poised to transfigure the rural economy, National Spot Exchange Limited aspires to create a structured common Indian market, benchmarking a physical market for all agriculture commodities. National Spot Exchange provides a national level electronic spot market, encapsulating cutting edge trading, delivery and settlement facilities in various commodities that are accessible from across the country. National Spot Exchange creates a conduit, that links physical market traders and MCX by providing an effective system for physical deliveries, enhancing the depth of futures markets and creating a better balance between speculative, hedged and spot trades. National Spot Exchange was launched by Shri Sharad Pawar, Honorable Union Minister for Agriculture and Consumer Affairs, food and public distribution on February 10, 2005. Once the exchange goes live, it is expected to be the first electronic spot exchange in India.

Recently, Shri Shankar Lal Guru has joined National Spot Exchange as its Chairman. Shri Guru has been honored by the Government of India (GOI) with a national award for agriculture marketing. He has also chaired various committees set up by the Central Government such as Expert Committee on Agriculture Marketing, Ministry of Agriculture, and High Power Committee on Agricultural Marketing of the Government of India.

Business Objectives

- To provide an effective method of spot price discovery in various commodities, in a transparent manner across the country.
- To create a market, where farmers can sell their produce and realize sale proceeds at the best prevailing price.
- To create a market, where the processors, end users, exporters, corporates (both private and government) and other upcountry traders can procure agricultural produces at the most competitive price, without any counter party and quality risk.
- To create a transparent market where financiers, investors and arbitrageurs can invest money in buying various commodities across the country, without going through the hassles of physical market.
- To provide authentic spot price of various commodities that can be used by the futures market as the benchmark price for the settlement of their contracts on the date expiry.

To help the futures exchange, Forward Markets Commission (FMC) and the government in achieving the target of compulsory delivery in all agricultural produces by way of creating a structured and standardized spot market.

of intermediaries, farmers can increase their income without adding cost to the consumer.

National Spot Exchange has signed a MoU with the Government of Madhya Pradesh for launching its activities in Madhya Pradesh.

Electronic Spot Exchange will enhance the marketing efficiency of farm produce & strengthen the supply chain. It will improve farmers' realisation by reducing cost of intermediation. Our aim is to setup a structured & transparent platform, which can be relied upon by the Agro-based industries and exporter to source farm produce in hassle free manner. The ultimate goal is to create a robust Common Indian Market.

- **Anjani Sinha,** MD & CEO, National Spot Exchange

To promote grading and standardization of agricultural produces and create a market, where banks and money lending agencies can provide warehouse receipt financing to farmers and traders.

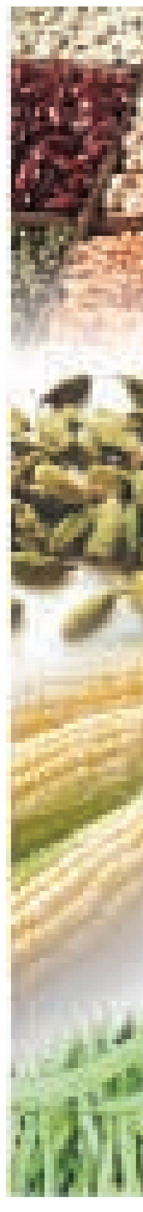
Growth Drivers and Value Proposition

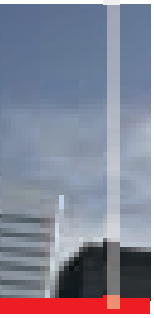
National Spot Exchange aims to tap the opportunity of integrating the enormous Indian spot market for agricultural and other commodities. Its objective is to transform the rural economy by creating a Pan India spot market facilitating transparent and fair trade in various commodities. It also intends to create a market, where farmers can sell their produce at the best prevailing prices with no counter party risk and quality risk. Through trimming down the number

National Spot Exchange's first phase rollout plans include states such as Gujarat, Madhya Pradesh and Rajasthan.

Partners

National Spot Exchange has been promoted by Multi Commodity Exchange of India Limited (MCX), Financial Technologies India Limited and the National Agricultural Co-operative Marketing Federation of India Limited (NAFED), the leading Government agency, engaged in food procurement, distribution and storage activities.





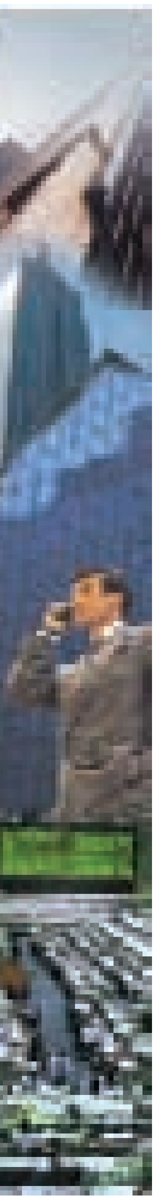
05 Group Overview

Global Board of Trade (www.gbotrade.com)

Gateway to serve the African continent.

Overview

Mauritius is in the midst of economic reforms and has welcomed Global Board of Trade (GBOT) as the new generation electronic marketplace for multiple commodity contracts. Mandated by the Financial Services Commission (FSC), GBOT has been incorporated in the Republic of Mauritius, to establish a multi asset class electronically operated market. This initiative is in line with the Financial Technologies Group's vision of creating world-class organized markets across multiple asset class, internationally.



GBOT will provide a comprehensive framework encompassing electronic exchange trading and clearing solution, risk management and online risk-based supervision, membership development, contract specification and structuring. It will also provide banking system interface leading to real-time settlement, business rules and by-laws, effective corporate governance framework, investor awareness and knowledge development.

This initiative is unique as it will be the most modern international exchange, offering innovative products and redefining multi-commodity trading across the globe. It is slated to be an Asian gateway to Africa, connecting the Pan African region to the global markets.

We welcome the setting up of a Commodities Exchange in Mauritius which operates internationally, thus reinforcing our image as a global financial centre.

- **Milan Meetarbhan,** CEO, Financial Services Commission, Mauritius

SNX
SAFAL NATIONAL EXCHANGE

Safal National Exchange of India Limited (www.snxindia.com)

Pan India spot exchange for perishable commodities. JV between MDFPL (51%) and Financial Technologies Group (49%).

Overview

Bringing in greater transparency, accessibility, and price discovery, Safal National Exchange of India Ltd (SNX) is expected to be the first spot exchange in the country to provide a nation-wide platform for electronic trading in horticulture (fruits and vegetables), floriculture, dairy and allied products.

Taking the farmers on board the technology revolution, SNX encourages e-enabled rural India to benefit from the powerful exchange technology, in combination with the fruit and vegetables expertise under a single banner. SNX aims to provide a technology-based competitive market place, with an array of choices to farmers in marketing their perishables and other allied produce at optimum prices. It will facilitate trade in a fair and transparent manner through modern IT and improved logistics. Additionally, SNX is also expected to provide counter party guarantee in respect of all trades, offering provision of services such as quality certification, warehousing and logistics and other customized value added services.

SNX is a joint venture between Mother Dairy Foods Processing Limited (MDFPL) a wholly owned subsidiary of National Dairy Development Board of India (NDDB - 51%), Multi Commodity Exchange of India Ltd (MCX - 30%) and Financial Technologies (India) Ltd. (FTIL - 19%). In its first phase, SNX is expected to offer ready delivery contracts in the following commodities, on a nationwide basis, from various delivery centers located in the key production centers and major consumption centers in the country:

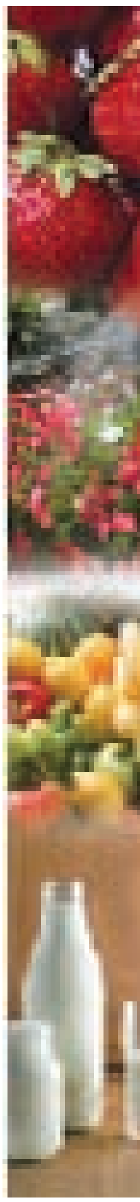
Fruits: Mango, Banana and Apple
Vegetables: Potato, Onion and Tomato

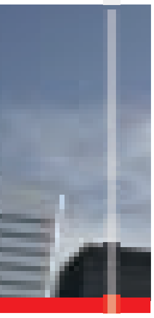
Strategic Alliances

SNX is expected to have strategic alliances with reputed service providers in the field of quality certification, collateral management and financial institutions.

We at SNX are proud to have embarked on our journey successfully in developing - 'One India One Market' - set to make a big difference in the lives of many rural fellow Indians.

- **Ravishankar Natarajan,** CEO, SNX





05 Group Overview

National Bulk Handling Corporation Ltd.
Adding Value to Commodities

National Bulk Handling Corporation Ltd. (www.nbhcindia.com)

Overview

National Bulk Handling Corporation Ltd (NBHC), an ISO 9001:2000 certified Company, has recently achieved the sole distinction in the country of being the only Company with the ISO 22000:2005 certification in the warehousing and commodity management industry, the highest and latest certification in food safety management system. NBHC, a subsidiary of Financial Technologies (India) Ltd., is a national-level end-to-end solutions provider to the entire gamut of commodity and collateral management. This includes procurement, warehousing, bulk handling, grading and quality certification, commodity care and pest management, audit, accreditation and commodity valuation, trade consultancy and disposal of commodities.

Through public and private sector participation, NBHC is directed towards creating and managing a chain of accredited warehouses and commodity management facilities of global standards across India. NBHC's professional, single-window, hassle-free, customized, cost-effective and value-added service experience (both financially and operationally), is contributing towards a seamless and efficient commodity trading environment. NBHC enjoys incremental competence participants in the Indian agri-ecosystem to mitigate risks associated with commodities and achieve better price realization.

Select storage, quality assurance, commodity protection, collateral management and any another commodity management service**,** all are connected by a consistent and strong commitment for quality, standards and ultimately **Adding Value to Commodities.**

Enabling post harvest liquidity with its comprehensive and globally established practices, tie-ups and affiliations, NBHC has emerged as a critical and preeminent contributor to the entire commodity ecosystem.

- **Anil Choudhary,** MD & CEO, NBHC

through synergies elicited by the cumulative experience and expertise of its internal resources and core competencies of its group companies viz. Financial Technologies, Multi Commodity Exchange of India Ltd. (MCX) and National Spot Exchange Limited. It has succeeded in creating an ecosystem which provides “complete solutions in commodity management”.

NBHC “Complete Solutions Commodity Management” aids all ecosystem

Product Offerings

NBHC's products aim to provide an orderly environment for complete solutions in commodity management. Its services include the following:

- Storage and bulk handling services
- Preservation and protection services **- NBHC CommGuard™**
- Testing and certification services **- NBHC ProComm™**
- Information services

NBHC CommGuard™ Guards Commodities Against Pests

NBHC ProComm™ Quality Testing, Grading, Inspection and Certification Services

NBHC Cecure™ Collateral Management Services

NBHC Mandate Accreditation, Audit & Valuation Services

- Trade consultancy and support services
- Collateral management services **- NBHC Cecure™**
- Warehouse audit and accreditation and commodity valuation services **- NBHC Mandate**

NBHC Edge in Commodity Ecosystem

The careful synthesis of business, marketing, design and technology, has translated NBHC into a unique brand experience, offering operational and financial efficiencies. NBHC has branded all the services and given individual, but linked identity. Notably, the sum of all these brands, adds much bigger value to the NBHC brand in a geometric way.

To tap the immense opportunity in the agro commodity management market, NBHC is geared up with hard line strategies to provide end-to-end solutions to all its ecosystem partners. Maintaining its discerning ambition to offer an array of value added services, NBHC is poised to become the industry leader in respective verticals.

NBHC's achievements include:

- First and the only Warehousing & Commodity Management Solutions Provider in India to get ISO 22000:2005 certification and Grain and Feed Trade Association (GAFTA) Membership. ISO 22000:2005 certification is the highest and latest international quality standards for food safety management systems.
- NBHC has signed service agreements for collateral management with 8 leading public and private sector banks such as State Bank of India, State Bank of Indore, HDFC Bank Ltd., Kotak Mahindra Bank Ltd., IndusInd Bank Ltd, Union Bank of India, Axis Bank Ltd and Development Credit Bank.
- Successful procurement assignments for FCI procurement of Paddy in MP.
- 6 quality assurance labs (NBHC ProComm™), licensed commodity care and pest management services (NBHC CommGuard™) across 4 states.

Partners

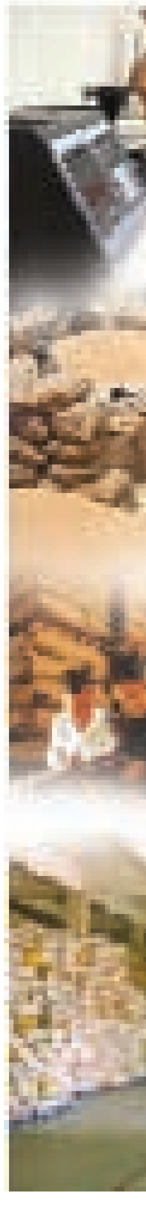
NBHC is able to deliver its all encompassing services to its clients through a balanced mix of all competencies derived from its internal resources and external expertise. It leverages the complementary expertise of its internal resources and core competencies of its group companies, as well as its symbiotic relations with best-in-class organizations in the fields of commodity and collateral management. NBHC has tie ups with 8 major banks for collateral management service such as Bank of India, State Bank of India (SBI) and its associates etc. There are several other banks that are expected to join the group.

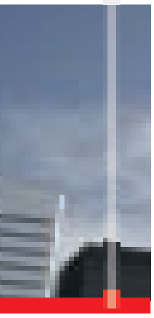
Through interactions with global associations working towards defining, creating and promoting standards for commodity management and trade, NBHC is focused on bringing globally referenceable commodity management practices to the Indian commodity management industry. NBHC has Memorandum of Understanding (MoUs) / membership of global associations' the following:

- Grain and Feed Trade Association (GAFTA)
- National Pest Management Association (NPMA)
- National Grain and Feed Trade association (NGFA)

In addition, NBHC is also a member of prominent Indian associations that include:

- Indian Spice and Food Stuff Exporters Association
- Pest Management Association of India.





05 Group Overview

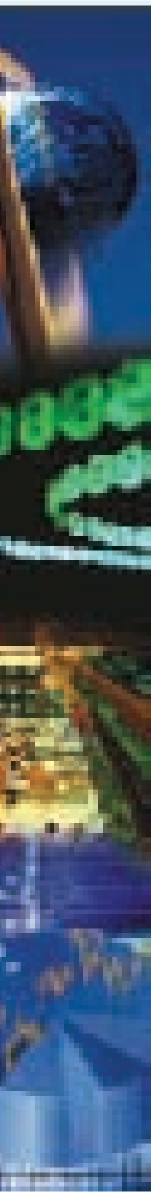
TickerPlant Infovending

TickerPlant Infovending Ltd. (www.tickerplantindia.com)

An efficient platform for seamless "Information Retailing"

Overview

As trading across the financial markets migrate towards electronic trading platforms, speed and reliability of data delivery are crucial for success in business. TickerPlant Infovending Limited, a subsidiary of Financial Technologies (India) Ltd. and the latest knowledge initiative, is expected to become an indispensable tool for basing decision making. With a wide domain knowledge in the finance and technology arena, TickerPlant is an emerging global premium content provider for intelligent financial information, including quotes, charts, news, analysis and insights.



With TickerPlant's knowhow in the domain and skills, the product and solutions are customized to offer the best proposition among the existing market players. TickerPlant offers market datafeed and news contents on equity, commodity and Forex markets, with a focus to cater to the ever-demanding information needs to the segments of the finance industry.

A one-stop shop for all financial information needs, TickerPlant's competitive edge lies in its resilient network, pivoted on pertinent content and the state-of-the-art technology. Its products have a blend of market offering needed by financial professionals to help them mitigate risks and manage the ever-increasing dimensions of market data, effectively and efficiently to base their decision making. TickerPlant adds an enormous amount of value to the content created and collected to enhance content usability. Additionally, solutions are tailored to offer accurate, customizable and comprehensive formats through collaborative relationships with customers. TickerPlant constantly focuses on R&D for new features and enhance the existing offerings.

In April 07, NextVIEW Pte Ltd (NextVIEW), a Singapore based leading Pan-Asian Financial information vendor, has entered into a partnership with TickerPlant, to launch 'Advisor Xcess'. It offers real-time Indian equities and commodities market data services in India and globally. TickerPlant will be the Indian content and real time market data feed provider to 5000 plus NextVIEW terminals spread across Singapore, Malaysia, Thailand, Hong Kong, Vietnam, and China in Asia Pacific. NextVIEW will also provide international content and real time data feed to TickerPlant information terminals.

Business Objectives

True to the maxim that knowledge / information is power, speed and reliability of data delivery are of critical importance. The following are the objectives of TickerPlant Infovending:

- Create an efficient platform for seamless "Information Retailing"
- Offer customized real-time data feed solutions on equity, commodity and forex markets effectively and efficiently
- Cater to all the segments of financial markets, media and corporates by providing enhanced aggregated content in innovative ways at affordable prices

Create a user-friendly platform to empower the "information seekers" to access information needs on demand.

Product Offerings

TickerPlant's product offerings help customers manage their information needs faster and more easily. The products are a blend of market offering, towards extending a one-stop-shop for all financial information needs with a progressive technological edge. TickerPlant's product portfolio includes:

1. Terminal Based Services for Market Data and News

Offering connectivity via the internet or a secured network, MarketView delivers streaming cross-markets data and news contents, allowing access to information anytime and anywhere. With a host of content, functionalities and tools, MarketView is fast, cost-effective and allows you to analyze market data easily. Broad in its scope, it provides an exhaustive data and contents coverage, along with precise analyses, during market hours and at the end of the day.

MarketView allows access to online news headlines and relevant news about current movements affecting the Indian financial market segment. Strategic tie-ups with leading global business newswires, domestic periodicals etc. bring added value to the offerings.

Bullion Watch is a comprehensive website for precious metals providing updates of price movements, key data points, analysis, research articles, etc which would aid the bullion trade, financial institutions. Through this, investors, get an in-depth feel of the industry.

2. Raw data feed

2.1 API feed Adapter for Markets data

A powerful API on a high performance delivery platform, it helps and ensures seamless integration on to varied platforms for data distribution and applications with minimal effort.

2.2 XML/Web based services

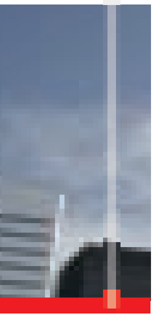
A highly versatile medium presenting stock and commodity quotes, news and contents which are delivered via eXtensible Markup Language (XML), Web services, Webpages. Highly flexible solutions allow totally customizable content integration onto existing applications seamlessly. The product pack is optimized for corporate portals, intranets and web sites.

TickerPlant Infovending is India's Emerging Global Content Provider. TickerPlant provides real-time and reliable information disemmination of all types of Financial and Business Critical Data. All the data is packaged intelligently with a lot of value addition so as to help customers in quick and correct decision making from a single point of source.

- **Ghanshyam Rohira,** Chief Technology Officer, TickerPlant

Tickers and Charts

Java based scrolling tickers are presented in kinetic updating content mode, with an eye-catching visual platform. It uses minimal web page real estate. Stocks quotes, charts and news tickers can be custom built and is ideal for adding interactivity to websites.



05 Group Overview

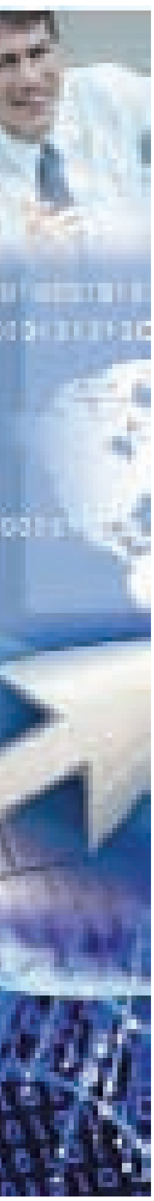
riskraft
Manage your Risk Better ... With us

Riskraft Consulting Ltd. (www.riskraft.com)

Providing solution architecture for financial risk management and data warehousing for banks and financial institutions

Overview

Management of risks is pivotal to the functioning of banks and financial institutions. The genesis of Riskraft Consulting Ltd., a knowledge initiative of the Financial Technologies Group, lies in the major paradigm shift in the global financial landscape, with the acceptance of Basel II guidelines by various central banks and financial regulatory authorities.



Having identified this opportunity, Riskraft offers focused consulting services for financial risk management and data warehousing to the banking and financial services sector. With the enforcement of more stringent prudential norms, Riskraft assists banks to meet these new challenges. It identifies and quantifies risk by putting in place well-articulated risk management frameworks, with proper analytical tools, processes and information.

In April 2007, it secured a contract from Financial Services Commission (FSC), Mauritius, to implement a Risk Based Supervision system (RBS) for its regulated entities. This system will help the regulator to monitor risk processes and systems, which govern the entire system.

It is distinctively placed to extend training and consultancy in the areas of enterprise risk management, data warehousing and knowledge management. These acquired competencies offer strong possibilities to be leveraged to diversify into the area of outsourced research.

Service Offerings

Riskraft offers a range of tailored services to its customers to meet individual needs in helping banks to understand, manage and mitigate risks better. It offers comprehensive domain consulting services through a portfolio of products.

Regulatory Risk and Compliance Practice

Riskraft, with its rich regulatory experience and domain expertise, is poised to develop and implement a unique regulatory risk and compliance practice that relies on a rich repository of domain knowledge, quantitative modeling expertise, and business intelligence architecting expertise. The risk-based supervision (RBS) system is a forward-looking supervisor review process that essentially depends on detailed risk profiling of the supervised entities.

Basel II Consulting

Riskraft specializes in providing consulting services to banks and central banks in the areas of risk management towards building an 'Integrated Enterprise Wide Risk Governance Framework'. Offering the gap analysis, with strategy building for Basel II implementation, it also structures analytical models for various risk categories.

Data Warehousing Consulting

With its rich expertise in providing data warehousing solution architecture, Riskraft has championed itself in implementing a risk data warehouse and designing business intelligence framework for risk management.

ENTELLECT
Training & Development

Entellect offers a coordinated training program with certification in various aspects of financial risk management and data warehousing. It offers customized as well as calendar training in the areas of risk management, data warehousing, business intelligence and quantitative finance, including derivative pricing and valuation.

T MORPH
IT CONSULTING

T-Morph is a technology-driven strategic business unit, which acts as a knowledge center for outsourcing operations. The services offered are data management and visualization, calibration and filtering, instrument pricing and analysis, scenario and formation testing and risk analytics lead to results drilldown.

QuantLab

Quantlab is a collection of quantitative modelers, largely focused on developing advanced models for valuation of financial derivatives and risk management. Quantlab's fundamental strength lies in its computational methods, applied to financial modeling. It is supported by the rich industry experience drawn from financial markets by its team of experts with PhD in computational physics. Some of the developed benchmark pricing systems used by its international clients, have been in the areas of equity derivatives, foreign exchange, fixed income, credit derivatives and structured products.

Growth Drivers and Value Proposition

The Basel II Accord is designed to serve as a positive strength of the risk management system of banks. Stemming from the eventual need of compulsory compliance, the increasing complexity in assets and the dynamics of risk management and data warehousing in banks, a tremendous scope for the growth for Riskraft.

These factors along with Riskraft's unique business model to work as a knowledge partner and not as a mere vendor with its clients, have been the prime factors in Riskraft's initial success.

Industry Alliance and Rationale

List Group: List Group SpA is the leading provider of the Advanced Measurement Approach based operational risk product. Riskraft has signed a contract with the List Group wherein Riskraft will be the exclusive reseller and implementer in India for its operational risk product.

IBM: Riskraft and IBM have signed a lead pass agreement wherein either party will pass on the leads to the other party.

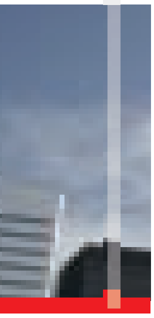
NIBM: NIBM is the leader in India for providing training in the banking domain. Riskraft has signed a knowledge agreement with NIBM, wherein Riskraft can avail of the services of NIBM's elite panel of faculties.

Newgen: Newgen is a leading software Company with business in Asia Pacific and the Middle East. As per the terms of the agreement, Newgen will market Riskraft's services to all its existing and prospective clients in South East Asian region.

Riskraft has created a unique Knowledge Partnership Model, which enables banks to concurrently identify, monitor, measure and mitigate risk parameters well suited to their business model. The conceptualization of the Knowledge Partnership Model, as a paradigm to conventional consulting or product approaches in the risk management space, was well accepted by an elite client base across a versatile engagement matrix.

This unique model transgressed domestic boundaries and a prestigious contract from a regulator, FSC Mauritius, was a strong vindication of the same. Armed with such vindication and strong conviction, Riskraft is well poised to change the paradigms of risk management globally.

-**Subramanya Kusnur**, MD & CEO, Riskraft Consulting



05 Group Overview

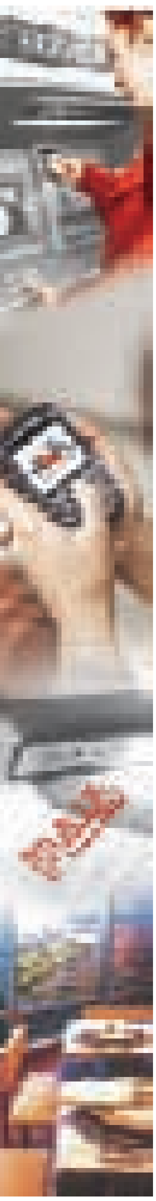
'the' new way to pay

atom technologies ltd. (www.atomtech.in)

New age technology solutions that empower wireless telephony users to transact over the phone

Overview

Financial Technologies has taken technology to another plane of convenience, in converting the wallet to a 'phone purse'. atom technologies limited is a digital retail initiative, set up to launch new age technology solutions that empower wireless telephony users to transact over the phone. Phone shopping, is poised to greatly open the market in 'm-commerce' (mobile phone commerce), which is still in its infancy around the world.



Incorporated in November, 2005, atom technologies is a payment processing Company, which enables secure payments through multiple channels such as mobile, Interactive Voice Response (IVR) and the Internet.

Product Offerings

atom is a fast, interoperable, secure and the most convenient way to make payments with no alterations to current electronic transaction flow. This new generation technology makes it possible to go shopping armed only with a mobile phone. Essentially, atom electronically replaces physical EDC machines and plastic cards.

Mobile Card Payments: atom

It enables varied transactions over customers' mobile phones. These possibilities are wide-ranging from payments over the Internet, money transfers, ticket booking, loyalty programs, day to day shopping, home delivery or cash withdrawal at the ATM.

Paybuzz

Paybuzz is a secure, reliable and convenient payment solution based on touch-tone Interactive Voice Response (IVR) technology. It enables the merchant to automate acceptance of secure credit card payments over the phone.

We take pride in atom, which is based on new generation technology, compatible with the current electronic transaction flow.

\- **Dewang Neralla,** Director-Technology

atom is the most secured way of transacting, as all transactions are PIN protected. atom not only shifts the customer to the next level of security after the magnetic stripe, but also provides greater convenience by enabling faster counter payments, remote payments and secure ATM transactions through the mobile phone. In addition to hassle-free shopping without cards or cash, other conveniences include balance enquiry on the move and the availability of transactions history. Its product line includes:

atom OTP (One Time Password)

It allows soft token issuance on mobile phones used as a tool for two factor authentication. A new one-time password is generated for every transaction, which is unique and dynamic in nature. This minimizes the chances of fraud.

Partners and Strategic Alliances

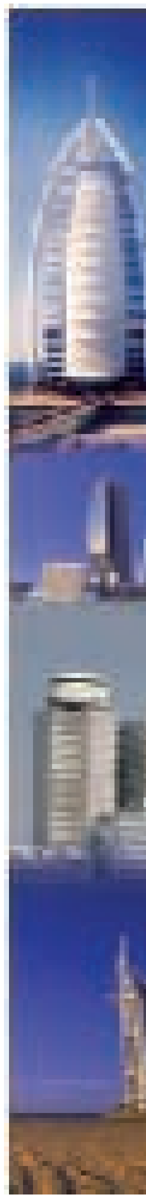
atom technologies has tie up with Axis Bank and Union Bank and is in the process of partnering with many more banks.

Financial Technologies Middle East (FTME) (www.ft-me.com)

An international arm of Financial Technologies

Overview

Offering a plethora of untapped opportunities today, the Middle East is a highly appealing trading destination across the globe. The Government's conviction towards systematically building a complete value chain of the trading cycle, covering every sector coupled with its strategic geographical location has changed the commercial dynamics of this region. FTME, subsidiary of Financial Technologies, proposes to seize the possibilities, bringing 'Excellence' in the way business is conducted.



The Middle East region has approximately 18 stock and commodities exchanges with more than 750 brokers. The economy (especially GCC) is one of the best performing economies in the world with capital markets becoming more vibrant day by day. Volumes are touching new highs and brokers are anticipating better and more sophisticated trading platforms and exchanges going up with changes to support the increase in volume. However, many of these brokerage houses and exchanges still run on platforms, which do not provide sophisticated trading environments. FTME's objective is to capitalize on this opportunity and deliver success to the local markets, creating new business frontiers for the Financial Technologies Group.

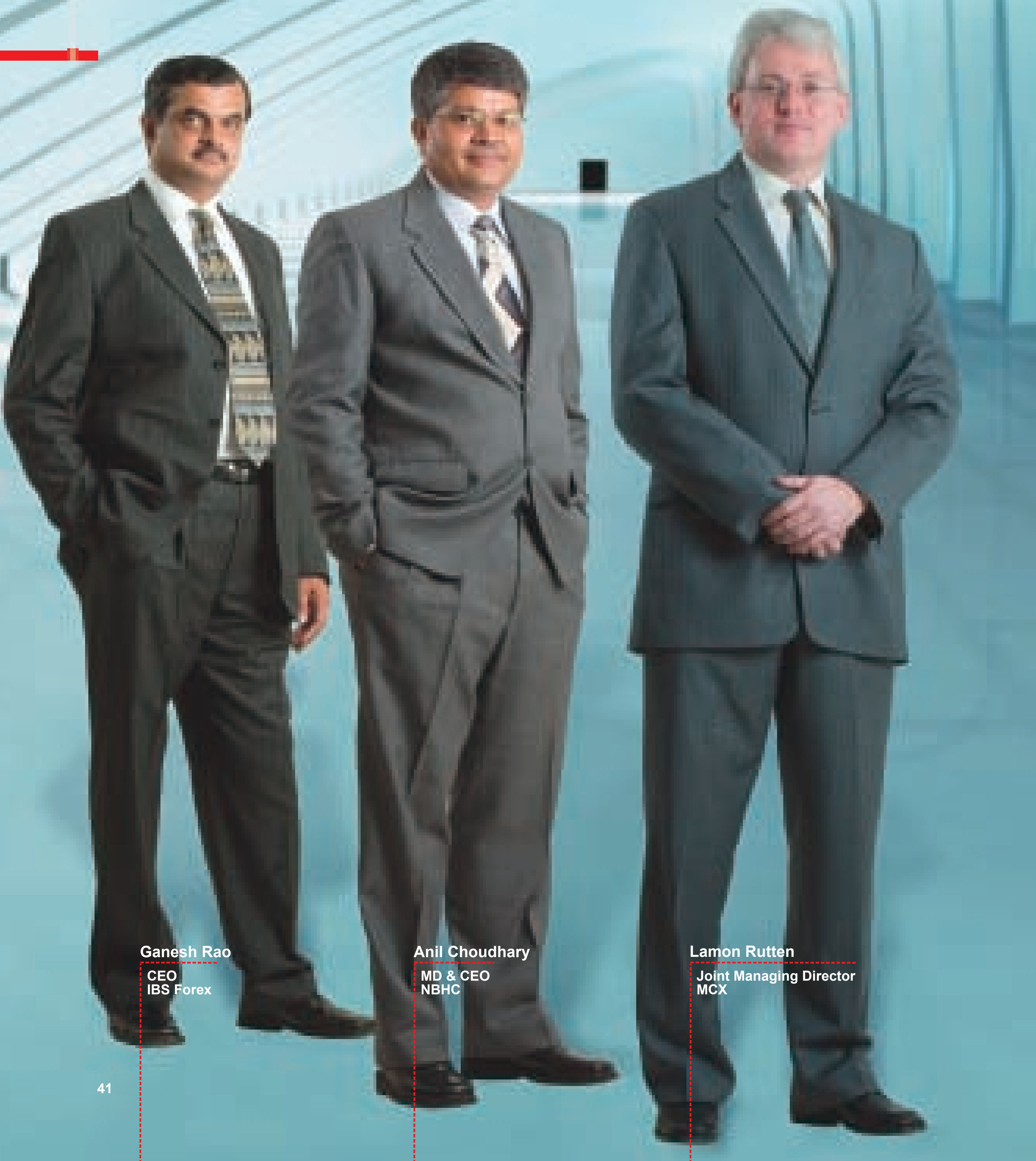
Servicing the equity, currencies, commodity and derivatives markets, FTME is an experienced specialist in the field of transaction automation solutions. It offers a robust line of technology products, covering all the stages of the trade life cycle, right from the front office trading to back office settlement. With the phenomenal success in the deployment of DGCX, FTME has emerged as the most preferred technology partner of the financial services industry of the Middle East.

FTME has launched a revolutionary technology for the stock and commodity brokers of the region. The technology includes the top-of-the-line sophisticated functionalities, such as trading and back office functionality in multi-currency, along with multi-lingual front-ends. In the last financial year, FTME has been able to bring in nine brokerage houses in the UAE as its clients. With prestigious names such as, Mashreq Bank, and National Bank of Dubai, already on the client list, FTME is geared up with the entire infrastructure requirement to expand the clients list very rapidly across the Middle East region.

The Year 2006 was a keynote year for Financial Technologies Group, as it marked the establishment of its first, full-fledged, direct venture for STP technologies outside India. FTME has not only managed to establish itself very strongly but has also rolled out various products and secured some well known financial institutions as its clients.

- **Arshad Khan,** Director-Business Development (MENA)

Group Management Team



Ganesh Rao
CEO
IBS Forex

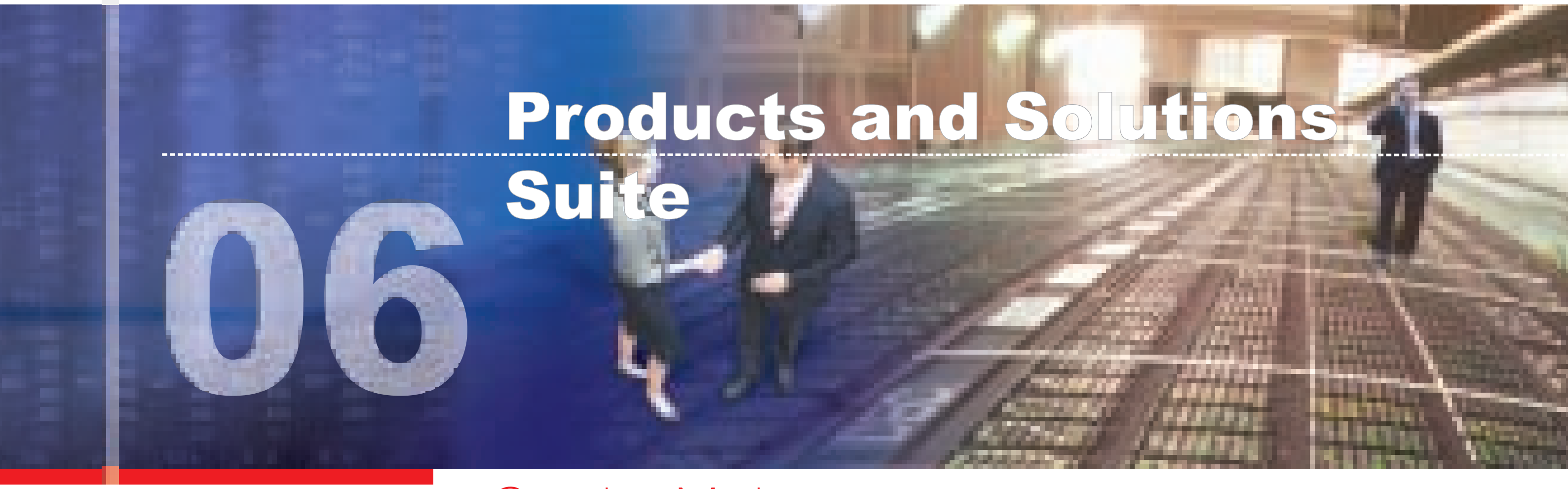
Anil Choudhary
MD & CEO
NBHC

Lamon Rutten
Joint Managing Director
MCX

Joseph Massey
Deputy Managing Director
MCX

Anjani Sinha
MD & CEO
National Spot Exchange

Subramanya Kusnur
MD & CEO
Riskraft Consulting



06 Products and Solutions Suite

Creating Markets Fostering Leadership

Financial Technologies is in the niche segment of creating markets, providing a whole gamut of products through best of breed solutions, covering the exchange, brokerage and messaging verticals. It offers a broad suite of flexible, cost effective, reusable, scalable and integrated technology components, broaching critical business operations across all stages of a trade lifecycle.

What Financial Technologies delivers is evident, a fact that is clear in the qualitative and quantitative benefits derived by its customers. Its products can be channelized towards solutions on four fronts

1. Exchange Solutions
2. Brokerage Solutions
3. Messaging Solutions
4. Technology and Process Consulting Solutions

We are impressed with the speed and robustness of the implementation of the Financial Technologies solution based on Microsoft technologies.

\- **Nirmal Jain,** CEO, India Infoline Limited

Exchange Solutions

Financial Technologies is unique in its own way that has a presence on both sides of the business. It understands what technology can do for an exchange and it also understands how to build such a technology. Its exchange solutions are driven by strategic and operational needs to deal with cost and margin pressures, ever changing business environment and regulatory compliance requirements among others. Financial Technologies has developed highly versatile and robust trading and clearing solutions, which support needs across all types of asset classes such as Equities, Commodities and Forex.

DOME (Distributed Order Matching Engine) is a trading system facilitating trading on derivatives and spot instruments and matching on price-time priority.

CnS (Clearing and Settlement Solution) is a comprehensive solution that facilitates and manages operations necessary for a clearing house of any exchange based marketplace.

FT Prime™ is a risk management system, providing portfolio based approach for risk management.

FX - Direct™ is a multi-currency trading platform for the spot, swaps, and options markets, all on a single application.

DOME

CnS

FT™ PRIME

FX™ DIRECT

Brokerage Solutions

Financial Technologies is the pioneer in introducing an end-to-end STP solution that supports high-density transactions. Our solutions cater to the equity, forex, commodity and derivatives markets, covering all stages of a trade life cycle-pre-trade, trade, and post-trade-to deliver single point transaction fulfillment.

Financial Technologies' brokerage solutions suit comprises: front office suite of solutions, middle office suite of Risk Management solutions, back office suite of clearing, as well as settlement and accounting solutions.

ODIN™ offers a complete front office solution**,** offering built-in order routing, risk management and display engine with real- time connectivity to the back-office system.

MATCH™ is a comprehensive back-office clearing, settlement, and accounting system for brokerage houses dealing in equity, derivatives and commodities.

INeT.net is a browser based online trading application that supports e-exchange trading between retail clients and brokerage houses along with live quotes.

iWin™ is a multi-exchange, multi-segment**,** internet-based, real-time trading solution for mobile or handheld device.

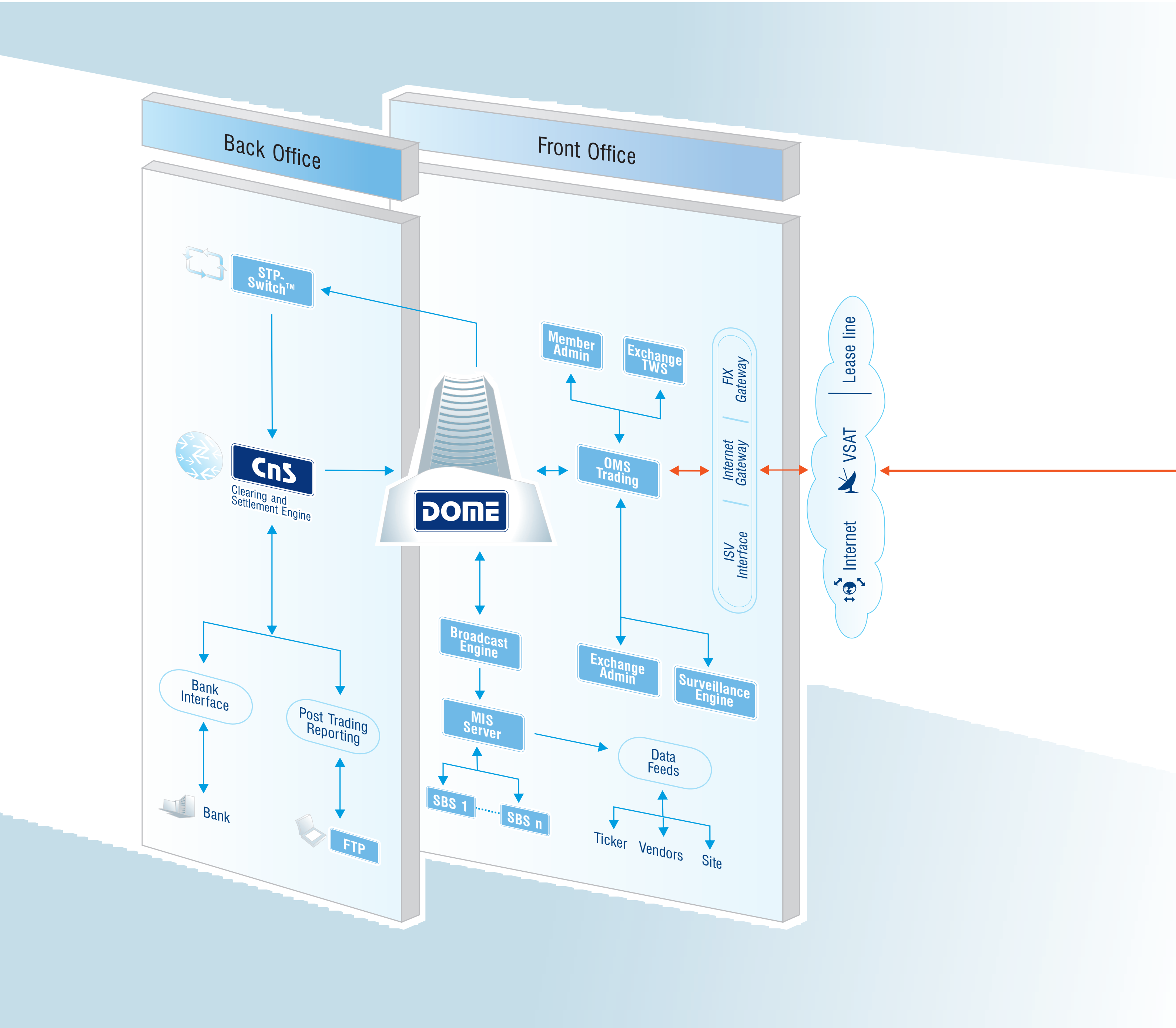
Protector+ is a post-trade, pre-acceptance online risk management solution, which enables the members to mitigate their risk in the derivatives segment.

Interfaces and Other Applications

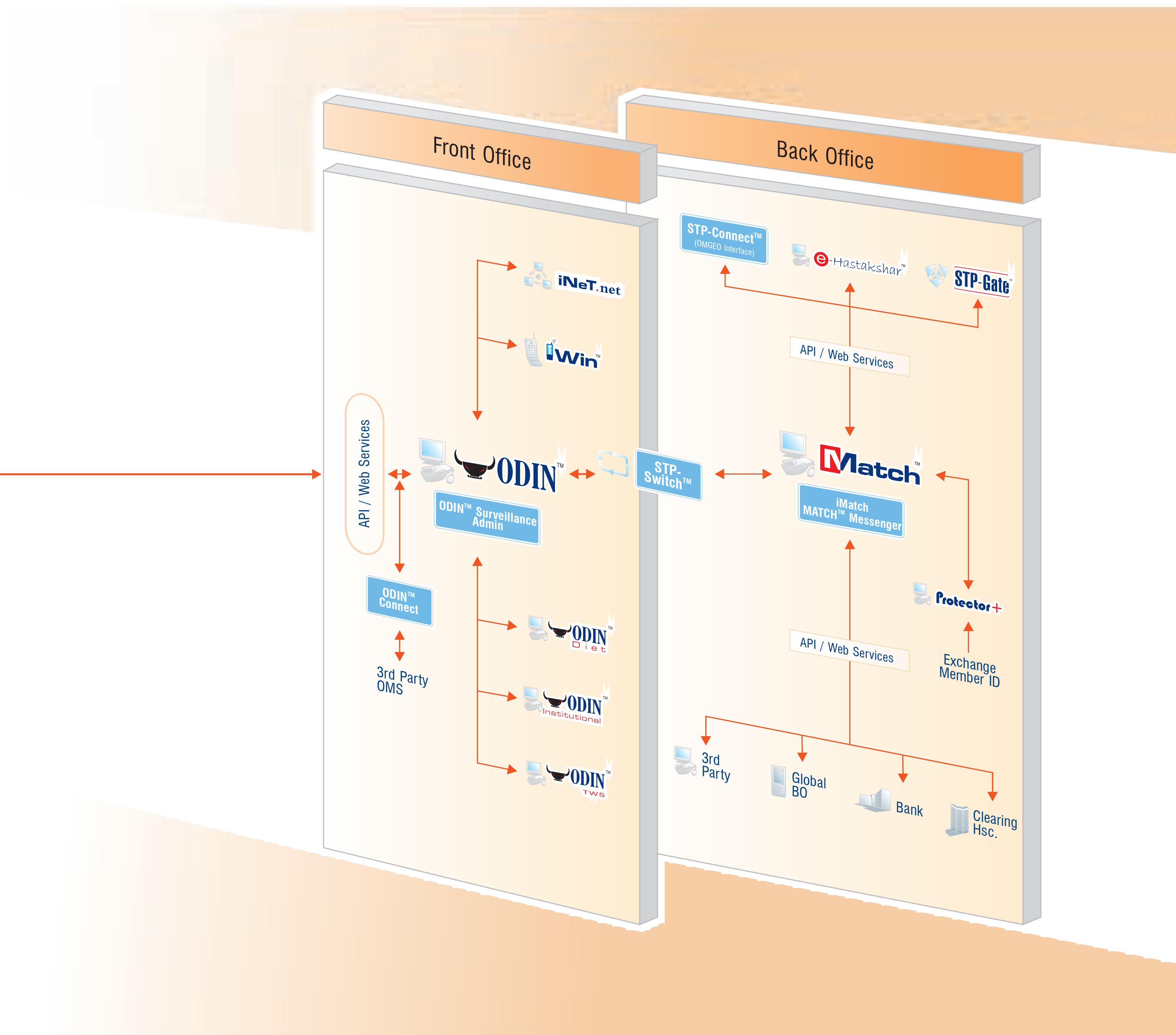
STP-Switch™: Internal STP - Online interface between ODIN™
MATCH™: Supporting two way information flow functionality
STP-Connect™: External STP Adapter between MATCH™ and Omgeo Oasys global application
e-Hastakshar™: Unique document signing solution enabling the flow of information in electronic and secured form by using digital certificates

06 Products and Solutions Suite

EXCHANGE SOLUTIONS SUITE



BROKERAGE SOLUTIONS SUITE



06 Products and Solutions Suite

SOLUTIONS OVERVIEW

Solutions – Exchange

Products	Markets			
Brand	Forex	Equity	Commodity Derivatives	Equity Derivatives
DOME		•	•	•
CnS			•	
FT PRIME™			•	•
FX - Direct™	•			

Brokerage – Front Office / Back Office

Brand	Equity	Commodity Derivatives	Equity Derivatives
ODIN™ Integrated	•	•	•
ODIN™ Institutional Order Book	•		•
ODIN™ Program Trading	•		•
ODIN™ Diet	•	•	•
iNeT.net	•	•	•
iWin™		•	
MATCH™	•	•	•
e-Hastakshar™	•	•	•
Protector+	•	•	•
eIPO™	•		

Messaging

Brand	Equity	Commodity Derivatives	Equity Derivatives
STP-Gate™	•		

Messaging Solutions

Financial Technologies Messaging Solutions provide a seamless STP Gate™. Intelligent Messaging Service bringing brokers, fund managers and custodians together on a common messaging platform based on ISO 15022 standards.

STP Gate™: It is a robust, secure and straight through transaction processing platform, that provides online interface between fund houses, custodians and brokers, based on ISO 15022 messages. STP Gate™ provides online secure connectivity to STP market participants, along with online status and message flow.

STP Gate™ has an elite clientele, comprising of over 150+ Investment Managers, over 350+ trading members and 100% of the leading custodians, including a few FIIs sharing their patronage with Financial Technologies, thus attaining No.1 position in STP Services.

We have evaluated a number of leading front-office trading applications and it gives us great pleasure to say that ODIN™, developed by Financial Technologies, is the best of them all. Kotak Commodities Limited continues to be delighted with the thoughtful design processes, short time-lines, and prompt and accurate execution provided by Financial Technologies' dedicated team. We, at Kotak Commodities, look forward to many more years of working together with Financial Technologies in its new developments.

- **Mohan Natarajan,** Director, Kotak Commodities Limited

Technology and Process Consulting Solutions

Financial Technologies' proven capability to design, deploy and manage large, mission critical IT infrastructures, provides a strong base for the Technology and Process Consulting service offerings.

Network Consulting Group (NCG) methodology for the consulting practice starts with understanding business goals and aligning all IT initiatives with the strategic business objectives. A blue print is created through a detailed business requirement analysis, which aims at maximizing the organization's IT investments and achieving the highest possible Return on Investment.

07 Alliances

Creating Markets
Expanding Ecosystem

FTINNOVATION

FTINNOVATION is Financial Technologies Innovation Network (FTINK) to foster tech-centric disruptive innovation in financial markets together with ecosystem partners.

FTINNOVATION enables this, by cultivating partnerships with companies that can provide key technology, hardware, software, services, content, network and community, to deliver breakthrough value for our customers by complementing and augmenting our core products and services offerings.
E-mail: partner@ftindia.com

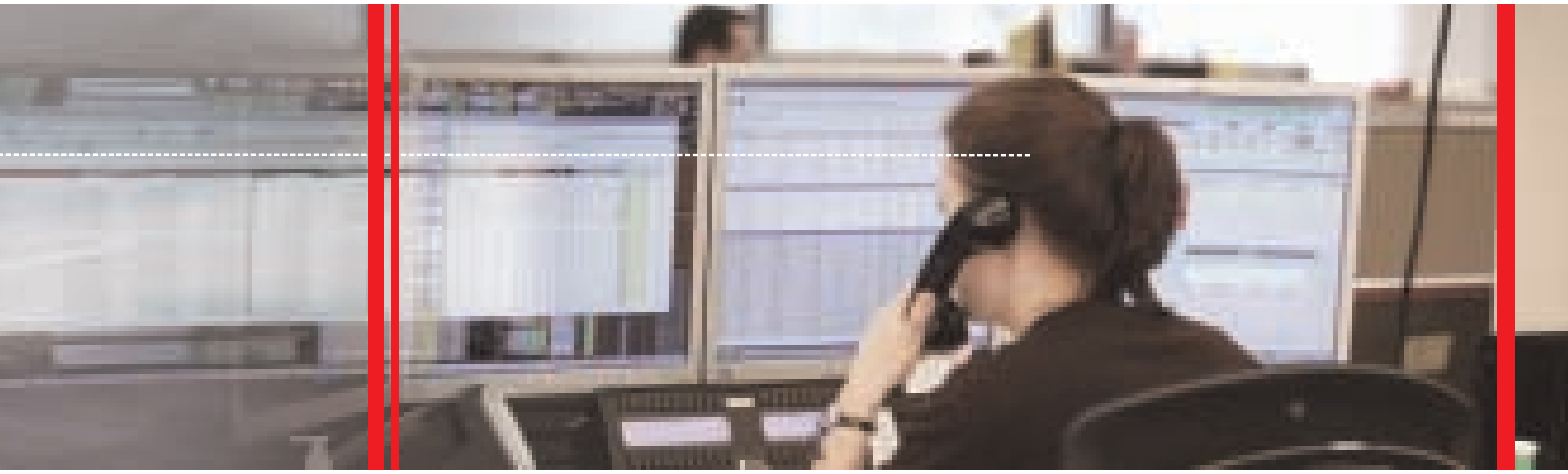
Microsoft®
.NET Center of Excellence

Financial Technologies is working closely with Microsoft on developing latest technology platforms, built around the .NET framework to provide the securities industry with state-of-the-art solutions that are at par with global standards. These solutions not only offer high scalability across various markets, but also deliver the most optimal ROI.

Financial Technologies used Microsoft technologies to build TWS.NET (Trader Work Station for members) client application. The application is built around the Microsoft .NET Framework 2.0, an integral component of Windows that provides a programming model and runtime for Web services, Web applications, and smart client applications, with the core Matching Engine and Broadcast Engine. The distributed architecture of the platform ensures that new members can be added to the exchange quickly and easily.

Reduced Development Time
The .NET connected solution was a fast and cost-effective choice. With Microsoft technologies, Financial Technologies was able to launch the TWS.Net client application in record time. Thus Microsoft technologies enabled the MCX Exchange to go live in record period time thereby contributing to its smooth functioning.

Integrated Development Environment Improves Productivity
.NET offers a comprehensive integrated application development environment. This has helped FTIL to quickly create and deploy the client application. The .NET solution is an ingenious system, which has positively impacted the cost, and improved quality and consistency. It has accelerated development and implementation thereby improving productivity.



About Microsoft :

Founded in 1975, Microsoft develops, manufactures, licenses and supports a wide range of software products for computing devices. Headquartered in USA, its best selling products are the Microsoft Windows operating system and the Microsoft Office suite of productivity software.

We are really impressed with Financial Technologies' vision of next generation financial markets. Microsoft's NWT (New World Telecommunications) platform combined with Financial Technologies' domain knowledge and technical expertise have resulted in robust technical infrastructure, for global securities and trading industries. Financial Technologies' Global Exchanges running on our technology platform are live demonstration of the .NET framework's capabilities. As a valued partner, we will continue to work with Financial Technologies for creating solutions on the Microsoft platforms.

- **Rajeev Mittal,** Group Director, Microsoft - India

Financial Technologies is an esteemed member of the HP Developer and Solution Partner Program (DSPP) - the worldwide HP program for Independent Software Vendors, System Integrators, and Consultants. The DSPP membership provides Financial Technologies with multiple avenues for mutual value creation, such as Technology, Marketing and Collaboration. Financial Technologies is able to add significant value to its clients by combining its domain leadership with HP technology expertise and support.

DSPP Member

About HP :

HP is a technology solutions provider to consumers, businesses and institutions globally. The company's offerings span IT infrastructure, personal computing and access devices, global services and imaging and printing for consumers, enterprises and small and medium businesses.

08 Human Resources

Creating Markets
Empowering Talent

The rate of change facing organizations has never been greater and the challenge is to have the right people, with the right domain expertise, capable of managing change effectively and delivering on the Company strategy. On the other hand, Financial Technologies is responsible for delivering empowerment to its people and its customers with the success of the Company.

HR Asset Management

At Financial Technologies and its Group Companies, people are the most valuable asset, which have substantially grown over 700% in the last three years. The inherent forte of the Company lies in its people and their profound wealth of experience and knowledge that is constantly on overdrive.

Recruitment

The Company enforces a comprehensive, meticulous selection routine, comprising of aptitude, technical and psychometric tests coupled with a series of technical and personal interviews.

Over the last year, the Company has visited 35 technical and management institutes for campus placement and brand building promotions, from which, it elicited unprecedented interest.

Competence Development

A training program, structured with the Company's strategy and objectives in mind, ascertains the competitive edge of having a skilled workforce in today's market. Its tremendous emphasis on training is evident with 181 trainers retained by the Company. The all-round development of the individual is at the core of all HR policies related to training at Financial Technologies. Last year, the Company conducted 181 training sessions, which included:

67 technical training
97 non technical training
17 soft skill training

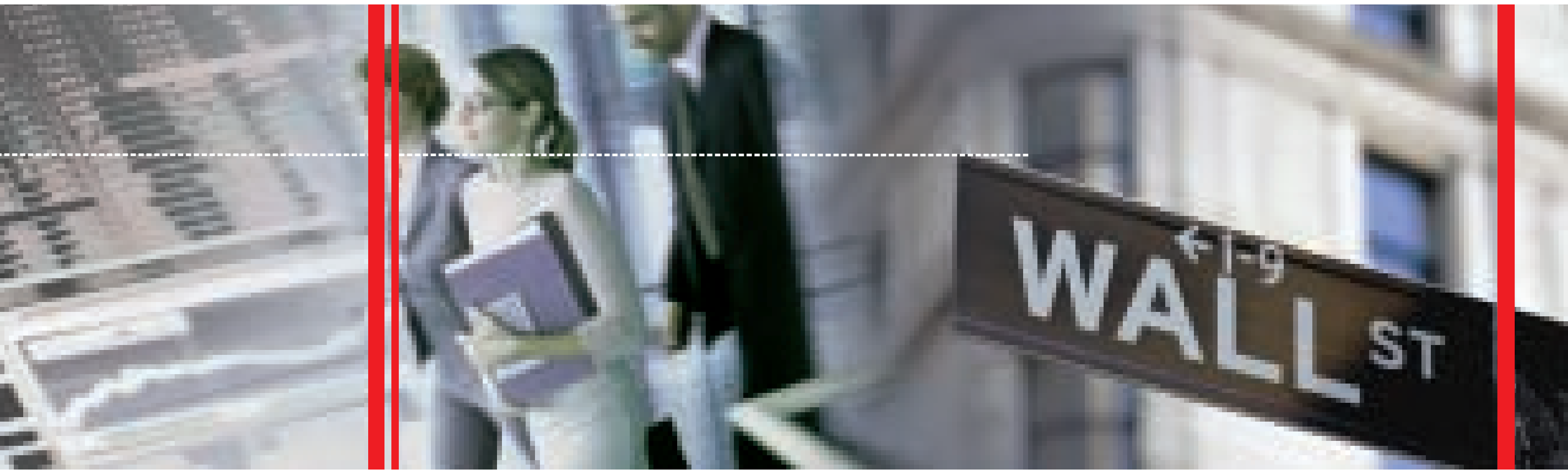
The number of hours of training was approximately 19,000.

Leadership

Leadership within Financial Technologies involves the ability to identify opportunity in challenges and changes, and to be able to lead employees toward, common goals. To enhance an understanding of cultural differences, a number of cultural seminars were held during the year. For senior executives, a special development program was initiated. The program is based on the needs of the individual and his or her situation, goals and challenges.

Performance Management System (PMS)

The performance appraisal process has been reconstructed with the introduction of the bell curve concept, coupled with a shift from an annual to a quarterly performance assessment process.



E-HR

Financial Technologies has launched a comprehensive Human Resource Information System - Folklore **HRIS**, which is available to its employees, team leaders and HR administrators.

Personal Fulfillment

Financial Technologies has also introduced an 'Organizational Growth Commitment Plan', which aims to align the individual's growth aspirations with the Company's growth strategy.

Recognition

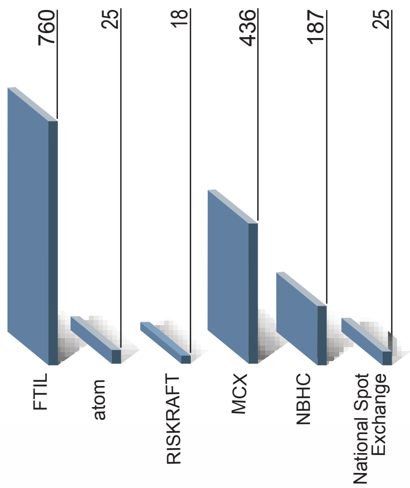
The Company takes pride in being awarded the 'Employer Branding Award 2007' for the category of "Best HR Strategy in line with Business" on 13th Jan 2007.

Our Passionate Workforce

An extremely dynamic workforce with an average age of 30 years, is taking Financial Technologies into the future. The well balanced mix of 1451 employees in this highly intellectual space includes a high percentage of graduates and post graduates.

Total Strength of Human Resources

(No.)



At Financial Technologies, innovation and value creation are rewarded at the highest.

- **Jignesh Shah,** Chairman & Managing Director, Financial Technologies

09 Corporate Education Program

Creating Markets Breeding Ideas

Corporate Education Program (CEP) is a pioneering initiative to nurture and spur on the spirit of innovation and entrepreneurship and create a breeding ground for future entrepreneurs at leading educational institutions, spanning the country. Providing a platform to showcase and germinate inherent entrepreneurial aptitude and skills, it presents a thought-provoking and sensitizing domain to the participants, enabling them to cultivate their potential.

सिद्धिमूलं प्रबन्धनम्
भा. प्र. सं. इन्दौर
IIM INDORE

CEP has the following three pronged thrust, to groom and mentor the students towards harnessing entrepreneurial possibilities, rise to challenges and seize opportunities that they will face in this exciting dynamic world of business.

- **Financial Markets** covering all asset classes such as equities, bonds, and forex
- **Technologies in Financial Markets** platforms for next generation digital exchanges, trading workstations, and allied solutions
- **Commodities** and allied businesses

CEP urges the students to brainstorm and develop a series of experimental, high-impact, hands-on projects designed to create entrepreneurial opportunities. Its modules include:

Business Plans

The group also promotes and encourages business plan competitions at inter-and intra-educational institutions. The winning teams are offered mentorship to evolve a robust business plan for attracting venture capital and angel investors.

Virtual Xchange Labs

Its unique mode of education through simulated business games is challenging and rewarding with the experience of real trading environments and actual market functioning.

Case Writings and Case Studies

Case study and case analyses makes the learning experience enriching.

Research and White Papers

The students and academia are sponsored to initiate across-the-board research in the areas of commodities, agribusinesses, financial markets, microfinance, emerging technologies, and technology in financial markets.

Financial Technologies Group promotes various consultancy services and training to groom talent.

Financial Technologies provides risk management and technology related consultancy to corporates, banks, agriculture sector, members of MCX etc. Training services include various

member and faculty development programs and certifications in commodity markets.

Over 5,000 individuals have directly benefited from the various training programs conducted during the year 2006-07, in line with the pace of growth of the commodity market in India. These programs are conducted in association with leading educational institutes like:

- Indian Institute of Management (IIM) - Indore, Ahmedabad, Luknow
- Indian Institute of Finance (IIF), New Delhi
- National Centre for Co-op. Training (NCCT), New Delhi
- The Energy and Resources Institute (TERI), New Delhi
- Mumbai University, Mumbai
- Symbosis Institute of International Business (SIIB), Pune
- The Institute for Financial Markets (IFM) and many more

Financial Technologies Group believes that an industry can only thrive when there are knowledgeable sharp professionals creating dynamism in the industry. These initiatives are directed towards generating potential “users” and “influencers”, developing a feeder industry around the emergent activities of the group. Aiming to create opportunities for the youth through education, it renders a positive effect on the economy as a whole.

Symbiosis International University
॥ वसुधैव कुटुम्बकम् ॥
Pune

teri university
New Delhi

10 Corporate Social Responsibility

Creating Markets
Bridging Divide

Why CSR?

As we stride on our path towards continuous growth, we are steered by a sense of responsibility and deep veracity towards uplifting the conditions of the communities, in which we work.

Our People

Creating a diverse work force of multi cultural and ethnic backgrounds, Financial Technologies encourages the participation of all its employees towards being a socially responsible citizen.

Our Community

We are aware of the needs of our communities and proactively participate in and support the local communities where we work, as we believe this mutually benefits us and everyone around us. Some of our initiatives include:

Gramin Suvidha Kendra (GSK)

Multi Commodity Exchange, a subsidiary of Financial Technologies, initiated the Gramin Suvidha Kendra (GSK), a joint scheme with India Post.

Through this innovative program, MCX aims to cater to the market information, warehousing, advisory, and agriculture inputs needed by Indian farmers.

The driving engine of this initiative is the ubiquitous network (over 155,000) of India Post across the country. Information needs and queries generated by the farmers are addressed online.

Pragati - Freedom through Learning

'Pragati', empowering underprivileged communities with education and awareness to encourage personal growth, is the result of a joint initiative between MCX and Rotary International.

Believing that literacy and knowledge are the key weapons that open the doors to possibilities, it promotes individual and economic development as a whole.

Other CSR Efforts

Old clothes, toys and books collection drive

Employees are encouraged to donate their used clothes and their children's textbooks and unused notebooks to those in need during special events organized by the Company.

HIV-AIDS

Financial Technologies has put in place an HIV-AIDS workplace policy, which refrains from discriminating against employees infected with the HIV virus.

Old computers

Financial Technologies in association with NASSCOM Foundation has initiated donation of used computers so that it can be used by some poor educational institutions and institutes for the handicapped.

Blood Donation

Financial Technologies Group continues to take proactive approach in organizing a series of blood donation drives and encourages voluntary participation of its employees in such initiatives towards the society. One such event was conducted in the month of August with the Rotary blood bank.

Our Environment

Financial Technologies is committed to leading by example when it comes to preserving our environment. The Company carried out successfully, a noble initiative of planting trees near the vicinity of the corporate head office, to contribute towards preserving our environment.

We believe CSR is all about how an organization can use its core competency as a CSR tool, sustainable CSR activities create value, not only for our stakeholders but also for our organization. If our stakeholders are happy, it obviously translates into increase profits and productivity.

- **Lamon Rutten,** JMD, MCX

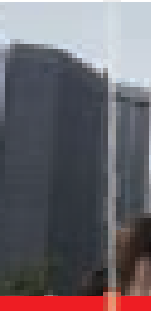
Reduce, Reuse, Recycle

The Company is aiming to use recyclable environment friendly paper for stationery purpose. We also play a big part in reducing waste, by choosing reusable products instead of disposables. Buying products with minimal packaging also helps to reduce waste. Whenever possible, the Company can use recycle paper, plastic, newspaper, glass and aluminum cans. In a bid to reduce energy consumption, Financial Technologies also believes in using less heat and air conditioning. Wherever practical, we have replaced regular light bulbs with compact fluorescent light (CFL) bulbs. Replacing just one 60-watt incandescent light bulb with a CFL will save cost over the life of the bulb. CFLs also last 10 times longer than incandescent bulbs, use two-thirds less energy, and gives off 70 percent less heat.

Employee involvement

This is an initiative wherein employees voluntarily engage in programs designed to meet our commitments towards the society.

One such instance is the Stepping Stone Charitable Society - PRERNA. PRERNA is the mission and motto to pave the way to restore smiles onto faces with heartfelt caring. Mrs. Mathilda D, our employee, closely supports initiatives that have attempted to care and support individuals marginalized, towards restoring dignity and self-worth to every child. Children in the slum area living in squalor, with illiterate parents are provided with a decent place to study as well as given education through various classes.



Board of Directors

EXECUTIVE

Jignesh Shah

Chairman and Managing Director

Mr. Jignesh Shah is the founder of the Company and holds the position of Chairman and Managing Director since January 2001. He has over 15 years of experience in the securities exchange industry. Prior to establishing Financial Technologies, he was with the Bombay Stock Exchange (BSE), working on the design and implementation of BSE's online trading system, BOLT®. Mr. Shah graduated with a Bachelor of Engineering degree from the University of Mumbai and has received specialized training in Money and Capital Markets as well as in Futures and Options Trading from the New York Institute of Finance. His other Directorships include Multi Commodity Exchange of India Ltd., IBS Forex Ltd., TickerPlant Infovending Ltd., National Spot Exchange Ltd., National Bulk Handling Corporation Ltd., atom technologies Ltd., Riskraft Consulting Ltd., Dubai Gold and Commodities Exchange, Financial Technologies Middle East, Safal National Exchange Ltd., Global Payment Networks Limited, Financial Technologies Communications Limited, Indian Energy Exchange Limited, Global Board of Trade Limited, Singapore Mercantile Exchange Pte. Limited and La-Fin Financial Services Pvt. Ltd.

Dewang Neralla

Executive Director

Mr. Dewang Neralla is the Executive Director of the Company since January 2001. He is the Director-Technology and co-founder of Financial Technologies with Jignesh Shah. He has played a major role in creating the technology infrastructure that is central to the Financial Technologies Group. Before establishing Financial Technologies, Mr. Neralla was part of the BSE team for designing the BOLT® trading system. He graduated with a Bachelor of Engineering degree in Computers. His other Directorships include TickerPlant Infovending Ltd., atom technologies ltd., Riskraft Consulting Ltd., Global Payment Networks Limited, Financial Technologies Communications Limited and e Logistics Pvt. Ltd.

NON-EXECUTIVE

C. Subramaniam

Director

Mr. C. Subramaniam is a Director with the Company since December 1990. Mr. Subramaniam is a self-employed entrepreneur with over 24 years of experience in the financial services industry, ranging from resource mobilization to all other aspects of merchant banking. Mr. Subramaniam graduated with a Masters Degree in Commerce and an additional professional qualification in Management and Cost Accountancy. His other Directorships include Compuage Infocom Limited, Multi Commodity Exchange of India Limited, TickerPlant Infovending Ltd, National Bulk Handling Corporation Ltd., atom technologies ltd. and Riskraft Consulting Ltd.

Ravi K. Sheth

Director

Mr. Ravi K. Sheth is a Director with the Company since August 1994. With effect from January 2006, Mr. Sheth became the Executive Director for The Great Eastern Shipping Company Limited, an organization that he has worked in since 1989. He is also the Managing Director of Greatship India Limited since November 2006. Mr. Sheth graduated with an MBA from Babson College, USA. His other Directorships include Routes Travel Ltd., Business Standard Ltd., The Great Eastern Shipping Co. Ltd., Man Infraconstruction Limited and Greatship (India) Ltd.

Ashish S. Dalal

Director

Mr. Ashish S. Dalal is a Director with the Company since January 2001. Mr. Dalal is a fellow of the Institute of Chartered Accountants of India and is a partner of M/s. Dalal & Shah, a firm of chartered accountants in India, where he specializes in corporate accounting, finance and audit, business evaluations, and strategic alliances, among other things. His other Directorships include Akzo Nobel Chemicals (India) Ltd., ICICI Investment Management Co. Ltd., Peppercorn Advisory Pvt. Ltd. and Multi Commodity Exchange of India Ltd. (MCX).

P. G. Kakodkar

Director

Mr. P. G. Kakodkar is a Director with the Company since January 2001. He was the former Chairman of the State Bank of India, where he had a career spanning four decades. His other Directorships include Goa Carbon Ltd., Sesa Industries Ltd., Mastek Ltd., Hexaware Technologies Ltd., Fomento Resorts & Hotels Ltd., Centrum Finance Ltd., Sesa Goa Ltd., Uttam Galva Steel Ltd., Multi Commodity Exchange of India Limited, IBS Forex Ltd., SBI Funds Management (P) Ltd., Ratnakar Bank Ltd., and Auditime Information Systems (I) Pvt. Ltd.

VP (Legal & Secretarial) & Company Secretary
P. Ramanathan

Company Secretary & Compliance Officer
Hariraj Chouhan

Corporate Information

Auditors
Deloitte Haskins & Sells

Legal advisors
J. Sagar Associates
Crawford Bailey

Bankers
HDFC Bank Ltd.
www.hdfcbank.com
HSBC Ltd.
www.hsbc.co.in
Corporation Bank
www.corpbank.com
Centurion Bank of Punjab Ltd.
www.centurionbank.com
Union Bank of India
www.unionbankofindia.com

Share Transfer Agents
a) (upto October 31, 2007)

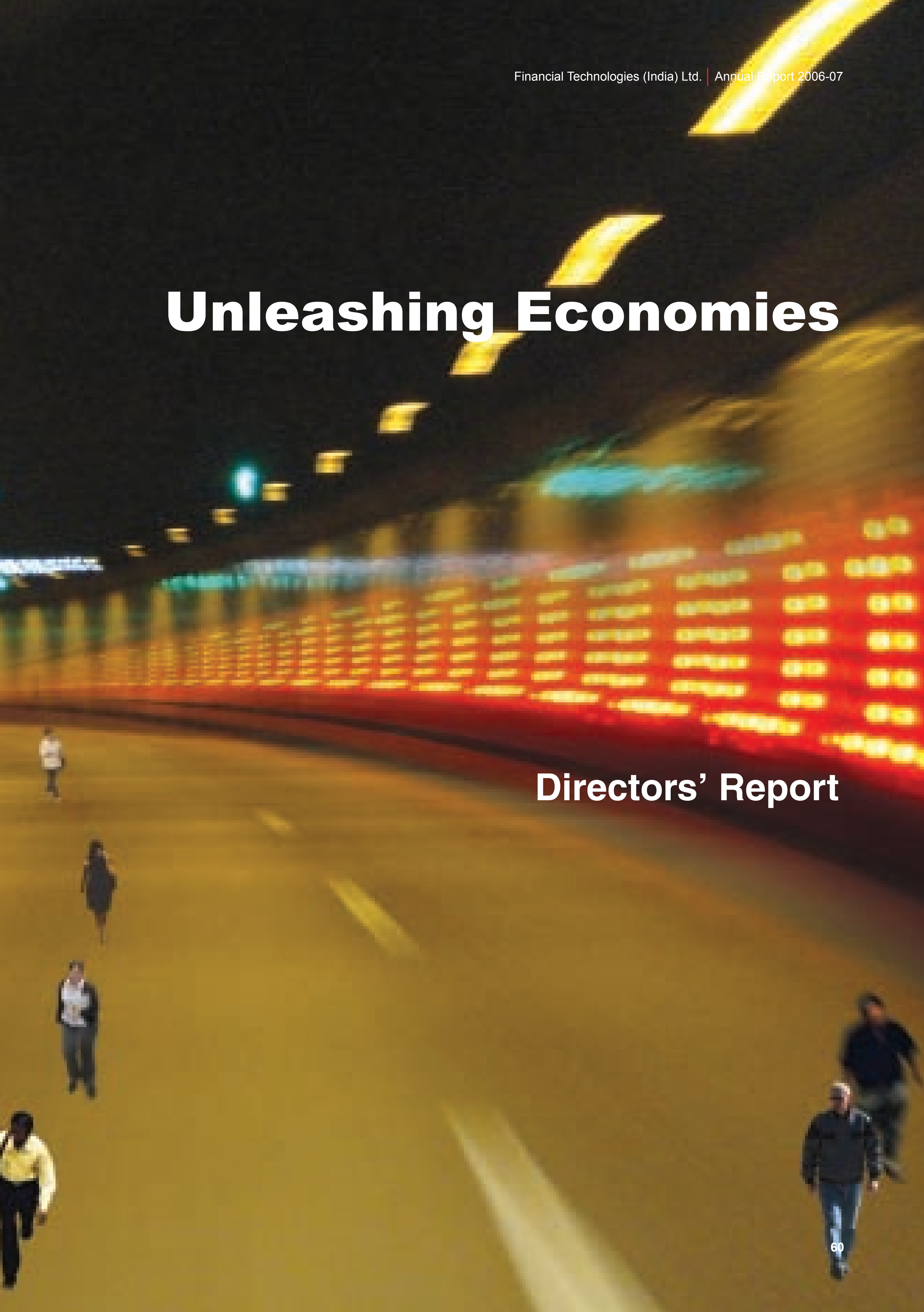
Intime Spectrum Registry Ltd.
C-13 Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai - 400078
www.intimespectrum.com

b) (from November 1, 2007)

Karvy Computershare Pvt. Ltd.
21, Avenue-4, Street No. 1
Banjara Hills
Hyderabad - 500034
www.karvy.com

Registered Office
Financial Technologies (India) Ltd.
IIIrd Floor 16,Surya Flats
IInd Cross Street, Seethammal Colony Extn.
Teynampet, Chennai 600018

Creating Markets



Unleashing Economies

Directors' Report

Directors' Report

Creating Markets
Unleashing Economies

The Members,

Your Directors have great pleasure in presenting the nineteenth Annual Report of your Company together with the Audited Statement of Accounts for the year ended March 31, 2007.

(Amount in Rs. million)

	Standalone		Consolidated	
Particulars	**2006-07**	**2005-06**	**2006-07**	**2005-06**
Total Income	**1741.32**	**962.57**	**3250.79**	**2012.31**
Total Operating expenditure	**554.69**	**319.86**	**1617.03**	**773.68**
Operating Profit	**1186.62**	**642.71**	**1633.76**	**1238.43**
Interest	2.78	0.03	8.46	0.96
Depreciation/ amortization	15.38	11.35	88.88	55.84
Profit before tax and before exceptional / non recurring items	**1168.46**	**631.33**	**1536.42**	**1181.63**
Provision for taxation	178.75	148.98	517.33	326.42
Net Profit after Tax (before exceptional item)	**989.71**	**482.35**	**1019.09**	**855.21**
Less: Exceptional Item (net of deferred tax)	(16.41)	16.41	(16.41)	16.41
Net Profit after Tax (after exceptional item)	**1006.12**	**465.94**	**1035.50**	**838.81**
Less: Short provision for income tax in respect of earlier year	-	41.27	1.99	42.87
Profit after tax (before adjustment for minority interest)	**1006.12**	**424.67**	**1033.51**	**795.94**
Less: Minority Interest	-	-	319.24	146.04
Net Profit available after Minority Interest	**1006.12**	**424.67**	**714.27**	**649.90**
Add: Balance b/f from previous year	247.71	174.13	447.48	196.48
Balance Available for appropriation	**1253.83**	**598.80**	**1161.75**	**846.38**
Appropriations				
Final dividend (proposed)	88.19	228.85	88.19	228.85
Interim dividend	264.43	35.21	264.43	35.21
Tax on dividend	56.79	37.03	141.11	39.14
Transfer to General Reserve	101.00	50.00	145.82	95.70
Balance Carried forward to Balance Sheet	**743.42**	**247.71**	**522.21**	**447.48**
Earnings per share (before exceptional items) Basic	22.48	10.02	16.22	15.14
Diluted	20.54	10.01	14.15	15.01
Earnings per share (after exceptional items) Basic	22.85	9.65	16.59	14.77
Diluted	20.91	9.64	14.52	14.64

Dividend

During the year under review, your Company paid four interim dividends totaling 300% (Rs. 6 per share on par value of Rs. 2/-). The Directors recommend a final dividend of 100% i.e. Rs. 2 per share on par value of Rs. 2/-, subject to the approval by the shareholders at the ensuing Annual General Meeting. The total dividend paid and recommended totaled to 400% (i.e. Rs. 8/- per share on par value of Rs. 2/- each) for the financial year ended March 31, 2007 (previous year 300% i.e Rs. 6 per share on par value of Rs. 2/-). The total cash outgo on account of total dividend (including Interim Dividend) and tax thereon amounts to Rs. 409.41 million.

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.

Share Capital & Zero Coupon Convertible Bonds (ZCCB)

a) Equity

During the year under review, the Company made allotment of 85,760 equity shares, consequent to exercise of stock options issued under the Employees Stock option Plan ESOP 2005. As a result, the subscribed and paid-up equity share capital of the Company stood at Rs.88.19 million as on March 31, 2007.

b) Zero Coupon convertible Bonds (ZCCB)

During December 2006, the Company issued Zero Coupon Convertible Bonds due 2011 ('ZCCBs') to foreign investors and raised US$ 100 million. These bonds are listed on the Singapore Exchange Securities Trading Limited. As per the terms of the issue, the holders have an option to convert the ZCCBs into equity shares at any time on and after January 30, 2007 upto the close of business on December 14, 2011, at an initial conversion price of Rs. 2362.68 per equity share (face value Rs.2/- and premium Rs. 2360.68) at a fixed exchange rate on conversion of Rs. 44.6738 to US $ 1, subject to certain adjustments as per the terms of the issue. Under certain conditions, the Company, on or after December 20, 2007 but not less than seven business days prior to December 21, 2011, has an option to mandatorily convert the ZCCBs into equity shares, in whole, but not in part. If all the outstanding ZCCBs are converted into equity shares, the total share capital would increase by approximately 1,890,810 new equity shares of Rs. 2/- each.

Results of Operations

For the year ended March 31, 2007, your Company has reported a consolidated net profit (before minority interest) of Rs. 1035.50 million on the back of total income aggregating Rs. 3250.79 million. As compared to previous year figures, the total income is higher by 62% and net profit (before minority interest) is up by 23%.

On a standalone basis, the company has reported a 81% increase in total income to Rs. 1741.32 million. Net profit grew by 116% to Rs. 1006.12 million.

The number of licenses as on March 31, 2007 is more than 164,000 for its STP range of products.

New additions made to the internet products

- **Banking interface -** Enables the investor to transfer the payment to the brokers online.
- **DP Gateway -** Enhances the current RMS by allowing investor to place orders for the stocks available in his demat account.
- **e-IPO -** is a module through which the investor can apply for IPO through internet.
- **Mutual Funds -** Investor can invest in mutual funds through internet
- **Portfolio Tracker -** Is a module through which investor can manage his portfolio and track the same.

11 Directors' Report

Awards/Recognition

Our uncompromising commitment to building a brand centric model towards leveraging quality products to generate sustainable and assured annuity revenues has earned us recognition in various circles. Financial Technologies is ranked 3rd in the Deloitte Technology Fast 50 India 2006 and 42nd in the Deloitte Technology Fast 500 Asia Pacific 2006.

Note on Subsidiaries

The statement pursuant to Section 212 of the Companies Act, 1956, containing details of subsidiaries of the Company, forms part of the Annual Report.

Management Discussion and Analysis Statement is elsewhere in this report and contains certain details 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 written 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.

Joint Venture

During the year under review, your Company established Safal National Exchange of India Limited (SNX) a joint venture Company. SNX is a joint venture between Mother Dairy Foods Processing Limited (MDFPL), Multi Commodity Exchange of India Limited (MCX) and your Company. MDFPL is a wholly owned subsidiary of the National Diary Development Board. MDFPL holds 51 percent of the equity, MCX holds 30 percent of the equity while your Company holds the balance 19 percent in this Joint Venture Company. SNX will act as a platform for trading of horticulture, floriculture, and dairy and allied produces and is expected to result in efficient and transparent purchase and sale of standardized specification that is expected to ultimately benefit the farmers and the consumers at large. SNX is expected to commence its business operations during the financial year 2007-08.

Employees Stock Option Plan 2006 (ESOP 2006)

The Company during the year under review, implemented Employee Stock Option Plan (ESOP) Scheme 2006 ('the Scheme') comprising of 440,000 stock options. The approval of the shareholders for the same was obtained at the Annual General Meeting held on September 29, 2006. 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 2006 will be up to 440,000 equity shares at an exercise price as defined under the SEBI Guidelines, as on the grant date.

During the year, the Company has granted 440,000 stock options which will vest over a period of two 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 345,440 and 440,000 for ESOP 2005 and ESOP 2006 respectively.

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

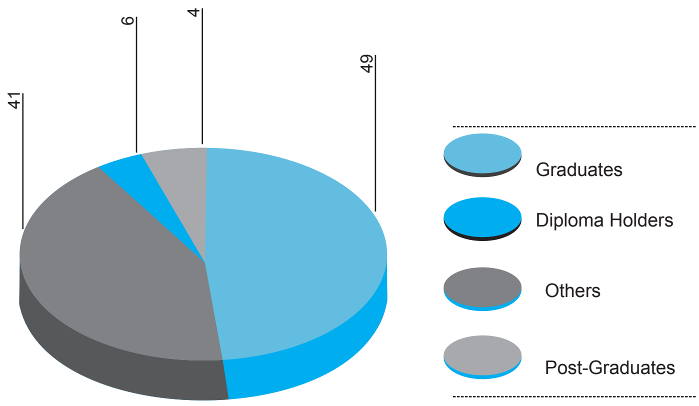
Human resource development has been high on the priority list of Financial Technologies, as it has taken major initiatives over the last year to offer employee friendly policies towards making it one of the preferred places to work with.

We now have a monthly three day induction program designed to induct the new recruits into the Company. This program includes a knowledge sharing session with the top management, who share the vision of the company and make the recruits feel as a partner in the growth process.

We have also introduced an Organizational Growth Commitment plan, which aims to align the individual growth aspiration with that of the company's, ensuring a more focused and mutual growth.

The Company was presented with the Employer Branding Award 2007 for the category of "Best HR Strategy in line with Business" on January 13, 2007 and this has reinforced our commitment towards employee satisfaction and growth.

Educational Qualification Chart (%)



We believe that employee training and development, focused on acquiring and retaining a skilled workforce is imperative in giving us a competitive edge in today's market. The all round development of the individual is the core of all HR policies related to training at Financial Technologies. The training starts immediately on induction, through orientation for the new role. This is followed by technical or soft skill training, feedback sessions and retraining if required.

Towards making Financial Technologies a great place to work in, we aim to accelerate the pace of our HR initiatives to make it a place where employees trust the Company they work for, have pride in what they do, and enjoy their work.

Quality

Quality has always been the hallmark of Financial Technologies and we are committed to attain the highest standards in all aspects of our business. We believe that customer satisfaction and excellence in quality are critical factors for success in the global market. We deliver unmatched business value to customers through a combination of process excellence, quality frameworks and service delivery innovation. Our broad based offerings and the requisite quality processes have enabled us to become our customers' valued strategic IT partner.

11 Directors' Report

FTQM
विधिवत निरंतर अनंत
'Ad Infinitum... as per defined processes'

Financial Technologies' Total Quality Management Program (FTQM)

Financial Technologies' quality mantra is the quality that can be achieved through systematic defined processes which have to be followed on a continuous basis. We strongly believe that there is no limit to quality improvement, and that the possibilities are infinite. Towards this end, we have designed a quality management program to build high quality and functionally rich solutions.

FTQM's mature process frameworks effectively reduce risk and unpredictability across the software development life cycle, while flexibly integrating with our clients' processes. FTQM is a completely indigenous initiative, designed and developed around the CMMi model, ISO 9001:2000, ISO 9126, BS 15000 and ISO 27001. We have integrated Six Sigma techniques to focus on continuous, measurable process improvement, with powerful analytical tools and sophisticated review processes to ensure world-class 'zero' defect products.

Our adherence and commitment to quality standards have resulted in clients relying on our competencies to provide mission critical solutions, best suited to improve and enhance their business strategies.

Corporate Governance

Your Company is committed to global best 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.

The Company has in place a Code of Conduct for its board members and senior management team, who have affirmed compliance thereto. The said code of conduct has been posted on the Company's website.

Management Discussion and Analysis Statement

A Management Discussion and Analysis Statement is attached to this Report

Directors

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

None of the Directors of the Company is disqualified for being appointed as Director as specified in Section 274 (1) (g) of the Companies Act, 1956.

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 judgments and estimates that are reasonable and prudent. The aim is 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.

4. **“Group” for Inter-se Transfer of Shares**
   As required under Clause 3(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, persons constituting “Group” (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulations 10 to 12 of the aforesaid SEBI Regulations are given in Annexure `C' attached herewith and the said Annexure `C' forms part of this Annual 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 the 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

Jignesh Shah
Chairman and Managing Director

Mumbai
31st July, 2007

11 Annexures to the Directors' Report

Annexure A

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 to adopt 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 endeavor to improve energy conservation and utilization.

Technology Absorption, Research & Development

The Research and 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 & export market.

Amount spent: Revenue Expenses Rs. 32.80 million

Foreign Exchange Earnings and Outgo

The details of Foreign earnings and outgo are mentioned in Note 11 of schedule 14 on significant accounting policies and notes to the accounts.

Annexure B

Pursuant to the applicable requirement of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the SEBI Guidelines") the following disclosures are made in connection with the "Financial Technologies (India) Limited Employee Stock Option Scheme 2005 and 2006".

Sr. No.	Description	ESOP - 2005	ESOP - 2006
1.	Options granted	4,40,000	4,40,000
2.	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)	Rs. 981.60 per share	Rs. 1812.70 per share
3.	Options vested	86,360	Nil
4.	Options exercised	85,760	Nil
5.	Options lapsed	600	Nil
6.	Options forfeited	8,200	Nil
7.	Variations of terms of the Options	None	None
8.	Money realized by exercise	Rs. 8,41,82,016/-	Nil
9.	Total no. of shares arising as a result of exercise of options	85,760	Nil
10.	Options in force	345,440	440,000
11.	Employee wise details of options granted: a) Senior Management Personnel	Mr. V. Hariharan, Mr.Shreekant Javalgekar, Mr. Arshad Khan, Mr. Paras Ajmera, Mr. Hariraj Chouhan	Mr. V. Hariharan, Mr. Paras Ajmera, Mr. Miten Mehta

	b) Employees who receive a grant in any one year of option amounting to 5% or more of options granted during the year.	Nil	Mr. V. Hariharan, Mr. Paras Ajmera
	c) Employees to whom options equal to or exceeding 1% of the issued capital have been granted during the year.	Nil	Nil
12.	Diluted Earning Per Share (EPS) - before extraordinary items - after extraordinary items	 Rs. 20.54 Rs. 20.91	
13.	Fair value of the options	Rs. 483.88	Rs. 547.29
14.	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 Employees 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. 158.70 million and EPS as reported would be as indicated below:	
		Adjusted EPS a) before extraordinary items	
		- Basic - Diluted	Rs. 18.87 Rs. 16.95
		b) after extraordinary items	
		- Basic - Diluted	Rs. 19.25 Rs. 17.32
15.	Description of the method and significant assumptions used during the year to estimate the fair values of the options	Fair value calculated by using Black Scholes Option Pricing model.	
	Expected volatility Option life Dividend yield Risk-free interest rate	64.48% to 86.41% 3 years 0.41% 5.98% to 6.41%	48.05% to 57.74% 2 years 0.49% 7.48% to 7.50%
	To allow for the effects of early exercise, it is assumed that the employees would exercise the options after vesting date. Expected volatility is based on the historical volatility of the share prices over the period that is commensurate with the expected term of the option.		

Annexure C

List of person constituting "Group" as required under Regulation 3 (1) (e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

1. La-Fin Financial Services Pvt. Ltd. (Promoter)
2. Jignesh Shah (Promoter)
3. Dewang Neralla (Promoter)
4. Multi Commodity Exchange of India Ltd.
5. atom technologies Limited
6. TickerPlant Infovending Limited
7. Riskraft Consulting Limited
8. National Bulk Handling Corporation Limited
9. National Spot Exchange Limited
10. IBS Forex Limited
11. Safal National Exchange of India Limited
12. Global Payment Networks Limited
13. Financial Technologies Communications Limited
14. Indian Energy Exchange Limited.
15. Dubai Gold and Commodities Exchange (U.A.E.)
16. Financial Technologies Middle East, DMCC (U.A.E.)
17. Global Board of Trade Limited (Mauritius)
18. Financial Technologies Middle East FZ-LLC (U.A.E.)
19. FT Group Investment Pvt. Ltd, Mauritius
20. Knowledge Assets Pvt. Ltd., Mauritius

Dated: July 31, 2007
Place: Mumbai

Jignesh Shah
Chairman and Managing Director

12 Management Discussion and Analysis

Creating Markets Scaling New Heights

Review of Operations

The financial year 2006-07 was a year of establishing new exchange ventures, on the Financial Technologies platform. Three new exchange ventures were set up, which included two national exchanges and one international exchange. It is the company's indigenous technology base that powers all of its ventures, be they ecosystem ventures or exchange ventures. Each of these ventures deliver breakthrough innovative solutions for digital transactions and the financial markets space.

Financial Technologies has asserted its deep-rooted presence this year by capturing 80% (est.) market share with an increase of 89% in the license base from 86,815 licenses on March 31, 2006 to 164,335 licenses on March 31, 2007. In the equities market the license base has grown by 76%, whereas, in the commodities market it has a robust foothold with growth of about 146%.

Since its launch, ODIN™ has become the delight of every broking house. It provides a common dealing desk for multiple exchange segments, within minimal investment and easy adaptability.

Exchange platforms

Financial Technologies exchange ventures includes **Multi Commodity Exchange of India Ltd. (MCX), Dubai Gold & Commodities Exchange (DGCX), IBS Forex Limited (IBS Forex),** the newly launched **National Spot Exchange Limited (National Spot Exchange), Global Board of Trade (GBOT) (Mauritius) and Safal National Exchange of India Limited (SNX).**

National Spot Exchange will be a national level electronic spot market, which originated primarily to minimize the use of intermediaries and provide best possible prices to the farmers.

Global Board of Trade will be an International Multi Commodity Exchange set up in Mauritius, as part of the group's vision to create world class organized markets across multiple asset classes.

Safal National Exchange will work as India's first national level electronic marketplace to trade all perishable products, such as horticulture, floriculture, dairy and allied products.

Ecosystem Ventures

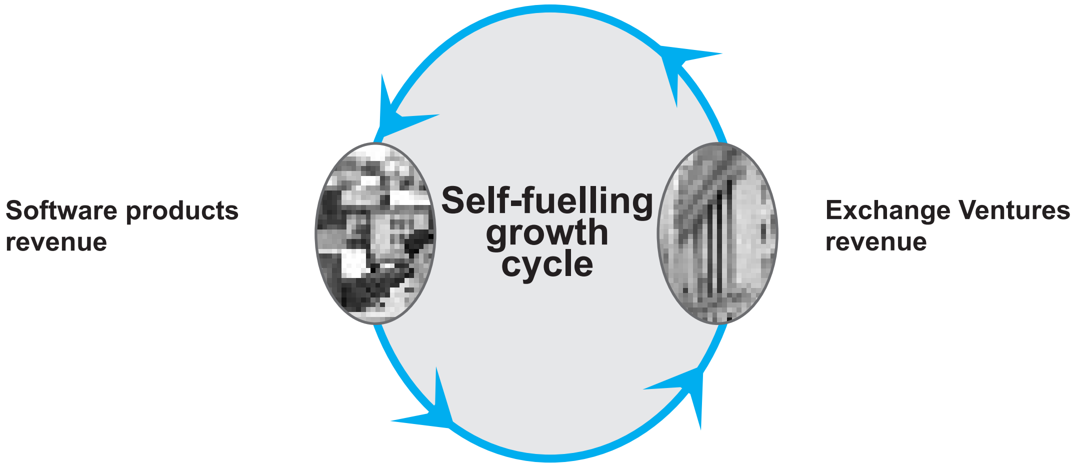
The eco-system ventures of Financial Technologies include **National Bulk Handling Corporation (NBHC), Riskraft Consulting,** the newly launched **atom technologies** and **TickerPlant Infovending Limited.**

atom technologies will mainly focus on providing mobile based payment solutions through its core products Mobile Card Payments: atom, PayBuzz and atom OTP (One Time Password).

TickerPlant Infovending has been launched with the mission of qualifying exhaustive content into intelligent information, to design an intuitive interface and to ensure spot-on delivery for clients.

Financial Technologies Revenue Model

The revenue model of Financial Technologies, including its subsidiaries, is self-fuelling in nature and offers unbounded growth potential through its Exchange solutions and Software solutions. Its revenue model is built around exchange ventures (currently 6), ecosystem ventures (currently 4) which complement the exchanges and Financial Technologies' Software Solution business in India and abroad.



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Management Discussion and Analysis

Exchange Ventures

Multi Commodity Exchange of India Ltd (MCX)

Since its inception, MCX is well positioned to tap the enormous potential of the commodities market, with 59 commodities trading across segments like precious metals, base metals, energy and agriculture, bullion and plastics. It has carved a prominent place for itself, evidenced in the following facts:

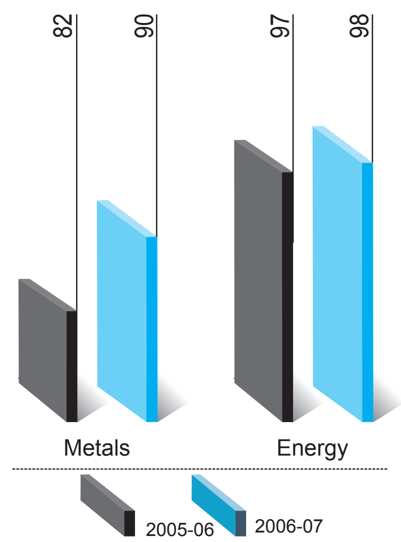
1. In terms of y-o-y growth in number of contracts traded in 2006, MCX is one of the fastest growing amongst all the leading commodity exchanges in the world
2. The y-o-y growth in the turnover value between the years 05-06 and 06-07 is 138%

MCX's indices display interest of users across various baskets of products which are as follows:

1. Since April 1, 2006, MCX COMDEX has shown an upward movement based on the appreciation in agricultural and metal commodity prices. The MCX COMDEX appreciated 10.2% between April '06 and March '07.
2. The MCX Agri Index showed an overall positive trend during the year by gaining 18.1%.
3. The MCX Metal Index witnessed an appreciation of 17.7% during the period, backed by bullion and other base metals.

MCX COMDEX has shown a degree of co-relation with global benchmark indices such as 87.3% with DJCI and 87% with GSCI.

Following changes have occurred in the market share of MCX in metals and energy basket in this fiscal as compared to last fiscal (%)



New commodities launched on MCX platform

In July 2006, MCX launched Natural Gas futures contracts that are based on NYMEX prices.

In September 2006, MCX commenced potato futures contracts in West Bengal.

In January 2007, MCX launched Robusta Coffee futures contracts in a link up with Euronext.liffe.

Significant events during the year

MCX has successfully bagged the **ISO/ IEC 27001:2005** certification, the ultimate benchmark of an information security management system. It is the world's only multi commodity exchange to get this certification.

MCX has become the first Indian Commodity exchange to join the club of global exchanges by becoming associate member of the **Futures Industry Association (FIA)**. As an associate member of FIA, MCX holds the responsibility to share information about the Indian industry with global counterparts.This will also help in aligning the Indian commodities market with the global economy.

Gramin Suvidha Kendra, a joint initiative, of MCX and India Post, mainly to provide information and services to the rural population, has been continuously expanding its base. During the year it has set up centres in Unjha in Gujarat and Itarsi in Madhya Pradesh.

Significant operational changes during the year

As on March 31, 2007, MCX had a membership base of 1,381 members.

MCX has recently revised its fees structure for membership under three categories of members - Trading-cum-Clearing Member (TCM) (both deposit and non-deposit based);Professional Clearing Member (PCM); and Institutional Trading-cum-Clearing Member (ITCM) with effect from April 1, 2007.

The admission fees for TCM, non-deposit based, has been revised to Rs. 2 million from Rs. 1 million, while for the deposit based member, it has been revised to Rs. 1 million from Rs. 0.5 million. Security deposit for TCM has been revised to Rs. 3 million (non-deposit based) and Rs. 6.5 million (deposit based).

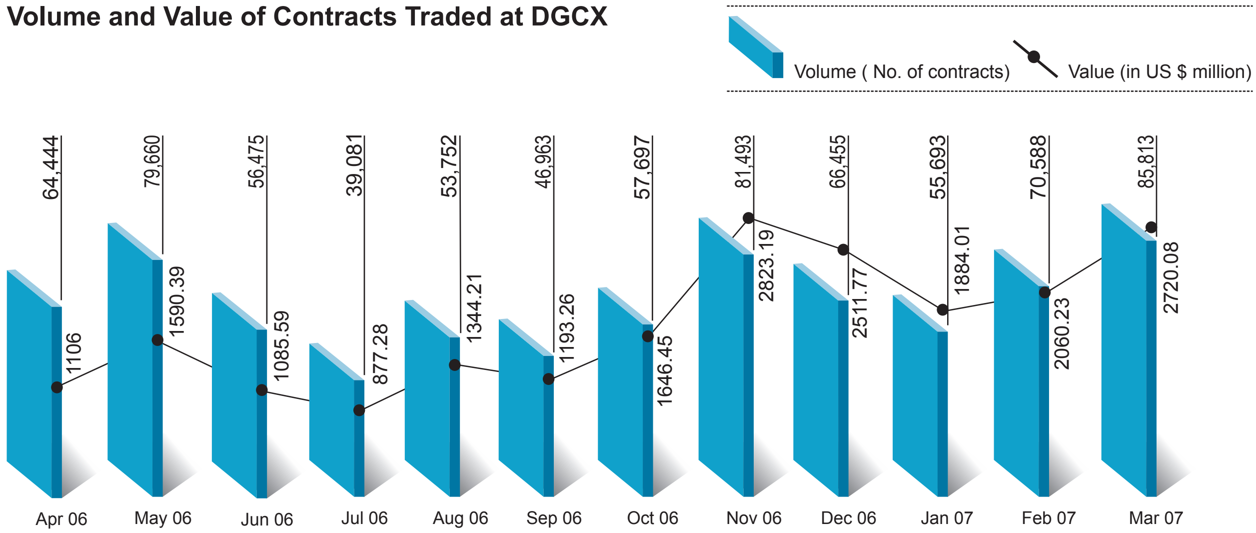
Dubai Gold and Commodity Exchange (DGCX)

DGCX is a technology driven, demutualized organization formed to provide a trading platform for a wide array of commodities and currencies. It provides a fully automated, state-of-the-art infrastructure, accessible from anywhere in the world. Widening opportunities to the region's increasing investment community, DGCX has set a record high of 12,877 contracts traded valued at $853.93 million on April19, 2007.

The cumulative volume traded on DGCX as on March 2007, was recorded at 831,635 contracts and an aggregate value of contracts traded crossed US$ 22 billion.

The total number and value of contracts traded on DGCX from April 06- March 07 are as follows:

Volume and Value of Contracts Traded at DGCX



12 Management Discussion and Analysis

New commodities launched during the year

On June 12, 2006 Euro/US Dollar, Yen/US Dollar and Sterling /US Dollar contracts started to trade on DGCX platform

DGCX is unswerving in its aim of continual expansion towards actualizing its potential in the commodities business. It has launched new contracts this year with several in the pipeline. In October 2006, DGCX started trading in the 1st energy product- fuel oil contract, on its platform.

Strategic Alliances during the year

In a strategic move in August 2006, DGCX has entered into partnership with the Tokyo Commodity Exchange (TOCOM), one of the world's leading bullion and energy exchange. Through this collaboration, the two institutions intend to pursue business opportunities, as well as initiatives towards improvement of market liquidity, operational soundness and risk management efficiency.

In April 2007, JP Morgan joined as a broker clearing member of DGCX. This membership will offer exciting opportunities to the clients of JP Morgan in the commodity derivatives market.

IBS Forex Limited

IBS Forex Limited provides a digital trading platform for the Inter-bank forex transactions and has introduced the concept of “value for money” pricing. It primarily caters to spot and forward trading in US$: INR for the inter-bank forex market.On an average, a daily volume of about US $50 million is transacted on the platform, with the cumulative turnover rising 25% over last fiscal year to about US$50 billion as on March 2007. During the year under review, 2 new banks have subscribed to the services of IBS Forex taking the total number of banks, using IBS Forex platform presently, to 26.

Ecosystem Ventures

National Bulk Handling Corporation Ltd. (NBHC)

NBHC is an end-to-end solution provider in warehousing and bulk handling of agri commodities. In March 2007, it has been awarded the highest international quality standards for food safety management systems, the ISO 22000:2005 Certification. The combination of ISO 22000:2005 certification with ISO 9001:2000 has made NBHC a preferred Indian partner for global food chain participants for end-to-end commodity management solutions.

In January 2007, Grain and Feed Trade Association (GAFTA) elected NBHC as its Category-G member. NBHC is the first warehousing and commodity management solution provider in India to get GAFTA membership. This membership will enable NBHC ProComm laboratories to go under the proficiency testing and GAFTA accreditation. This will also help in matters of international disputes. Along with it NBHC will be linked with over 1000 association members from 90 countries across the world. During the year 2006-07, four new banks have officially recognized NBHC as their collateral manager. This includes Union Bank of India, Development Credit Bank, IndusInd Bank and State Bank of Indore.

This venture facilitates funding over US$ 124 million, with US$ 73 million still in the pipeline and it presently manages commodities worth US$ 178 million under collateral management.

Human Resource

Covered elsewhere in the report

Industry trends

Covered elsewhere in the report

Competitive Strengths

Transaction Application Solutions

While most Indian technology companies have been focusing on overseas markets, there are ample ignored opportunities in the domestic markets, where only a handful of companies have stepped in and created a niche for themselves making remarkable progress. Financial Technologies is one such company that has focused on the software and technology requirements for the stock and commodity exchanges in India and now in other parts of the world. The Company provides technology solutions and domain expertise for digital transactions and financial markets across all asset classes, such as Equity, Debt, Forex and Commodities. It is finely honed into IPR creation in the financial markets and trading industry through harvesting intellectual capital.

According to a report of the Boston Consultancy Group, India's market capitalization compares well with other emerging economies. Its managed assets expected to grow by 22% per annum, is likely to touch more than US $1 trillion by 2015. Tapping this opportunity, brokers are providing various new financial products to retail investors through mutual funds and direct trading. To compete in the retail market the competitive advantage will rest with those that use technology well to deliver services. All brokers agree that technology is just not the enabler but could also turn out to be the differentiator for the retail broking business.

Comprehensive Domain and Technical proficiency

Financial Technologies' deep domain knowledge covers every technological aspect of the trade cycle, right from setting up markets to running it and also providing the ecosystem in which it operates. The Company penetrates into every niche of the securities markets. Proven and scalable technology, has uniquely positioned Financial Technologies to be the preferred creator of new trading platforms globally.

Technical Innovation and IPR creation

Developing and implementing the next generation trading architecture, Financial Technologies constantly delves into novel trading features and disciplines to meet diverse and shifting customer requirements, adapting to the constantly altering competitive landscape. Cutting edge technology offerings, delivering single point transaction solution fulfillment, combined with a holistic focus on the market ecosystem, have established it as a key differentiator.

Market leadership

Financial Technologies, is the market leader, with 80% market share in the securities and commodities segment. With around 790 brokerage houses deploying the Company's suite of products and powering no less than 6 exchanges, its gamut of product offerings covers the whole continuum of STP technology in diverse securities market.

Up and Running in Record Time

Setting up an exchange and then infusing life in it to get it running live within a 1000 days, is a feat that no other company in the world has been able to achieve. Financial Technologies stands tall, way ahead of the competition, with a trail of proven projects in MCX and DGCX.

Brand recognition

Today, Financial Technologies is synonymous with the word 'Markets' and is a name to reckon with, for cutting-edge technology solutions in the financial services domain. With six exchanges to its credit, the Company has established a reputation for itself for providing innovative, efficient, user friendly and cost-efficient market infrastructure.

Highly Experienced Management at the Helm

Financial Technologies is steered by a group of highly experienced Management professionals, whose contributions, individually and as a team, has led the company to its position today. Highly motivated and skilled with 250 man years of management experience in the varied veins of the business, the management provides momentum from the top down, permeating to all sections of the organization.

At The Core

Every activity in Financial Technologies marketplace business model, circulates around a pivot which has state-of-the-art technology at its core. Not only does the Company create markets but also creates the whole ecosystem, generating a seamless market environment. Its marketplace dynamics is supported by a well planned network of alliances, domestic and international, adding robustness to the ecosystem. On every front, Financial Technologies does it faster, better and more economically than anyone else.

Opportunities

In a world where major dynamics are at work towards globalization, deregulation and evolving technology, there are enormous opportunities for expanding the Group's markets.

Technology

A number of factors are driving IT strategy in the exchange sector:

In India, the development of a transparent physical market is a major component in building a truly dynamic commodity market. It is imperative to develop an electronic trading platform, with terminals or workstations throughout the length and breadth of the country, for trading in different

12 Management Discussion and Analysis

types of physical delivery contracts between buyers and sellers without the intervention of unwanted intermediaries.

Algorithmic trading and DMA services have gained prominence in institutional trading for many firms.

Potential adoption of algorithmic trading will be seen in the market segments impacting sell-side firms, buy-side firms, exchanges and electronic communication networks (ECNs).

The next trend impacting exchange IT are the exciting opportunities, around the world, where trade is migrating to advanced electronic platforms, as well as the upgradation of existing platforms.

Leading vendors will increase IT expenditure, leveraging operationally efficient channel structures for information delivery and transactions.

New markets

When survival and success is a function of efficiency and speed, technology infrastructures play a pivotal role. The traditional open outcry system is giving way to digital platforms in emerging countries, in a bid to be globally competitive. There is also an emergence of alternative market place demanding new technical solutions.

Buoyant financial markets

India is witnessing a rapid growth in both the financial and commodity derivatives markets. There is a growing culture of investing in the equities market, evident by the Indian stock market rising to dizzy heights this year. Hedging inflation encourages investors from stock markets to invest in commodities. As of now, over 100 commodities have been allowed to be traded in futures through as many as 25 commodity exchanges across the country, and aggregate trading volumes in them have reached between Rs. 10,000 to Rs. 14,000 crore a day. Almost 90% of the volumes are in the three national exchanges including MCX.

Inorganic growth opportunities

Financial Technologies is always open to new avenues of development and is open to exploring growth through mergers and acquisitions, if it is suitable and right for the growth strategies of the Company. This will help the Group to explore new markets or make use of new technologies that will provide cost advantage to the company.

Leveraging on exchange business

The growth of the Group's exchange business has a direct impact on the products business. In the year ended March 2007, the revenue growth from STP Technologies was 86% and the growth from exchange business was 67%. The Group has a unique combination of being technology focused and having the domain expertise to run the exchanges. The Group plans to grow its product business organically that will allow it to develop and establish new exchanges, utilizing its exchange technologies.

Risk Management

Succeeding in a fierce business environment, demands stringent and effective risk management of operations throughout the organization. Risk management is a standardized and uninterrupted process, which aims to identify, evaluate, manage and control the risk to which the operations of the business may be exposed, to ultimately deliver enhanced value to all its stakeholders. It is crucial to the Group's strategic and systematic efforts to attain operational goals, while minimizing any potential disruptions.

Financial Technologies has adopted a group-wide risk management approach to identify, gauge and mitigate any potential risk promptly and efficiently in order to manage and control them effectively.

Clearly defined work profiles and responsibilities are established throughout the organization, at all levels and in all functions, ensuring smooth flow of information across various levels within the organization. The internal Audit Committee consisting of non-executive members of the Board supplements this framework.

Internal Procedures and Control

Financial Technologies has installed adequate systems of internal control, ascertaining the integrity, ethics and accuracy of the information reported, as well as to safeguard the interests of the company. Influencing the control consciousness of its people, it has set the tone of the organization, where everyone has responsibility for internal control.

The company has an internal audit done by a team to evaluate and ensure the following:

- Adherence to systems and procedures
- Adequacy of controls
- Accuracy of information
- Utilization of assets of the company

Outlook

Financial Technologies has been driving global disruptive innovation by leveraging core technology and market domain leadership to create next- generation enterprises like financial markets that are transparent, efficient and liquid. These innovations will help unlock significant value at the middle and bottom of the socio economic pyramid through inclusive and equitable growth in the economies we operate. The group believes that there are significant opportunities to broaden its horizon in the near future.

Financial condition & results of operations (consolidated)

(The consolidated statements of accounts pertains to results of Financial Technologies, its subsidiaries TickerPlant Infovending, Riskraft Consulting, FTME, GBOT, SMX, KAPL, FTGIPL, FTCL, IEX, GPNL other majority owned subsidiaries MCX, NBHC, IBS Forex, National Spot Exchange, atom technologies as well as DGCX and SNX to the extent of group stake held in the joint venture.)

Share Capital

Financial Technologies currently has only one class of equity shares of face value of Rs. 2/- (Rupees Two only) each. The Company's authorized share capital is Rs. 300.00 million, sub-divided into 150 million equity shares of Rs. 2/- each.

During the year under review there was a marginal change in the share capital of the Company. It had 44.09 million equity shares outstanding with a total paid up capital of Rs. 88.19 million this financial year, as compared to 44.01 million shares with a paid up capital of Rs.88.02 million as on March 31, 2006.

Reserves & Surplus

During the year, securities premium account has increased by an amount of Rs. 84.01 million on account of premium received on issue of shares under ESOP. Further the securities premium account has been adjusted by Rs. 104.51 million (net of taxes) for ZCCB issue expenses and Rs. 96.31 million for provision for premium payable on redemption of ZCCB as permitted by Section 78 of the Companies Act, 1956.

The Company transferred Rs.145.82 million 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 (net of group share of Joint Venture) thereof was Rs. 359.51 million, up from Rs. 284.62 million last year. Further, share of revenue in joint venture of Rs. 160.51 million has been carried forward to revenue reserve.

Total shareholder funds increased to Rs. 3133.09 million from Rs. 3086.81 million. This translated into a book value per share of Rs. 71.05 compared with a book value of Rs. 70.14 reported last financial year.

Minority Interest

Minority interest liability decreased by Rs. 19.68 million to Rs. 1089.28 million from Rs. 1108.96 million last year. This represents the minority stake held by various other shareholders in the business ventures, MCX, NBHC, atom technologies and IBS Forex. Besides, it also includes minority interest held by MCX shareowners in DGCX and SNX.

Loan Funds

During December 2006, the Company issued Zero Coupon Convertible Bonds due 2011 ('ZCCBs') to foreign investors and raised USD 100 million and same is shown under unsecured loan as at 31st March 2007. Company does not have any other loan.

Deferred tax liability

The Company reported cumulative net deferred tax liability (net of deferred tax assets) of Rs. 26.44 million as against Rs. 23.31 million 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.

12 Management Discussion and Analysis

Fixed Assets

(Rs. in million)

As of March 31,	2007	2006	Growth %
Gross block value			
Land & Building (including improvement to lease hold premises)	648.50	79.56	715
Networking equipments	109.29	78.24	40
Office equipment (including computer hardware)	235.77	138.19	71
Furniture & Fixtures	30.78	27.16	13
Vehicles	36.82	16.42	124
Intangible assets including software, technical know-how etc.	100.38	94.29	6
Share in joint Venture	37.69	38.42	(2)
Total	**1199.23**	**472.28**	**154**
Less: Accumulated Depreciation/ amortization	212.30	130.24	63
Add: Capital work-in-progress	883.47	20.17	4280
Net block value	**1870.40**	**362.21**	**416**

During the year, the Company has invested Rs. 1174.39 million towards developing its own office premises / development centres including acquisition of land and leasehold improvements thereon.

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 increased by 59% to Rs. 345.06 million.

Investments

Surplus cash within the Group including margin money/security deposits received from members of MCX and DGCX has been invested in mutual fund units to the tune of Rs. 4308.29 million as compared to Rs. 6289.73 million last year. Investments in unquoted equity shares and optionally convertible preference shares net of diminution totaled Rs. 78.25 million.

Sundry debtors

Sundry debtors net of provision for doubtful debts stood at Rs. 269.32 million up from Rs. 161.27 million. Provision for doubtful debts as a percentage of sundry debtors remain unchanged to 7% from last year.

Cash and bank balances

Cash and bank balances includes cash, bank balance in current account and bank balance in deposit accounts. Cash and bank balances increased by 524% to Rs. 6562.95 million from Rs. 1052.43 million of last year. Amount in deposits increased to Rs. 5418.25 million compared to Rs. 313.63 million of last year.

Loans and advances

Loans and advances (net of provision) aggregated to Rs. 358.95 million at end of March 2007. It mainly comprised of advance income tax Rs. 40.46 million, deposits for premises Rs. 92.87 million and advances recoverable in cash/kind for value yet to be received Rs. 237.97 million.

Current liabilities and provisions

Current liabilities outstanding at the end of the year stood at Rs. 4569.00 million, an increase of 27% over FY 2006. 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. 3764.33 million, up from Rs. 3315.20 million last year.

Provisions have reduced to Rs. 305.49 million from Rs. 314.01 million of last year mainly on account of Final Dividend (260%) paid out which was proposed last year. In the current year, Board of Directors have recommended a final dividend of 100%. The company has accordingly appropriated a sum of Rs. 103.18 million for final dividend and tax thereon. Further the provision of Rs. 96.31 million has been provided for provision for premium payable on redemption of ZCCB as permitted by Section 78 of the Companies Act, 1956.

Revenue Analysis

The Company's income grew by 62% from Rs. 2012.31 million in FY 2006 to Rs. 3250.79 million in FY 2007. This mainly consists of sale of STP technology products, annual maintenance charges, membership fees, transaction charges, warehousing and collateral management charges and income from investments of surplus funds. Annual subscription fees, VSAT charges etc. form part of rest of the revenues.

This increase was primarily attributable to the following:

(i) Revenue from STP business:

Revenues arising from sale of licenses of STP oriented proprietary products and services increased 22% to Rs. 770.05 million from Rs. 632.77 million in FY 2006. This is primarily because of the number of licenses issued to brokers increased from 86,815 in FY 2006 to 164,335 in FY2007.

(ii) Revenue from Exchange business:

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 and annual service subscriptions and thereof transaction charges reported a growth of 50%.

Membership Admission Fees: For FY 2007 membership admission fees was Rs. 537.83 million as against Rs. 549.22 million in FY 2006.

Transaction fees: Increase in trading volumes resulted in a rise in transaction fees by 106% from 537.31 million in FY 2006 to Rs. 1,108.83 million in FY 2007.

Annual Subscription Charges: For FY 2007 the annual subscription charges increased by 53% from Rs. 25.80 million in FY 2006 to Rs. 39.54 million in FY 2007.

Terminal fees: For FY 2007 terminal fees increased by 7% from Rs. 30.08 million in FY 2006 to Rs. 32.09 million in FY 2007.

Other Income has increased by 215% to Rs. 605.86 million from Rs. 192.45 million last year. Other income earned largely comprises receipt of dividend on investments Rs. 282.05 million, interest income Rs. 76.94 million, profit on sale of investments Rs. 54.36 million and foreign exchange gain of Rs. 60.34 million. Group share of joint venture in other income is increased to Rs. 26.66 million from Rs. 7.06 million of preceding financial year.

Expense Review

Growth in total operating expenditure from Rs. 773.88 million to Rs. 1617.02 million remained in line with the overall income growth.
Employee and related welfare costs accounted for 36% of total expenses, growing 126% over the last year, following the addition of 552 employees during the year. Depreciation charges increased to Rs. 88.88 million from Rs. 55.84 million which is commensurate with the increase of the fixed assets base on expansion of the group business. Depreciation cost represents 3% of the total income of the group.

The Company provided Rs. 517.32 million towards current tax, fringe benefit tax, deferred tax and wealth tax as against last year of Rs. 326.42 million, increased by 58%. Effective tax rate on PBT comes to 34%

Profit analysis

Profit before interest, depreciation and tax (PBIDT)

Profit before interest, depreciation and tax grew by 32% from Rs. 1238.43 million in FY 2006 to Rs. 1633.76 million in FY 2007. PBIDT margin decreased in FY 2007 to 50% from 62% in FY 2006 primarily due to the higher growth in number of employee, increase in selling and administration expenses.

Profit before tax (PBT)

Profit before tax, exceptional items and minority interest was Rs. 1536.42 million in FY 2007 as against Rs. 1181.63 million FY 2006, an increase of 30%.

Profit after tax (before minority interest):

Post deduction of exceptional items and taxes, the Company reported a net profit (before minority interest) of Rs. 1035.50 million in FY 2007 as compared to Rs. 838.81 million in FY 2006, an increase of 23%.

Profit after tax (after minority interest):

Minority share in current year's profits reported by subsidiaries amounted to Rs. 319.24 million in FY 2007 as against Rs. 146.04 million in FY 2006.

Net profit after minority interest adjustments (before adjustment of short provision of tax of earlier years) increased from Rs. 692.76 million in FY 2006 to Rs. 716.26 million in FY 2007.

Financial position and result of operations (Standalone)

Shareholder's Funds

During the year under review there was a marginal change in the share capital of the Company on account of allotment of shares to employees under employee stock option ("ESOP") Schemes. Financial Technologies' total reserves and surplus position improved by 33% to Rs. 1898.41 million from Rs. 1422.16 million in FY2006. This increase was on account of retention of profits generated during the year. The Company transferred Rs. 101.00 million from the profit & loss account to the general reserve and retained Rs. 743.42 million in the profit & loss account.

12 Management Discussion and Analysis

During the year, securities premium account has increased by an amount of Rs. 84.01 million on account of premium received on issue of shares under ESOP. Further the securities premium account has been adjusted by Rs. 104.51 million (net of taxes) for ZCCB issue expenses and Rs. 96.31 million for provision for premium payable on redemption of ZCCB as permitted by Section 78 of the Companies Act, 1956.

Total shareholder funds stood at Rs. 1986.60 million as against Rs. 1510.18 million at end of FY2006.

Loan Funds

During December 2006, the Company issued Zero Coupon Convertible Bonds due 2011 ('ZCCBs') to foreign investors and raised USD 100 million and the same is shown under unsecured loan as at 31st March-2007. Company does not have any other loan.

Fixed Assets

(Amount in Rs. million)

As of March 31,	2007	2006	Growth %
Gross block value			
Building (including improvement to lease hold premises)	107.75	39.21	175
Office equipment (including computer hardware)	90.24	61.06	48
Furniture & Fixtures	13.85	13.79	-
Vehicles	9.17	5.59	64
Intangible assets including software, technical know-how etc	10.98	8.91	23
Total	**231.99**	**128.56**	**80**
Less: Accumulated Depreciation/ amortization	58.59	44.99	30
Add: Capital work-in-progress	517.24	8.18	6223
Net Block Value	**690.64**	**91.75**	**653**

The Company has invested Rs. 515.89 million towards developing its own office premises / development centres including acquisition of land and leasehold improvements thereon.

Investments into tangible & intangible assets resulted into gross block additions of Rs. 105.89 million. The net block value as on March 31, 2007 stood at Rs. 690.64 million, an increase of 653% over the last year.

Investments

Investment by the Company stood at Rs. 4143.83 million, an increase of 159% from previous year of Rs. 1602.46 million. Investment in subsidiary and joint venture companies increased to Rs. 2956.45 million from Rs. 570.49 million. Investment in mutual funds is amounting to Rs. 1142.45 million as compared to last FY of Rs. 1011.87 million.

Deferred Tax Asset

As on March 31, 2007, the Company reported accrual of total deferred tax asset of Rs. 8.81 million. 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 total current assets position as at 31st March 2007 is at Rs. 2233.53 million as compared to last year of Rs. 296.30 million.

Cash and bank balances were substantially higher at Rs. 1815.16 million from Rs. 96.81 million last year mainly due to the surplus amount placed in deposits.

The Company's gross debtors outstanding position stood at Rs. 282.98 million, debts to the extent of Rs. 33.74 million were outstanding for a period of over six months. Net of provision for doubtful debts, sundry debtors were at Rs. 264.07 million.

Loans and advances (net of provision for doubtful) amounted to Rs. 154.31 million as against Rs. 131.34 million in the previous financial year which is in line with the business growth.

Current liabilities and provisions

At the end of March 31, 2007, the Company's gross current liabilities outstanding stood at Rs. 491.93 million compared with Rs. 191.55 million in FY2006. The company had a total of Rs. 242.58 million outstanding to creditors in comparison of previous year of Rs. 148.49 million. As at March 31, 2007, an amount of Rs. 160.16 million of interim dividend remained unpaid which has been paid out as per record date.

The Company provided Rs. 103.18 million for final dividend to equity shareholders and the dividend tax thereof. Combining interim and final dividend, the Company has recommended a total dividend of 400% or Rs. 8 per share on the face value of Rs. 2 each.

Revenue analysis

Total gross income recorded substantial growth to Rs. 1741.32 million from Rs. 962.57 million last year which is higher by 81%. Sales net of excise duty were higher at Rs. 988.34 million from Rs. 898.62 million recorded last year. The Company derives revenues from sales of IPR licenses, annual maintenance charges, software customization and from project based services.

Other income went up twelve fold to Rs. 752.98 million from Rs. 63.95 million reported last year. This was primarily due to receipt of dividend from MCX, dividend/ profit accrued on sale of investments in mutual funds and interest accrued on deposit placed.

Expenditure analysis

Total operating expenditure increased to Rs. 554.69 million from Rs. 319.86 million mainly on account of significant rise in employee costs, traveling costs, rental charges and communication charges which is in line with the expansion in business operations.

Depreciation and amortization charge was marginally higher at Rs. 15.38 million from Rs. 11.35 million following the expansion in physical infrastructure and office equipment. The Company made a tax provision of Rs. 178.75 million for the current year as against of Rs. 148.98 million of last year.

Profit analysis

Profit before interest, depreciation and tax (PBITD) amounted to Rs. 1186.62 million, representing a growth of 85% over FY2006. Operating margins improved by 138 basis points to 68%.

Higher volumes helped the Company post a 85% rise in profit before tax of Rs. 1168.47 million.
Profit after tax expanded by 116% at Rs. 1006.12 million, from Rs. 465.94 million last year. Profit margins stood at 58% versus 48% in FY2006. Basic earnings per share before exceptional/ non-recurring deductions stood at Rs. 22.48 as against Rs. 10.02 in FY2006, an increase by 124% 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.

12 Management Discussion and Analysis

Consolidated Ratio Analysis

	FY04	FY05	FY06	FY07
Ratios- Financial Performance				
EBITDA / Total Income	33%	54%	62%	50%
Aggregate Employee Costs/ Total Income	27%	15%	14%	20%
Depreciation / Total Income	10%	5%	3%	3%
Profit before Tax & Exceptional Items / Total Income	22%	49%	59%	47%
Tax / Total Income	2%	13%	16%	16%
Effective Tax Rate - Tax / PBT	8%	26%	28%	34%
PAT before minority interest / Total Income	20%	35%	40%	32%
Ratios- Balance Sheet				
Current Ratio	1.10	0.82	0.43	1.48
Days Sales Outstanding	25	34	32	37
Ratios - Return				
Return on Net Worth (PBT / Net Worth)	11%	22%	38%	49%
ROCE (PBIT/ Capital Employed)	11%	22%	38%	21%
Ratios - Growth				
Total Income %	NA	172%	221%	62%
EBITDA %	NA	347%	267%	32%
Net Profit (before exceptional items) %	NA	386%	279%	19%
Net Profit (after exceptional items) %	NA	386%	271%	23%
Ratios - Per share				
Basic EPS (before exceptional items) (Rs.)	1.23	4.77	15.14	16.22
Basic EPS (after exceptional items) (Rs.)	1.23	4.77	14.77	16.59
Price / earning, end of year	61	55	114	129
Book value (Rs.)	11.68	32.01	70.14	71.05
Price / book value, end of year	6.42	8.25	24.37	25.73
Dividend per share	0.2	0.4	6	8
Market capitalization / total revenue, end of year	13	19	37	25

Standalone Ratio Analysis

	FY04	FY05	FY06	FY07
Ratios- Financial Performance				
EBITDA / Total Income	51%	43%	67%	68%
Aggregate Employee Costs/ Total Income	21%	23%	18%	18%
Depreciation / Total Income	3%	3%	1%	1%
Profit before Tax & Exceptional Items / Total Income	48%	40%	66%	67%
Tax / Total Income	1%	10%	15%	10%
Effective Tax Rate - Tax / PBT	3%	26%	24%	15%
PAT after exceptional items / Total Income	46%	30%	48%	58%
Ratios- Balance Sheet				
Current Ratio	1.84	1.67	0.60	2.99
Days Sales Outstanding	38.21	58.82	27.68	97.52
Ratios - Return				
Return on Net Worth (PBT / Net Worth)	23%	10%	42%	59%
ROCE (PBIT / Capital Employed)	24%	10%	42%	19%
Ratios - Growth				
Total Income %	89%	21%	187%	81%
EBITDA %	943%	2%	347%	85%
PAT before extraordinary items	386%	-22%	370%	116%
Ratios - Per share				
Basic EPS (before exceptional items) (Rs.)	3.38	2.26	10.02	22.48
Basic EPS (after exceptional items) (Rs.)	3.38	2.26	9.65	22.85
Price / earning, end of year	22	117	171	89
Book value (Rs.)	13.65	31.51	34.32	45.05
Price / book value, end of year	5.49	8.38	49.80	40.57
Dividend per share	0.2	0.4	6	8
Market capitalization / total revenue, end of year	11	35	78	46

Creating Markets

Redefining Transparency

Corporate Governance Report

Corporate Governance Report

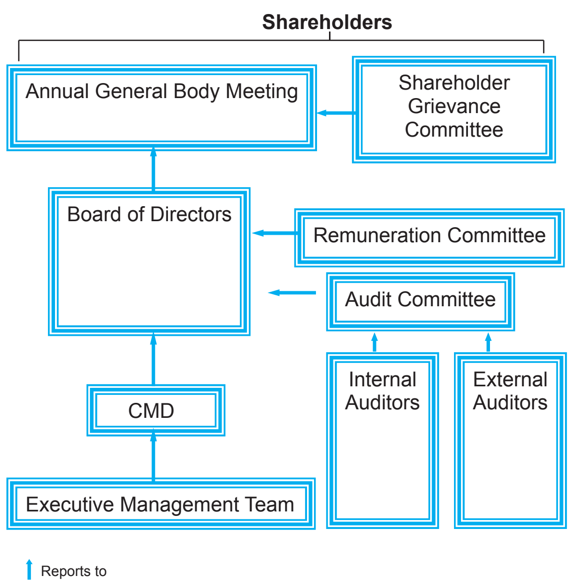
Creating Markets
Redefining Transparency

"Corporate Governance is about commitment - to shareholders, to employees and to society in general. Transparency in transactions, fairness in practices and accountability of management helps us stay committed."

- **Jignesh Shah, Chairman and Managing Director**

Company's Philosophy on Code of Corporate Governance

Your Company believes in practicing the principles of good corporate governance as a means of effective protection and enhancement of shareholders' value. Company's mission is to become a 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 adequate 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.



REGULATIONS

External

- *Companies Act, 1956*
- *SEBI Guidelines*
- *Other Applicable Acts.*

Internal

- *Memorandum and Articles of Association*
- *Charters of Audit, Remuneration and Shareholder Grievance Committees*
- *Internal Policies*
- *Code of Conduct*

Board of Directors

Size and Composition of Board of Directors:

The Board of Directors of the Company consist of six professionally competent members comprising of two Promoter Executive Directors and four 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
Non-executive Director		
6.	Mr. Ravi K. Sheth	Non-Independent Director

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 2006-07 as well as at the last Annual General Meeting and the number of other Directorships and Chairmanship/Membership of Committee of each Director in various companies as on March 31, 2007.

Name of the Director	No of Board Meetings held	Attendance Particulars		No. of other Directorships and Committee Membership / Chairmanship		
		Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
Mr. Jignesh P. Shah	8	8	No	20	-	-
Mr. Dewang S. Neralla	8	8	No	6	-	-
Mr. C. Subramaniam	8	8	Yes	6	2	-
Mr. Ravi K. Sheth	8	4	No	8	-	1
Mr. P. G. Kakodkar	8	-	No	13	5	1
Mr. Ashish S. Dalal	8	7	Yes	4	-	-

Mr. Ravi K. Sheth, a Non-Executive Director, retiring by rotation at the ensuing Annual General Meeting is eligible for re-appointment.

13 Corporate Governance Report

b) Number of Board Meetings held and the dates thereof

The Board of Directors met eight times during the year as against the minimum statutory requirement of four meetings in a year. The dates of meetings are May 26, 2006; June 17, 2006; July 31, 2006; October 19, 2006; October 31, 2006; December 02, 2006; January 06, 2007 and January 31, 2007. 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 has 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. The necessary declaration by the Chief Executive Officer of the Company regarding compliance of the above mentioned Code by Directors and the Senior Management of the Company forms part of the Corporate Governance Report.

d) 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 subsidiaries and related external parties as well. The occurrence and closure of the quiet period is intimated to all concerned.

The Company follows the “Prohibition on dealing, communicating or counseling” and policy on disclosures as well.

e) Affirmative Action Policy

The Company has put in place a Code of Conduct of Affirmative action. We intend to strengthen our human resource systems by enhancing access and opportunity to applicants from weaker sections of the society.

f) Compliance reports of all laws

The Board has ensured the review of compliance reports of all laws applicable to the Company and periodically reviewed the compliance reports viz in January 2007 for the first nine months and June 2007, which includes for the three months for the last quarter of the year ended March 31, 2007. There are no instances of non compliance noticed on such review.

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 practicing 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 before submission to the Board focussing primarily on any changes in accounting policies and practices, major accounting entries based on exercise of judgement by the Management, significant adjustments arising out of audit, the going concern assumptions, compliance with Accounting Standards, compliance with Stock Exchange and legal requirements concerning financial statements, any related party transactions i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interest of Company at large;
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 review the findings of internal investigations into matters where there is suspected fraud or irregularity or failure of internal control system of a material nature and report to Board;
7. To discuss with the internal auditors any significant findings, recommendations and follow up thereon;
8. To review the financial risk management policies of the Company;
9. To look into the reasons for substantial defaults in the payments to the depositors, debentureholders, shareholders and creditors.

c) Meetings and attendance

Name of the director	No. of Audit Committee Meetings held	Attendance Particulars
Mr. Ashish S. Dalal	5	4
Mr. C Subramaniam	5	5
Mr. P G Kakodkar	5	1

d) Risk Management

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

Remuneration and Compensation Committee

a) Composition, names of members and Chairperson

The Remuneration and Compensation Committee 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

13 Corporate Governance Report

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 Scheme 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 four times. Mr. Ashish S. Dalal and Mr. C. Subramaniam attended all the meetings.

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 program attracts, develops, motivates and retains its talented workforce.

Directors Remuneration

a) Remuneration to Executive Directors

The aggregate value of salary, perquisites paid for the year ended March 31, 2007 to the Managing Director and Whole-time Director were as follows:

(Amount in Rs.)

	Jignesh Shah Managing Director	Dewang Neralla Whole Time Director	Total
Salaries & Allowances	11,522,587	4,485,210	**16,007,797**
Provision for gratuity and leave encashment*	340,068	89,388	**429,456**
Commission	40,000,000	-	40,000,000
Total	**51,862,655**	**4,574,598**	**56,437,253**

*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 & 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.

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, 2007 were as follows:

Name of the director	Sitting Fees (Rs.)
Mr. C. Subramaniam	72,000/-
Mr. Ravi K. Sheth	24,000/-
Mr. Ashish S. Dalal	60,000/-
Mr. P. G. Kakodkar	6,000/-

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

The Directors have not been issued any stock options by the Company, during the year.

Shareholders' / Investor Grievance and Share Transfer Committee

a) Composition, names of members and Chairperson

The Committee comprises of the following members:

Name of the member	Designation	Category
Mr. C Subramaniam	Chairman	Non-Executive 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 349 Business Point, Western Express Highway, Chakala, Andheri (East), Mumbai 400 093. Tel: 91 22 6715 2000, Fax: 91 22 6715 2001, Email : 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 also looks into the redressal of shareholders/Investors complaints related to transfer of shares, non receipt of Balance Sheet, non receipt of declared dividends etc. The Committee oversees performance of the Registrar & Transfer Agents of the Company, and recommends measures for overall improvement in the quality of investors services. The Committee monitors implementation and compliance of the Company's Code of conduct for prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations 1992. The Committee met 22 times during the year under review.

The status of nature of Complaints received, resolved and pending during the financial year ended March 31, 2007:

Name of the complaints	Received	Resolved	Pending
Non receipt of share certificates	23	23	0
Non receipt of demat credit / remat certificate	3	3	0
Non receipt of Exchange Certificate	4	4	0
Non receipt of Annual Report	3	3	0
Non receipt of replaced / split / consolidated / duplicate certificate	1	1	0
Total	**34**	**34**	**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, 2007.

13 Corporate Governance Report

General Body Meetings

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

Financial Year	Date	Time	Venue of the meeting
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
2005-06	29-09-2006	12.30 P.M.	Russian Cultural Centre 74, Kasturi Ranga Road, Chennai 600 018

The following are the Particulars of Special Resolutions passed in the previous three Annual General Meetings:

Date	Particulars
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 Depository Receipts/other equity related instruments through International public Offering not exceeding USD 100 million.
29.09.2006	i) Consent of the shareholders for grant of ESOPs under ESOS 2006 to the eligible employees/Directors of the Company. ii) Consent of the shareholders for grant of ESOPs under ESOS 2006 to the eligible employees/Directors of the Subsidiary/ies.

Postal ballot

No special resolution was put through postal ballot last year. Notice dated 30th June, 2007, pursuant to Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, has been mailed to all the Shareholders for the purpose of passing the following Resolution by Postal Ballot:

a) Special Resolution under Section 372A of the Companies Act, 1956, to make investment etc in excess of the limits prescribed under Section 372A.

b) Special Resolution for approval of payment of commission in connection with FCCB transaction completed in December, 2006.

c) Special Resolution for alteration of Article no. 11 of the Articles of Association.

The Board of Directors at its meeting held on 30th June, 2007, has appointed Mr. R. Muralimohan, Practicing Company Secretary, Mumbai, as the Scrutinizer to receive and scrutinize the completed Postal Ballot papers received from the members and for conducting the Postal Ballot process in a fair and transparent manner.

The Reults for the above Postal Ballot Resolution will be announced on 14th August, 2007, and will be published on Company's website, Newspapers and will be intimated to the Stock Exchanges.

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. 14 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. However, quarterly financial results are published in leading News papers and are also available on Company's website.

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.

Means of Communication

The quarterly, half yearly results are published in leading newspapers namely TRINITY MIRROR, ECONOMIC TIMES & BUSINESS STANDARD 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 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 Company's website.

The Company is registered with Electronic Data Information Filing and Retrieval System (EDIFAR) website maintained by National Informatics Centre (NIC) Delhi

13 Corporate Governance Report

and shares the Quarterly/ Annual Results, shareholding pattern and Annual Reports of the Company periodically.

Management Discussion and Analysis Report

This information is covered elsewhere in this Annual Report.

CEO/CFO Certification

This information is covered elsewhere in this Annual Report.

General Shareholder Information

I. Annual General Meeting

Date, Day and Time	28th September 2007, Friday at 10.00 a.m.
Venue	Russian Cultural Centre 74, Kasturi Ranga Road Chennai 600 018.

II. Financial Calendar

Financial Year	April 1, 2007 to March 31, 2008	
Results for the quarter ended	June 30, 2007	End of July, 2007
	September 30, 2007 December 31, 2007	End of October, 2007 End of January, 2008
Audited Results for the year ended	March 31, 2008	End of April or end June, 2008 (audited figures) as per Stock Exchange guidelines

III. Book-closure date

The Books shall be closed from September 25, 2007 to September 28, 2007 (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 24th day of September, 2007 as per the details available with NSDL and CDSL and

b) on the Register of Members as on 24th day of September 2007, of owners holding shares in physical form.

Registered Office:
3rd Floor, 16, Surya Flats
2nd Cross Street,
Seethammal Colony Extn.
Teynampet
Chennai 600 018

IV. Dividend Disclosure

a) **Announcement of Dividend:**
The Board of Directors have proposed a final dividend of 100% i.e Rs. 2 per share subject to approval of the shareholders at the Annual General Meeting. This final dividend, if approved together with four interim dividends paid make total dividend of 400% i.e. Rs. 8/- per share.

b) **Mode of payment and date of payment**
Final 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 1, 2007 but within the statutory time limit of 30 days.

V. Listing

The equity shares of the Company are presently listed on Bombay Stock Exchange Ltd. (BSE), National Stock Exchange of India Ltd. (NSE), Ahmedabad Stock Exchange Ltd. (ASE) and Madras Stock Exchange Limited (MSE).

Foreign Currency Convertible bonds of the Company are listed on Singapore Exchange Securities Trading Ltd.

The Annual Listing Fees have been paid to these Stock Exchanges for the Financial Year 2007-08.

As on March 31, 2007, there were 18,107 shareholders of the Company.

VI. Stock Market Codes

Indexes covering FT India:

a. Trading Symbol

MSE	
Scrip Code	WTG
Stock Code	FINANC TECH

BSE	
Scrip Code	526881
Scrip ID	FINTECH
Group	B1
Index	BSEIT, BSE TECk,BSE100

ASE	
Scrip Code	67641
Stock Code	FINTECH

NSE	
Scrip Symbol	FINANTECH
Index	CNXIT, S&P CNX 500

Reuters	
	FITE.NS (NSE), FITE.BO(BSE)

SGX-ST	
Bond Code	028010800

b. Depository for Equity Shares

NSDL and CDSL

c. Demat ISIN Number

Equity share: INE111B01023

FCCB: XS0280108001

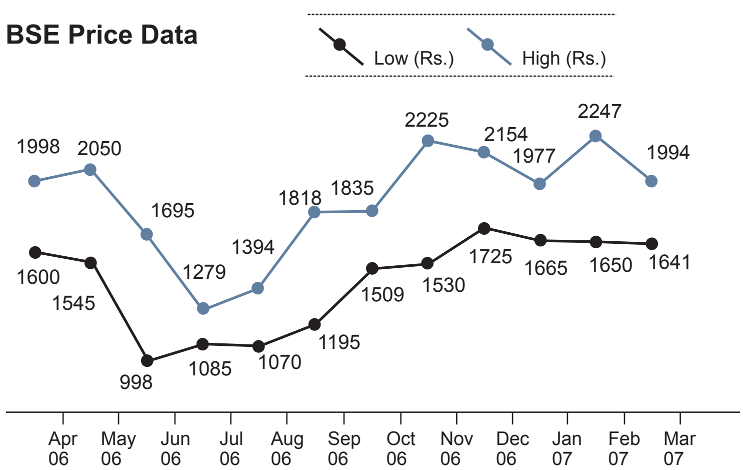
VII. Stock Market Data

The market price data covering the period April 2006 to March 2007 are given below:

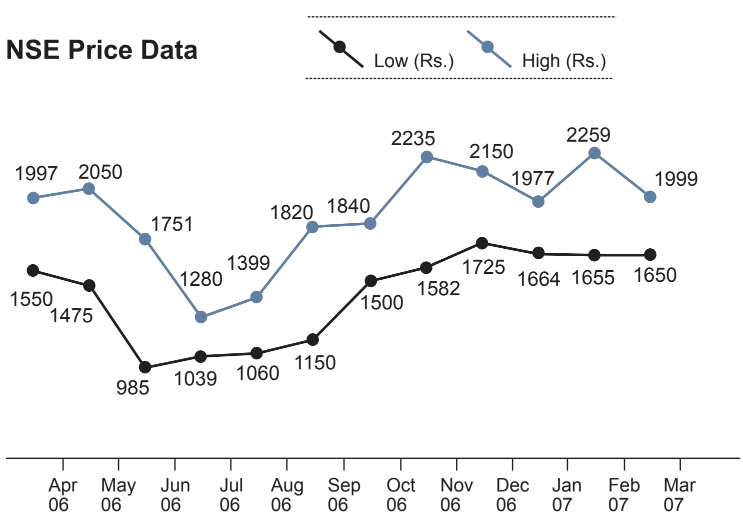
Month & Year	National Stock Exchange		
	High Price Rs.	Low Price Rs.	Volume Nos
Apr - 2006	1997.20	1550.00	1076415
May- 2006	2050.00	1475.00	680230
Jun- 2006	1751.00	985.05	1125397
Jul - 2006	1280.00	1039.30	432519
Aug -2006	1399.00	1060.10	441953
Sep - 2006	1820.00	1150.00	1176983
Oct - 2006	1839.80	1500.00	456628
Nov - 2006	2235.00	1582.35	1068028
Dec - 2006	2150.00	1725.00	786145
Jan - 2007	1977.00	1663.50	858595
Feb - 2007	2259.00	1654.80	1389037
Mar - 2007	1999.00	1650.10	491230

Month & Year	Bombay Stock Exchange		
	High Price Rs.	Low Price Rs.	Volume Nos
Apr - 2006	1998.45	1600.00	1241685
May- 2006	2050.00	1545.00	778415
Jun- 2006	1695.00	988.05	853058
Jul - 2006	1279.00	1085.00	374168
Aug -2006	1393.75	1070.00	345789
Sep - 2006	1817.75	1195.00	820239
Oct - 2006	1835.00	1509.10	352195
Nov - 2006	2225.00	1530.00	1086652
Dec - 2006	2154.00	1725.05	893530
Jan - 2007	1977.30	1665.00	749209
Feb - 2007	2247.40	1650.00	886118
Mar - 2007	1993.90	1641.35	312416

BSE Price Data



NSE Price Data



VIII. Share Price Performance in broad based indices

The performance of the company's shares relative to Sensex and CNX Nifty at a common base of 100 for the period ended March 31, 2007 is given in the chart below:

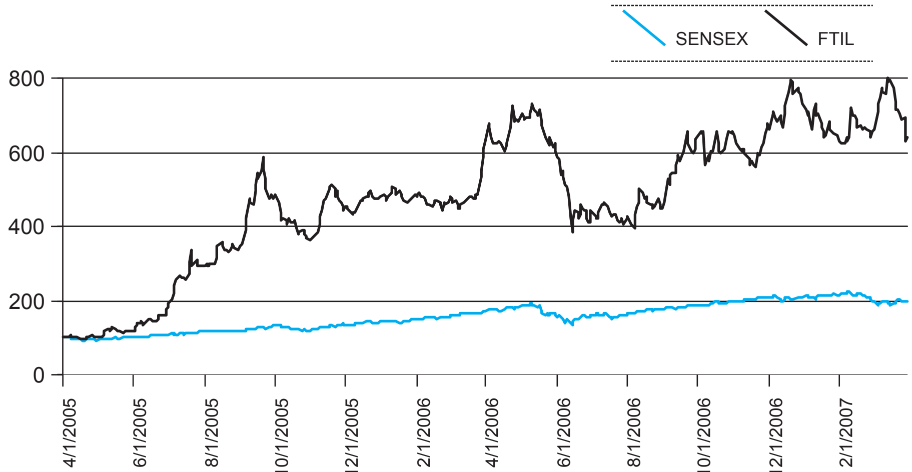


Chart showing FT India price at BSE vs SENSEX at a common base of 100 from April 2005 to March 2007

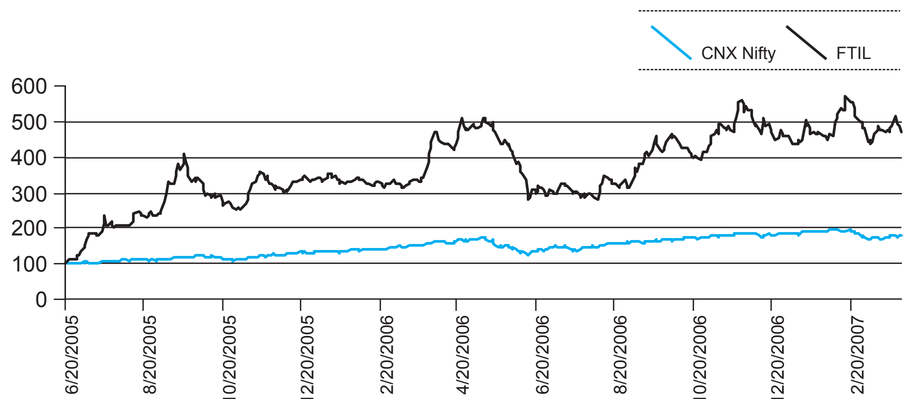


Chart showing FT India price at NSE vs CNX Nifty at a common base of 100 from June 2005 to March 2007

IX. Registrar & Transfer Agents

a) Intime Spectrum Registry Pvt. Ltd.
(upto October 31, 2007)
C-13, Pannalal Silk Mills Compound
L. B. S. Marg, Bhandup (West)
Mumbai 400 078.
Tel. : 91 22 25963838
Fax : 91 22 25946969
Email : isrl@intimespectrum.com

b) Karvy Computershare Pvt. Ltd.
(from November 1, 2007)
21, Avenue-4, Street No. 1,
Banjara Hills,
Hyderabad - 500034
Tel. : 91 40 23312454
Fax : 91 40 23312946
Email : einward.ris@karvy.com

X. 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.

13 Corporate Governance Report

XI. Dematerialisation 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, 2007 a total of 4,37,07,512 equity shares of the Company, forming 99.12% of the Share Capital, stood dematerialized.

Category	No. of shareholders	% of shareholders	No. of equity shares	% of shares
Physical	693	3.83	3,87,184	0.88
Electronic				
Under CDSL	3,986	22.01	4,24,521	0.96
Under NSDL	13,428	74.16	4,32,82,991	98.16
Total	**18,107**	**100.00**	**4,40,94,696**	**100.00**

XII. Distribution of Shareholding and Shareholding Pattern as on March 31, 2007

Shareholding Range	Shareholders		Shares held	
	Number	% of total	Number	% to total
1- 500	16,933	93.51	1,020,059	2.31
501- 1000	526	2.91	399,100	0.91
1001- 2000	289	1.60	435,247	0.99
2001- 3000	93	0.51	231,172	0.52
3001- 4000	46	0.25	166,044	0.38
4001- 5000	36	0.20	164,879	0.37
5001- 10000	70	0.39	521,456	1.18
10001 & above	114	0.63	41,156,739	93.34
Total	**18,107**	**100.00**	**44,094,696**	**100.00**

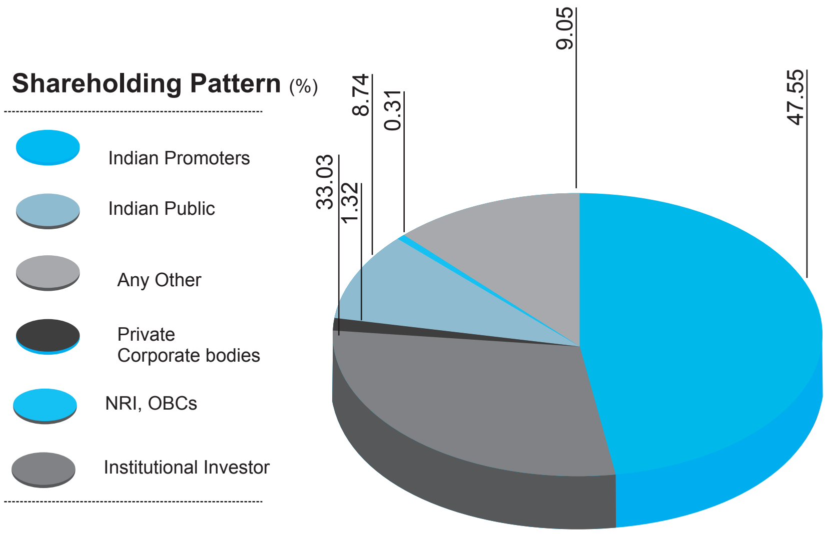
Shareholding Pattern as per Clause 35 of the Listing Agreement (summarised) as on March 31, 2007

	No of Shares Held	% of Share Holding
A. Promoter's Holding		
Indian Promoters:	20,967,734	47.55
(Promoters Directors, their relatives and companies under their control)		
Foreign Promoters	-	-
Subtotal (A)	**20,967,734**	**47.55**
B. Public Shareholdings		
Institutional Investors:		
a) Mutual Funds	346,753	0.79
b) Banks, Fin. Institutions, Insurance Cos, Govt. Institutions, Non-Govt. Institutions	115,384	0.26
c) Foreign Institutional Investors	14,100,178	31.98
Subtotal (B)	**14,562,315**	**33.03**
C. Others		
a) Private Corporate Bodies	583,753	1.32
b) Indian Public	3,854,662	8.74
c) NRI's	136,607	0.31
d) Any Other	3,989,625	9.05
Subtotal (C)	**8,564,647**	**19.42**
Aggregate of Public Shareholding	**23,126,962**	**52.45**
GRAND TOTAL	**44,094,696**	**100.00**

Notes:
1. The Company has not issued any GDR/ADR
2. The total foreign holding is 14,315,739 shares i.e. 32.47% of the total capital

XIII. 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.



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

Foreign currency Convertible bonds (FCCBs)

During the year, the Company issued Zero Coupon Convertible Bonds due 2011 ('ZCCBs') aggregating to US $ 100,000,000 equivalent to Rs. 4,474,000,000/- on the date of issuance (the 'issue'). These bonds are listed on the Singapore Exchange Securities Trading Limited.

As per the terms of the issue, the holders have an option to convert the ZCCBs into equity shares at any time on and after January 30, 2007 upto the close of business on December 14, 2011, at an initial conversion price of Rs.2362.68 per equity share at a fixed exchange rate on conversion of Rs. 44.6738 to US $ 1, subject to certain adjustments as per the terms of the issue. Under certain conditions, the Company, on or after December 20, 2007 but not less than seven business days prior to December 21, 2011, has an option to mandatorily convert the ZCCBs into equity shares, in whole, but not in part. Further, under certain circumstances, the Company has the option to redeem the ZCCBs, in whole but not in part, at their Early Redemption Amount. Unless previously converted or redeemed or purchased and cancelled, the Company will redeem these bonds at a premium at 147.14 percent of their principal amount on December 21, 2011.

As on at 31st March, 2007, none of the bonds has been converted into equity shares and the balance of ZCCB outstanding, as restated, as on 31st March, 2007 aggregating to Rs. 4,344,170,000/-has been disclosed under “Unsecured Loan” in the Balance Sheet.

Employee Stock Option Scheme (ESOP)

The Company has granted 4,40,000 stock options each under the Financial Technologies (India) Limited Employees Stock Option Scheme 2005 and 2006. Each option is convertible into one equity share of Rs.2/- each at an exercise price of Rs.981.60 and Rs.1812.70 respectively.

13 Corporate Governance Report

The aforementioned ESOP plans are formulated and implemented according to the SEBI guidelines. The vesting of the options has been spread over a period of two to 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.

Details of options granted, exercised, lapsed and outstanding are disclosed in Note no 8 of Schedule 14 to the Accounts in the Annual Report.

XV. 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

349 Business Point, 7th Floor
Western Express Highway, Chakala
Andheri (East)
Mumbai 400 093

Landmark, B Wing
Ground Floor
Suren Road, Chakala
Andheri (East)
Mumbai 400 093

XVI. 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 Registrar and Share Transfer Agents.

Complaints/grievances, if any, should be addressed to

The Company Secretary
Financial Technologies (India) Ltd.
349 Business Point, Western Express Highway
Chakala, Andheri (East), Mumbai 400 093.
Tel.: +91-22-6715 2000 Fax: +91-22-6715 2001
Email :info@ftindia.com

Financial queries if any, should be addressed to

Investor Relations Department
Financial Technologies (India) Ltd.
349 Business Point, Western Express Highway
Chakala, Andheri (East), Mumbai 400 093.
Tel.: +91-22-6715 2000 Fax: +91-22-6715 2001
Email :ir@ftindia.com

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.

Unpaid/unclaimed dividend

Pursuant to the 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, interim and Final Dividend 2005-06 and Interim Dividend 2006-07, 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%	September 25, 2004	Sep. 27, 2011
Dividend 2004-05	20%	September 27, 2005	Sep. 27, 2012
Interim Dividend 2005-06	40%	October 26, 2005	Oct. 28, 2012
Final Dividend 2005-06	260%	September 29, 2006	Oct. 2, 2013
1st Interim Dividend 2006-07	40%	July 31, 2006	Aug. 2, 2013
2nd Interim Dividend 2006-07	40%	October 31, 2006	Nov. 2, 2013
3rd Interim Dividend 2006-07	40%	January 31, 2007	Feb. 2, 2013
4th Interim Dividend 2006-07	180%	April 16, 2007	Apr. 18, 2014

Information on Directors Re-appointment

As required under Clause 49 of the Listing Agreement, the particulars of Director seeking re-appointment are given hereunder:

Name of Director	Mr. Ravi K. Sheth
Date of birth	02.04.1961
Qualifications	Commerce Graduate with an MBA from Babson College, Wellesley, USA
Experience in specific functional areas	Rich experience of over 22 years in the areas of finance, legal & Company Law matter etc.
Other Directorships	Business Standard Ltd., Routes Travel Ltd.,The Great Eastern Shipping Company Ltd., Greatship (India) Ltd., Man Infraconstruction Ltd. A.H. Bhiwandiwalla Invst. Pvt. Ltd., Linx Commodities Pvt. Ltd., Artex India Pvt. Ltd.
Membership/Chairmanship on Committees of other companies	1-Chairmanship

13 Corporate Governance Report

Declaration by the Chief Executive Officer Under Clause 49 of the Listing Agreement Regarding Compliance to the Code of Conduct

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, 2007.

For **Financial Technologies (India) Limited**

Place: Mumbai
Date: June 30, 2007

Jignesh Shah
Chairman and Managing Director

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

We, Jignesh Shah, Chairman and 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, 2007 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 in violation of the Company's Code of Conduct;

3. We accept the responsibility for establishing and maintaining internal controls for financial reporting. 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 and Managing Director

Devendra Agrawal
Chief Financial Officer

Place: Mumbai
Date: June 30, 2007

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER CLAUSE 49 OF THE LISTING AGREEMENT OF THE STOCK EXCHANGE

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 March 31, 2007, 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 3(d) regarding further upgradation of risk management framework, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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
Date: July 31, 2007

Creating Markets

Surpassing Horizons

Financial Statements

14 Financial Statements

Creating Markets
Surpassing Horizons

Auditors' Report Part of the Consolidated Accounts

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, 2007, the consolidated Profit and Loss account and the consolidated Cash flow statement of the Company for the year ended on that date, both 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 companies, whose financial statements reflect the Group's share of total assets of Rs. 3,354,939,545/- as at March 31, 2007, total revenues of Rs. 429,894,073/- and net cash inflows amounting to Rs.2,320,628,573/- 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 companies, is based solely on the report of other auditors.

   b) As stated in Note 1 of Schedule 15 of the notes forming part of accounts, the Group's share of total assets as at March 31, 2007 of Rs. 3,045,407,812/-, total revenues for the year then ended of Rs. 169,939,756/- and net cash inflows for the year then ended of Rs. 2,259,396,552/- and the notes to financial statements, have been recognized/disclosed in the financial statements on the basis of unaudited financial statements of certain subsidiaries and joint venture companies as at and for the year ended March 31, 2007 as provided by the Management of those subsidiaries and joint venture companies.

4. Without qualifying our opinion, attention is invited to the following notes of Schedule 15;

   a) Note no.14 regarding payment of underwriting commission of Rs. 59,787,450/, which is pending approval of the shareholders as explained in the note.

   b) Note no.18 regarding retention of prescribed penalties aggregating to Rs. 22,366,164/- under current liabilities and crediting other penalties aggregating to Rs.25,950,228/- to the Profit and Loss Account for the reasons stated in the said note.

   c) Note no. 19 regarding maintenance of moneys earmarked including income earned thereon for the reasons stated in the said Note.

5. Subject to our remarks in paragraph 3(b) above and read with our observations stated in paragraph 4 above:

   a) 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.

   b) 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:

      (i) in the case of the consolidated balance sheet, of the consolidated state of affairs of the Group as at March 31, 2007;

      (ii) 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

      (iii) 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
Membership No. 15291

Mumbai, dated June 30, 2007

Consolidated Balance Sheet
as at 31st March 2007

(in Rupees)

	Schedule No.	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
I. SOURCES OF FUNDS				
(1) Shareholders' funds				
(a) Share capital	1	88,189,392		88,017,872
(b) Reserves and surplus	2	3,044,904,360		2,998,791,230
			3,133,093,752	3,086,809,102
(2) Minority interest			1,089,282,860	1,108,957,631
(3) Loan funds				
Unsecured loan			4,344,170,000	–
Zero coupon convertible bonds (ZCCB) [includes Group's share of joint venture Rs. Nil (Previous year Rs. Nil)] (Refer Note 13 (a) to Schedule 15)				
(4) Deferred tax liability (net) (Refer Note 8 to Schedule 15)			35,248,577	35,980,908
TOTAL			**8,601,795,189**	**4,231,747,641**
II. APPLICATION OF FUNDS				
(1) Fixed assets	3			
(a) Gross block		1,199,230,739		472,282,719
(b) Less: depreciation/amortisation		212,304,244		130,241,157
(c) Net block		986,926,495		342,041,562
(d) Capital work-in-progress		883,468,740		20,166,656
			1,870,395,235	362,208,218
(2) Goodwill (on consolidation)			1,636,000	–
(3) Investments	4		4,386,602,898	6,309,855,341
(4) Deferred tax asset (net) (Refer Note 8 to Schedule 15)			8,812,023	12,670,949
(5) Current assets, loans and advances				
(a) Inventories	5	17,610,235		–
(b) Sundry debtors	6	269,315,597		161,270,216
(c) Cash and bank balances	7	6,562,953,527		1,052,429,308
(d) Loans and advances	8	358,950,587		258,892,989
		7,208,829,946		1,472,592,513
Less: Current liabilities and provisions				
(a) Current liabilities	9	4,568,995,214		3,611,568,986
(b) Provisions	10	305,485,699		314,010,394
		4,874,480,913		3,925,579,380
Net current assets / (liabilities)			2,334,349,033	(2,452,986,867)
TOTAL			**8,601,795,189**	**4,231,747,641**
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: 30th June, 2007

For and on behalf of the Board.

Jignesh Shah
Chairman and Managing Director

Ravi Sheth
Director

P. Ramanathan
Company Secretary & VP (Legal & Secretarial)

Place : Mumbai
Date: 30th June, 2007

Consolidated Profit and Loss Account
for the year ended 31st March 2007

(in Rupees)

	Schedule No.	Current Year	Previous Year
INCOME			
Sales/operating income	11	2,679,472,595	1,820,471,730
Less:Excise duty [includes group's share of joint ventures Rs. Nil (Previous year Rs. Nil)]		34,547,398	616,695
		2,644,925,197	1,819,855,035
Other income	12	605,862,447	192,454,657
		3,250,787,644	**2,012,309,692**
EXPENDITURE			
Purchase of trading goods		10,753,446	234,742
Operating and other expenses	13	1,606,270,170	773,643,520
Interest	14	8,463,319	958,792
Depreciation/amortisation [includes Group's share of joint ventures Rs. 15,178,751 /- (Previous year Rs. 6,775,883/-)]		88,884,036	55,841,632
		1,714,370,971	**830,678,686**
Profit before tax and before exceptional/non recurring items		**1,536,416,673**	**1,181,631,006**
Provision for taxation [includes Group's share of joint ventures Rs. Nil (Previous year Rs. Nil)]			
Income tax: Current tax		502,406,277	316,017,000
Deferred tax		3,125,284	5,670,302
Fringe benefit tax		11,527,740	4,628,120
Wealth tax		264,314	101,330
Profit after tax and before exceptional/non recurring items and prior period adjustment		**1,019,093,058**	**855,214,254**
Exceptional/non recurring items [Net of tax Rs. 8,325,227/- (Previous year Rs. 8,325,227/-)] (Refer Note 6 to Schedule 15)		(16,408,069)	16,408,069
Profit after tax and exceptional/non recurring items		**1,035,501,127**	**838,806,185**
Less: Prior period adjustment (short provision for tax)		1,988,280	42,865,022
Profit after tax and before minority interest		**1,033,512,847**	**795,941,163**
Less: Minority interest		319,237,414	146,043,271
Net profit for the year		**714,275,433**	**649,897,892**
Balance brought forward from previous year		447,480,839	196,480,846
Profit available for appropriations		**1,161,756,272**	**846,378,738**
Appropriations			
Transferred to general reserve		145,818,096	95,700,000
Proposed dividend		88,189,392	228,846,467
Interim dividend		264,430,960	35,207,149
Tax on dividend		56,788,835	37,033,520
Tax on dividend of a subsidiary company		84,318,297	2,110,763
Balance carried to balance sheet		**522,210,692**	**447,480,839**
Earnings per share (Refer Note 17 to Schedule 15)			
Basic (before exceptional / non recurring items)		16.22	15.14
Diluted (before exceptional / non recurring items)		14.15	15.01
Basic (after exceptional / non recurring items)		16.59	14.77
Diluted (after exceptional / non recurring items)		14.52	14.64
Face value per share		**2/-**	**2/-**
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: 30th June, 2007

For and on behalf of the Board.

Jignesh Shah
Chairman and Managing Director

Ravi Sheth
Director

P. Ramanathan
Company Secretary & VP (Legal & Secretarial)

Place : Mumbai
Date: 30th June, 2007

Consolidated Cash Flow
Statement for the year ended 31st March, 2007

(in Rupees)

	Current Year	Current Year	Previous Year	Previous Year
A. Cash flow from operating activities				
Net profit before tax and exceptional / non recurring items		**1,536,416,673**		**1,181,631,006**
Adjustments for:				
Depreciation/amortisation	88,884,036		55,841,632	
Employees stock compensation cost	3,305,224		734,456	
Profit on sale of investments (net)	(54,359,257)		(9,809,319)	
Loss on sale of fixed assets (net)	231,227		280,612	
Loss on fixed assets scrapped/written off	1,588,220		–	
Diminution in value of investments	1,442,903		287,973	
Dividend from investments	(282,050,802)		(113,694,181)	
Interest expense	8,463,319		958,792	
Exchange rate fluctuations (net)	(83,900,497)		(35,406)	
Interest income	(76,935,001)	(393,330,628)	(30,673,513)	(96,108,954)
Operating profit before working capital changes		**1,143,086,045**		**1,085,522,052**
Adjustments for:				
Trade and other receivables	(191,267,430)		(287,284,828)	
Trade payables and provisions	792,753,349	601,485,919	2,660,628,636	2,373,343,808
Cash from operating activities		**1,744,571,964**		**3,458,865,860**
Taxes paid		(485,629,940)		(336,652,450)
Net cash from operating activities		**1,258,942,024**		**3,122,213,410**
B. Cash flow from investing activities				
Purchase of fixed assets etc.		(1,602,892,718)		(232,492,696)
Proceeds from sale of fixed assets		1,954,157		1,965,009
Purchase of investments (including fixed deposits placed)		(43,835,526,636)		(16,061,882,990)
Advance consideration pending transfer of investments		20,100,000		–
Proceeds from sale of investments (including fixed deposit matured)		44,843,240,582		11,442,591,341
Interest income		59,028,096		34,056,151
Dividend from investments		282,050,802		113,694,181
Net cash used in investing activities		**(232,045,717)**		**(4,702,069,004)**
C. Cash flow from financing activities				
Proceeds from borrowings (net)		4,474,000,000		(429,920)
Proceeds from issue of share capital		84,182,016		–
ZCCBs Issue expenses		(157,536,928)		–
Expenses incurred on proposed public issue of a subsidiary company		–		(81,128,201)
Dividend paid during the year (including dividend tax)		(464,749,320)		(62,030,230)
Payment of dividend to minority shareholders in a subsidiary company (including dividend tax)		(380,657,333)		(7,366,015)
Proceeds from issue of shares to minority shareholders in subsidiaries		38,444,692		2,302,403,036
Interest expenses		(8,463,319)		(958,792)
Net cash from financing activities		**3,585,219,808**		**2,150,489,878**
Net cash flow during the year		**4,612,116,115**		**570,634,284**
Net increase in cash and cash equivalents		**4,612,116,115**		**570,634,284**
Cash and cash equivalents (opening balance)		734,188,119		163,553,835
Cash and cash equivalents (closing balance)		5,346,304,234		734,188,119

Consolidated Cash Flow
Statement for the year ended 31st March, 2007

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. Reconciliation of cash and bank balances (Refer Schedule 7) with cash and cash equivalents is as follows:

(in Rupees)

	Current Year	Previous Year
Cash and cheques on hand	61,740,110	26,856,245
Bank balances	5,174,349,613	707,371,043
Unrealised exchange (gain) / loss on foreign currency cash and cash equivalents*	110,214,511	(39,169)
Cash and cash equivalents	**5,346,304,234**	**734,188,119**
- In deposit accounts (maturing more than 3 months)	1,300,662,940	309,908,061
- Interest accrued on fixed deposits	26,200,864	8,293,959
Unrealised exchange (gain) / loss on foreign currency cash and cash equivalents*	(110,214,511)	39,169
Cash and bank balance	**6,562,953,527**	**1,052,429,308**

* Includes Rs. 63,144,949/- (Previous year Rs. 72,647/-) 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 activites.
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: 30th June, 2007

For and on behalf of the Board.

Jignesh Shah
Chairman and Managing Director

Ravi Sheth
Director

P. Ramanathan
Company Secretary & VP (Legal & Secretarial)

Place : Mumbai
Date: 30th June, 2007

Schedules Forming
Part of the Consolidated Accounts

(in Rupees)

	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
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:			
44,094,696 (Previous year 44,008,936) equity shares of Rs. 2/- each fully paid up		88,189,392	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) 217,600 (Previous year 131,840) equity shares of Rs. 2/- each fully paid up have been alloted to the employees under employee stock option scheme ('ESOP')			
(b) Particulars of options on unissued capital (Refer Note 7 (a) to Schedule 15)			
TOTAL		**88,189,392**	**88,017,872**
Schedule 2: Reserves and surplus			
Capital reserve			
Balance as per last balance sheet		14,759,312	14,759,312
Capital reserve on consolidation			
Balance as per last balance sheet	1,326,952,046		–
Add: On change in Group's interest (net)	(82,802)		1,326,952,046
		1,326,869,244	1,326,952,046
Securities premium account			
Balance as per last balance sheet	1,102,265,401		1,102,265,401
Add: Received during the year on issue of shares under ESOP	84,010,496		–
	1,186,275,897		1,102,265,401
Less: ZCCB issue expenses [net of tax of Rs. 53,026,930/- (Previous year Rs. Nil)] (Refer Note 13 (c) to Schedule 15)	104,509,998		–
Provision for premium payable on redemption of ZCCB (Refer Note 13 (b) to Schedule 15)	96,305,800		–
		985,460,099	1,102,265,401
Employees stock option outstanding			
Balance as per last balance sheet	472,329		–
Add: Deferred employee compensation expense	2,118,979		472,329
	2,591,308		472,329
Less: Shares allotted during the year/credit written back	988,356		–
		1,602,952	472,329
General reserve			
Balance as per last balance sheet	103,200,000		7,500,000
Add: Transferred from profit and loss Account	145,818,096		95,700,000
	249,018,096		103,200,000
Less: Transitional provision adjustments (net of tax)- employee benefits (Refer Note 15 to Schedule 15)	3,799,611		–
		245,218,485	103,200,000
Foreign currency translation reserve			
Balance as per last balance sheet	3,211,491		(161,001)
Add: Movement during the year	(52,235,520)		3,372,492
		(49,024,029)	3,211,491
Profit and loss account	522,210,692		447,480,839
Less : Group's share of joint ventures	162,704,477		162,859,089
		359,506,215	284,621,750
		2,884,392,278	2,835,482,329
Group's share of joint ventures			
Revenue reserves (including foreign currency translation reserve)		160,512,082	163,308,901
TOTAL		**3,044,904,360**	**2,998,791,230**

Schedules Forming
Part of the Consolidated Accounts

Schedule 3 : Consolidated Fixed Assets

(in Rupees)

Particulars	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	Cost as at 01.04.2006	Additions	Deletion/ Adjustments	Cost as at 31.03.2007	Upto 31.03.2006	For the year	Deletion/ Adjustments	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
Tangible Assets										
Land (Freehold)	–	500,000,000	–	500,000,000	–	–	–	–	500,000,000	–
Land (Leasehold)	–	68,816,572	–	68,816,572	–	370,793	–	370,793	68,445,779	–
Building	18,082,611	–	–	18,082,611	3,243,630	294,747	–	3,538,377	14,544,234	14,838,981
Leasehold premises improvements	61,478,976	3,316,221	3,198,617	61,596,580	4,559,563	8,462,760	294,327	12,727,996	48,868,584	56,919,413
Networking equipments	78,237,364	31,052,920	–	109,290,284	15,981,775	19,633,576	–	35,615,351	73,674,933	62,255,589
Office equipments (including computer hardware)	138,190,541	102,428,806	4,853,884	235,765,463	40,973,702	23,842,167	3,590,529	61,225,340	174,540,123	97,216,839
Furniture and fittings	27,163,711	4,522,903	902,556	30,784,058	8,514,199	1,758,928	78,393	10,194,734	20,589,324	18,649,512
Vehicles	16,417,826	20,402,887	–	36,820,713	1,702,520	2,644,476	–	4,346,996	32,473,717	14,715,306
SUB TOTAL	339,571,029	730,540,309	8,955,057	1,061,156,281	74,975,389	57,007,447	3,963,249	128,019,587	933,136,694	264,595,640
Intangible assets										
Trade mark & Copyrights	311,970	418,675	–	730,645	170,208	48,029	–	218,237	512,408	141,762
Technical knowhow	633,413	–	–	633,413	633,413	–	–	633,413	–	–
Computer software	93,343,034	5,680,215	–	99,023,249	47,617,225	16,649,808	–	64,267,033	34,756,216	45,725,809
SUB TOTAL	94,288,417	6,098,890	–	100,387,307	48,420,846	16,697,837	–	65,118,683	35,268,624	45,867,571
Group's share of joint venture	38,423,273	3,765,664	4,501,787	37,687,150	6,844,922	15,178,751	2,857,700	19,165,974	18,521,177	31,578,351
TOTAL	**472,282,719**	**740,404,863**	**13,456,843**	**1,199,230,739**	**130,241,157**	**88,884,036**	**6,820,949**	**212,304,244**	**986,926,495**	**342,041,562**
Previous Year	**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**	
Capital work-in-progress includes capital advances Rs. 664,633,909 /- (Previous year Rs. 20,004,143/-)									**883,468,740**	**20,166,656**

Note:
1. Capital Work in Progress is in respect of acquisition of land, building under construction and improvements thereto etc.
2. Deletions/Adjustment in the gross block and depreciation includes the adjustment of Rs. 2,340,448 /- (Previous year Rs. Nil) and Rs. 39,051/- (Previous year Rs. Nil) respectively on account of reduction/rebate in the value of the assets purchased in the earlier year and the depreciation excess provided aggregating Rs. 39,051/- has been written back and included under miscellaneous income. (Refer Schedule 12)
3. Addition includes Rs. Nil (Previous year Rs. 28,248/-) on account of exchange difference during the year.
4. In respect of land (freehold) acquired during the year, the conveyance deed is being registered.
5. Exchange differences on account of translation of foreign subsidiary's and joint venture's fixed assets into Rupees, included under adjustment for the year is Rs. 5,020,189/- (Previous year Rs. 388,888/-) in gross block and Rs. 2,972,126/- (Previous year Rs. 69,039/-) in depreciation/amortisation.

Schedules Forming
Part of the Consolidated Accounts

(in Rupees)

	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
Schedule 4: Investments			
Long term [at cost/carrying amount (unless otherwise stated)]			
Other than trade (Unquoted)			
In equity shares	–		44,833,296
Less : Provision for diminution in value of investments	–		24,733,296
		–	20,100,000
In optionally convertible preference shares		23,000,000	–
In units of mutual funds		1,859,823,326	1,330,832,733
Other than trade			
In equity shares (Refer Note 6 to Schedule 15)		44,933,296	–
In units of mutual funds		2,448,471,426	4,958,899,608
In government and other securities		55,000	23,000
Share application money paid towards equity shares (Since alloted)		10,319,850	–
		4,386,602,898	6,309,855,341
Group's share of joint ventures		–	–
TOTAL		**4,386,602,898**	**6,309,855,341**
Schedule 5: Inventories			
Raw materials		12,625,457	–
Stores & spares		4,984,778	–
		17,610,235	–
Group's share of joint ventures		–	
TOTAL		**17,610,235**	–
Schedule 6: Sundry debtors*			
Debts outstanding for period exceeding six months	35,639,109		14,105,964
Other debts	249,379,325		158,521,543
		285,018,434	172,627,507
Less: Provision		20,161,172	11,357,291
		264,857,262	161,270,216
Group's share of joint ventures (other debts)		4,458,335	–
*includes secured debtors aggregating to Rs. 115,607,330/- (Previous year Rs. 84,951,789/-) which are secured by cash margins/ bank guarantees/fixed deposit receipts and hypothecation of movables such as commodities, securities etc. from members of MCX and balance debts are unsecured			
TOTAL		**269,315,597**	**161,270,216**
Notes: Sundry Debtors includes:			
Considered good		264,857,262	161,270,216
Considered doubtful		20,161,172	11,357,291
		285,018,434	172,627,507
Group's share of joint ventures-Considered good		4,458,335	–
		289,476,769	172,627,507

Schedules Forming
Part of the Consolidated Accounts

(in Rupees)

	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
Schedule 7: Cash and bank balances			
Cash [includes cheques on hand Rs. 61,339,852/- (Previous year Rs. 26,537,729/-)]		61,667,422	26,664,203
Bank Balances:			
(a) with scheduled banks:			
(i) In current accounts [Including in exchange earners' foreign currency account Rs. 10,299,136/- (Previous year Rs. 3,951,247/-)]		389,557,612	211,762,117
(ii) In deposit accounts** [Including interest accrued on deposits Rs.25,265,832/- (Previous year Rs. 8,293,959/-)]		5,418,254,070	313,625,757
(b) with others :			
(i) with PNC Bank - New Jersey branch in current account [Maximum amount outstanding at any time during the year Rs 5,337,915/- (Previous year Rs. 3,742,283/-)]		2,091,197	1,506,519
(ii) with PNC Bank - New Jersey branch in deposit account [Maximum amount outstanding at any time during the year Rs.10,511,257/- (Previous year Rs.8,842,451/-)]		2,892,777	1,454,743
(iii) with ANZ Grindlays Bank - Australia branch in current account [Maximum amount outstanding at any time during the year Rs.172,727/- (Previous year Rs. 120,860/-)]		–	30,564
(iv) with Jila Sahakari Kendriya Bank Maryadit- in current account [Maximum amount outstanding at any time during the year Rs. 45,852,522/- (Previous year Rs. Nil)]		51,023	–
		5,874,514,101	555,043,903
Group's share of joint ventures [Including interest accrued on deposits Rs. 935,024/- (Previous year Rs. Nil)]		688,439,426	497,385,405
TOTAL		**6,562,953,527**	**1,052,429,308**

** includes fixed deposits under lien with banks for overdraft facilities and bank guarantee Rs. 303,378,200/- (Previous year Rs. 206,324,403/-)
** includes fixed deposits which are earmarked
(Refer Note 18 to Schedule 15)

Schedules Forming
Part of the Consolidated Accounts

(in Rupees)

	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
Schedule 8: Loans and Advances			
Advances recoverable in cash or kind or for value to be received*	237,971,195		181,977,095
Advance income tax including tax deducted at source (net) (Refer Note 23 to Schedule 15)	40,461,018		6,015,232
Premises and other deposits	92,873,224		67,183,142
		371,305,437	255,175,469
Less: Provision		25,058,628	161,378
		346,246,809	255,014,091
Group's share of joint ventures		12,703,778	3,878,898
* includes secured advances aggregating to Rs. 828,462/- (Previous year Rs. 2,346,035/-) which are secured by cash margins/bank guarantees /fixed deposit receipts and hypothecation of movables such as commodities, securities etc. from members of MCX. Other loans and advances are unsecured.			
TOTAL		**358,950,587**	**258,892,989**
1. Loans and advances include:			
(a) Considered good		346,246,809	255,014,091
Considered doubtful		25,058,628	161,378
		371,305,437	255,175,469
Group's share of joint ventures - Considered good		12,703,778	3,878,898
		384,009,215	**259,054,367**
(b) Rs. 89,356,088/- (Previous year Rs. 63,312,165/-) paid as deposits towards premises taken on lease.			
(c) Balance due from officer of the Company Rs. 455,893/- [Maximum amount outstanding at any time during the year Rs. 455,893/- (Previous year Rs. Nil)]			
(d) Balances with Excise Department Rs. 386,932 /- (Previous year Rs. 20,805/-)			
(e) Leased premises deposit to Managing Director Rs. 600,000/- (Previous year Rs. Nil)			
(f) Advance to a party towards advertisement Rs. 72,670,683/- (Previous year Rs. 96,878,875/-)			
2. Advances include Rs. Nil (Previous year Rs. Nil) to director of the Company. Maximum amount outstanding at any time during the year Rs. Nil (Previous year Rs. 141,815/-)			

Schedules Forming
Part of the Consolidated Accounts

(in Rupees)

	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
Schedule 9: Current liabilities			
Advance received from members and applicants towards:			
- Application money (pending admission)	21,790,000		25,511,000
- Security deposits	137,443,196		104,905,005
- Networking equipment deposits (Refer Note 5 to Schedule 15)	78,895,716		73,654,343
- Other liabilities	19,493,490		15,480,744
- Trading margin from members	3,101,623,068		2,910,745,805
		3,359,245,470	3,130,296,897
Security deposits from depository participants / settlement bankers		149,100,000	10,100,000
Sundry creditors:			
Total outstanding dues to small scale industrial undertakings	–		–
Total outstanding dues to creditors other than small scale industrial undertakings	365,164,728		226,103,175
		365,164,728	226,103,175
Advance consideration pending transfer of investments (Refer Note 6 to Schedule 15)		20,100,000	–
Investment Protection Fund (Refer Note 18 to Schedule 15)		22,366,164	–
Unpaid dividends*		160,162,529	397,377
Unearned revenue/income received in advance		46,485,396	18,781,551
		4,122,624,287	3,385,679,000
Group's share of joint ventures		446,370,927	225,889,986
TOTAL		**4,568,995,214**	**3,611,568,986**

"The company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence, disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act, have not been given."

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

	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
Schedule 10: Provisions			
For taxation (including wealth tax) (net) (Refer Note 23 to Schedule 15)		57,337,184	38,613,061
For premium on redemtion of ZCCBs (Refer Note 13(b) to Schedule 15)		96,305,800	–
For fringe benefit tax (net) (Refer Note 23 to Schedule 15)		434,770	854,047
For gratuity and leave encashment		41,836,667	11,433,110
Proposed dividend		88,189,392	228,846,467
Tax on dividend		14,987,787	32,095,717
		299,091,600	311,842,402
Group's share of joint ventures		6,394,099	2,167,992
TOTAL		**305,485,699**	**314,010,394**

Schedules Forming
Part of the Consolidated Accounts

(in Rupees)

	Current Year	Current Year	Previous Year
Schedule 11: Sales/operating income			
Products (IPR based - license)		695,620,662	506,163,351
Services (Project based)		74,434,793	126,603,530
Sale of Goods (including traded goods)		92,260,088	236,336
Service charges		98,865,639	22,159,964
Membership admission fees		416,134,000	266,607,000
Annual subscription fees		39,541,251	25,796,402
Transaction fees		1,107,132,515	537,314,151
Terminal charges		32,093,200	30,082,400
Content development / know how fees		–	22,897,500
		2,556,082,148	1,537,860,634
Group's share of joint ventures		123,390,447	282,611,096
TOTAL		**2,679,472,595**	**1,820,471,730**
Schedule 12: Other income			
Dividend from investments (other than trade):			
- Long term investments	4,027,250		19,208,090
- Current investments	278,023,552		94,486,091
		282,050,802	113,694,181
Interest from:			
- Bank on deposit accounts	76,471,918		23,607,989
- Others	463,083		129,101
[Tax deducted at source Rs. 6,414,263/- (Previous year Rs. 4,498,936/-)]		76,935,001	23,737,090
Deposit appropriation (Refer Note 5 to Schedule 15)		27,195,378	16,416,680
Profit on sale of investments (net) - Other than trade			
- Long term investments	32,474,524		830,924
- Current investments	21,884,733		8,978,395
		54,359,257	9,809,319
Training, Certification and franchise fees		14,936,947	2,482,159
Penalties from members (Refer Note 18 to Schedule 15)		31,624,469	13,159,440
Other recoveries from members (net)		6,688,587	588,276
Exchange rate fluctuations (net)		60,338,907	–
Service tax set off claimed (prior period)		1,204,628	1,566,669
Miscellaneous income		23,867,031	3,945,623
		579,201,007	185,399,437
Group's share of joint ventures		26,661,440	7,055,220
[Tax deducted at source Rs.11,026/- (Previous year Rs. Nil)			
TOTAL		**605,862,447**	**192,454,657**

Schedules Forming
Part of the Consolidated Accounts

(in Rupees)

	Current Year	Current Year	Previous Year
Schedule 13: Operating and other expenses			
Payment to and provisions for employees:			
Salaries and bonus	535,223,316		240,918,360
Contribution to provident fund and other funds	15,803,378		7,808,965
Gratuity	10,525,366		1,181,295
Employee stock option compensation cost	3,305,224		734,456
Staff welfare expenses	20,967,312		8,658,182
		585,824,596	259,301,258
Raw materials consumed		68,422,369	–
Stores, Spares and Other consumables		6,065,331	–
Processing charges		5,287,598	–
Electricity		19,160,463	10,131,678
Advertisement expenses (Refer Note 21 to Schedule 15)		69,993,488	67,185,900
Business promotion/development expenses		29,254,436	38,329,283
Brokerage and commission charges		20,262,221	14,966,827
Rent (Refer Note 9 to Schedule 15)		138,898,400	49,938,780
Service charges		24,682,003	24,553,803
Repairs and maintenance - others		17,523,125	11,598,509
Travelling and conveyance		61,127,152	32,211,809
Communication expenses		44,929,256	28,997,274
Insurance		18,742,634	6,411,674
Diminution in value of current investments		1,442,903	287,973
Loss on sale of fixed assets (net)		231,227	280,612
Loss on assets scrapped / written off (Refer Note 12 to Schedule 15)		1,588,220	–
Legal and professional charges		98,641,450	66,456,033
Preliminary expenses written off		1,074,953	2,624,904
Provision for doubtful debts/advances		33,719,230	4,484,615
Membership fees and subscriptions		8,865,426	4,270,282
Sponsorships and seminar expenses (Refer Note 21 to Schedule 15)		89,855,435	12,267,916
Exchange rate fluctuations (net)		–	3,448,396
License Fees		23,388,047	–
Establishment expenses		–	1,751,030
Rates and taxes		89,148	–
Contribution to Investor Protection Fund (Refer Note 18 to Schedule 15)		2,500,000	–
Software support charges		11,224	1,367,295
Miscellaneous expenses		94,331,861	42,678,099
ZCCB issue expenses	157,536,929		–
Less : Amount adjusted against Securities Premium Account (Refer Note 13 (c) to Schedule 15)	(157,536,929)	–	–
		1,465,912,196	683,543,950
Group's share of joint ventures		140,357,974	90,099,570
TOTAL		**1,606,270,170**	**773,643,520**
Schedule 14: Interest			
Interest on:			
- Fixed loans		–	44,154
- Deferred payment of leasehold land premium		2,317,902	–
- Others [including interest on delayed tax payments Rs. 5,962,926/- (Previous year Rs. 816,882/-)]		6,145,417	914,638
		8,463,319	958,792
Group's share of joint ventures		–	–
TOTAL		**8,463,319**	**958,792**

Significant Accounting Policies
and Notes to Consolidated Accounts

Schedule 15 :

I. STATEMENT OF 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 companies (Refer Note 1 in II below for list of entities included in consolidated financial statements) (together 'the Group' or 'the Company') have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India and the accounting standards issued by The Institute of Chartered Accountants of India (together "Indian GAAP").

The financial statements of subsidiaries and joint venture companies used in the consolidation are drawn upto the same reporting date as that of the Parent Company, namely March 31, 2007.

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 on balances remaining within the group. These financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances except in respect of policy for recognition of employee benefits by certain subsidiaries as disclosed in para M 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 foreign currency translation 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) resulting into reduction in the Parent's holding in the said subsidiaries, are adjusted in goodwill/capital reserve of the respective subsidiary company, either recognized previously or during the year.

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 Companies:

The Group's interest in joint venture companies is accounted using proportionate consolidation method and translated (in case of non integral foreign joint venture company) using the translation principles stated in '1(b)' above.

D. Fixed assets (tangible assets)

Fixed assets are stated at cost of acquisition or construction and carried at cost less accumulated depreciation and impairment loss, if any. Cost includes all expenses incurred for acquisition of assets.

Significant Accounting Policies
and Notes to Consolidated Accounts

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. 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.

G. 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 straight line basis over the lease term in accordance with the respective agreements.

H. Depreciation and amortization

a) Depreciation and amortization is provided for on straight line method, except as stated in (b) and (c) 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 or over 3 years in case of DGCX
Premium on leasehold land	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 and Copyrights	5-10 years
Technical knowhow	6 years
Computer software	3-6 years

b) In IBS Forex Limited depreciation is provided for on written down value method at the rates and in the manner prescribed in Schedule XIV of Companies Act, 1956. However, the impact of such difference in policy is not significant.

c) Goodwill arising on consolidation is tested for impairment in accordance with the accounting policy stated in para Q below.

I. Investments

Current investments are carried at the lower of cost and 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.

J. Revenue recognition

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

b) Revenues are stated net of returns, trade discounts, VAT, lease tax and service tax wherever applicable.

c) Sales include sale of products (licenses), services (contracts) and goods (including traded goods). 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 service contracts is recognized in proportion to the degree of completion of service by reference to and based on milestones/acts performed as specified in the contracts and in case of time and material service contracts, it is recognized on the basis of hours completed and material used. Revenue from annual maintenance contracts and lease of licenses is recognized proportionately over the period in which the services are rendered/licenses are leased.

d) Revenue from sales of goods (including traded goods) is recognized when significant risks and rewards in respect of ownership of goods is transferred by the Company. In the case of NBHC, such transfer occurs generally on dispatch/delivery of goods to the buyers or their assignees.

e) Admission fees (non refundable) collected from new members for joining the commodity exchange are recognized when received. Advances against membership application are only recognized as income when the application has been approved.

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

Significant Accounting Policies
and Notes to Consolidated Accounts

g) 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.

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

i) Service charges include income from various services viz. collateral management services, demat, data fee and message services which are recognized as and when services are rendered and in the case of storage charges on completion of storage cycle and gateway service income, on completion of the transaction.

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

K. Stock based compensation

The compensation cost of stock options granted by the Company is measured by the intrinsic value method, i.e. the difference, if any, between the market price/ independent valuer determined share price, as the case may be, of the underlying shares on the date of the grant of options and the exercise price to be paid by the option holders, is amortised uniformly over the service period. (Refer Note 7).

L. 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.

M. Employee benefits

a) Post employment benefits and other long term benefit plans

Payments to defined contribution retirement schemes viz. provident fund and employee state insurance, etc. are expensed as incurred.

In respect of entities in the Group except FTME and DGCX, for defined benefit schemes viz. gratuity and leave encashment expected to occur after twelve months and other long term post employment schemes of the Company, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at balance sheet date. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a straight line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost plus the present value of available refunds and reduction in future contributions to the scheme.

In respect of FTME : The amounts required to cover the end of service benefits as at balance sheet date are computed pursuant to the local laws of the country based on the employees' accumulated period of service and basic remuneration at the balance sheet date. In respect of DGCX: The expected costs of employees' end of service benefits, based upon the employees' salaries and length of service, subject to the completion of a minimum service period, are accrued over the period of employment. An actuarial valuation has not been performed as the management of respective entity believes that the net impact of discount rates and future increases in the benefits is not likely to be material.

Significant Accounting Policies
and Notes to Consolidated Accounts

b) Short term employee benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized as an expense during the period when the employee renders those services. These benefits include compensated absences such as leave expected to be availed within a year and performance incentives.

N. Income taxes

Tax expense comprises current tax, deferred tax, fringe benefit tax and wealth tax. Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of applicable laws. The Company recognises deferred tax (subject to consideration of prudence) based on the tax effect of timing differences, being differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the statement of profit and loss using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. 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. Fringe benefit tax, where applicable, is recognized in accordance with the relevant provisions of the Indian Income Tax Act, 1961, and the Guidance note on Accounting for Fringe Benefit Tax issued by The Institute of Chartered Accountants of India.

O. Share issue expenses

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

P. Inventories:

Inventories comprise of merchandise, goods and raw materials in NBHC and are stated at lower of cost or net realizable value. Cost comprises of cost of purchase and other costs incurred in bringing the inventories to their respective present location and condition. Cost is determined on First In First Out (FIFO) basis. Stock of stores, spares and consumables are stated at lower of cost or net realizable value. In case of defective and obsolete items, due allowance is estimated and provided for, wherever necessary, based on the management representation and experience of the Company.

Q. Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at lower of historical cost or recoverable amount.

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.

Significant Accounting Policies
and Notes to Consolidated Accounts

II. NOTES FORMING PART OF ACCOUNTS:

1. Subsidiaries/Joint Ventures to Consolidation:

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

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 (Current year)	Proportion of Ownership Interest (Previous year)
Multi Commodity Exchange of India Limited (MCX)	India	64.11%	64.31%
atom technologies limited (atom)	India	77.50%	55.00%
IBS Forex Limited (IBS)	India	76.00%	76.00%
National Spot Exchange Limited	India	99.99%	99.99%
National Bulk Handling Corporation Limited (NBHC)	India	80.50%	100.00%
TickerPlant Infovending Limited (TickerPlant)	India	100.00%	100.00%
Riskraft Consulting Limited (Riskraft)	India	100.00%	100.00%
Financial Technologies Middle East DMCC (FTME)	U.A.E.	100.00%	100.00%
Financial Technologies Middle East FZ LLC (subsidiary of FTME)	U.A.E.	100.00%	100.00%
Financial Technologies Communications Limited	India	100.00%	–
Global Payment Networks Limited	India	100.00%	–
Indian Energy Exchange Limited	India	100.00%	–
FT Group Investments Pvt. Ltd. (FTGIPL) @	Mauritius	100.00%	–
Knowledge Assets Pvt. Ltd. @	Mauritius	100.00%	–
Global Board of Trade Limited (GBOT) @	Mauritius	100.00%	–
Singapore Mercantile Exchange PTE Ltd. (SMX) @	Singapore	100.00%	–
Singapore Mercantile Exchange Clearing Corporation PTE Ltd. (Subsidiary of SMX) @	Singapore	100.00%	–

b. Interests in joint venture companies:

The joint venture companies considered in the consolidated financial statements are:

Name of Entity	Country of incorporation	Proportion of Ownership Interest (Current year)	Proportion of Ownership Interest (Previous year)
Dubai Gold and Commodities Exchange DMCC (DGCX) (including its subsidiary viz. Dubai Commodities Clearing Corporation DMCC) @	U.A.E.	*50.00%	**50.00%
Safal National Exchange of India Limited (SNX) @	India	49.00%	–

* Held by the Parent Company: 20%, MCX :10% and FTGIPL: 20%

** Held by the Parent Company: 40% and by MCX: 10%

@ Consolidated based on unaudited financial statements as at and for the year/period ended March 31, 2007 and 2006 (in the case of DGCX), of the respective companies.

c. The Company holds equity investments (Refer Schedule 4) in two companies as at March 31, 2007 viz. Mehul Telecom Pvt. Ltd. and Fortune Share and Securities Pvt. Ltd. constituting 50% of the issued capital in each company. However, the aforesaid investments were made for certain strategic business reasons with an intention to hold them for a temporary period and have been sold off subsequent to year end. The Company did not have significant influence over the two companies during the period of investment.

Accordingly, the financial statements of the said companies have not been consolidated by applying the equity method of accounting for investments in associates.

Significant Accounting Policies
and Notes to Consolidated Accounts

(in Rupees)

	Current Year	Previous Year
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	860,397,443	53,002,436
Group's share of joint ventures in capital commitments	31,916,346	–
3. Contingent Liability not provided for in respect of :		
a) Counter guarantee issued against bank guarantee	375,000	190,000
b) Income tax demands disputed in appeal and pending decision before higher authorities	5,751,094	26,780,955
c) Contribution towards Investor Protection Fund (Refer Note 18 below)	25,950,228	–
d) Letter of Guarantee	11,584,369	–
e) NBHC is engaged into the collateral management services to various banks and has given indemnities for loss, damage, destruction, deficiency of quality, weight or quality of various goods stored in the warehouses of NBHC. Any contingent liability arising on account of aforesaid indemnities are not quantifiable and hence liability, if any, remains unprovided for.		
Group's share of joint ventures in contingent liabilities	–	–

4. In order to encourage the volume of trading activities during its initial period of operations, the management of DGCX had waived all transaction charges during the year, until January 31, 2007.

5. A subsidiary company viz. MCX receives 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. 27,195,378/- (Previous year Rs. 16,416,680/-) from the deposits the same are included under Other Income (Refer Schedule 12). The aggregate amount received from members for VSAT and outstanding as at March 31, 2007 net of appropriation is Rs. 78,895,716/- (Previous year Rs. 73,654,343/-) (Refer Schedule 9).

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

Based on the information then available and pending out come of a petition filed by the Parent Company before the CLB under section 397 and 398 of the Companies Act, and arbitration proceedings instituted during the year, the Parent Company had, out of abundant caution, made provision of Rs. 24,733,296/- towards diminution in the value of such investment being other than temporary and considered the same as exceptional/non recurring item (net of tax) of Rs. 16,408,069/- in the previous year.

During the year, ELPL deposited Rs. 20,100,000/- with the Parent Company. Subsequent to the year end, both the parties have agreed on the settlement terms by which the promoter of ELPL has agreed to pay the balance sum of Rs. 24,733,296/- (net of Rs. 20,100,000/- already received) over an agreed period, in installments, in lieu of transfer of shares by the Parent Company to the promoter. The said settlement terms were filed with the independent arbitrator who has given the award to give effect to the said terms of the settlement.

Based on the said award of the arbitrator, pending transfer of shares and receipt of full amount thereagainst, the Parent Company has continued to show such shares held as investments and the amount of Rs. 20,100,000/-, as received towards partial consideration has been included under current liabilities (Refer Schedule 9). Considering the intention of the Parent Company now to hold these shares temporarily till receipt of full consideration, the investment has now been reclassified as Current Investments. The provision for diminution in value of investment made in the previous year has been written-back to the Profit and Loss account during the year considering the favourable arbitration award and the write back (net of tax) of Rs. 16,408,069/- is disclosed as an exceptional/ non recurring item.

7. Stock based compensation

A. Particulars of Schemes

Relating to Parent Company

During the previous year, the Parent Company granted 440,000 stock options to its employees and employees of subsidiary Company under an Employee Stock Option Plan 'ESOP 2005'.

During the year, the Company has also instituted Employee Stock Option Plan 'ESOP 2006' 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 Annual General Meeting held on September 29, 2006.

Significant Accounting Policies
and Notes to Consolidated Accounts

Details of the options granted under both the plans are as under:

Schemes	Grant Date	No. of Options Granted	Exercise Price	Vesting Period
ESOP 2005	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
ESOP 2006	November 20, 2006	440,000	1,812.70 1,812.70	20.11.2006 - 19.11.2007 20.11.2006 - 19.11.2008

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 aforementioned Schemes are tabulated below.

Particulars	ESOP 2005 (Nos.)	ESOP 2006 (Nos.)
Options outstanding as at the beginning of the year	440,000 (–)	– (–)
Options granted during the year	– (440,000)	440,000 (–)
Options exercised during the year	85,760 (–)	– (–)
Options lapsed during the year	600 (–)	– (–)
Options forfeited during the year	8,200 (–)	– (–)
Options outstanding as at the year-end	345,440 (440,000)	440,000 (–)
Options exercisable as at the year-end	– (–)	– (–)

(Previous years figures are given in brackets)

Relating to Parent Company

During the previous year, MCX granted 650,000 stock options to its employees and directors and the employees and directors of the Parent Company, under an 'Employee Stock Option Plan' (ESOP 2005) which is described below:

Particulars	
Date of grant	16-Jan-06
Number granted	650,000
Contractual Life	4 years

Each stock option entitles the holder to one equity shares of Rs. 10/- each.
The particulars of the options granted and lapsed under ESOP 2005 of MCX are tabulated below.

Particulars	Movement of options
Options outstanding as at the beginning of the year	650,000 (–)
Options granted during the year	– (650,000)
Options exercised during the year	118,589 (–)
Options lapsed during the year	– (–)
Options forfeited during the year	62,510 (–)
Options outstanding as at the year-end	468,901 (650,000)
Options exercisable/vested as at the year-end	940 (–)

(Previous years figures are given in brackets).

Significant Accounting Policies
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B. The Group has followed the intrinsic value-based method of accounting for stock options granted after April 1, 2005. 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 on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India the Company's net profit for the year would have been lower by Rs. 155,523,719/- (Previous year Rs. 36,798,938/-) and earnings per share as reported would be lower as indicated below:

(in Rupees)

Particulars	Current Year	Previous Year
EPS before exceptional / non recurring items:		
Basic earnings per share:		
Profit after tax and before exceptional/non recurring items and prior period adjustment	1,019,093,058	855,214,254
Less : Prior period adjustment (short provision for tax)	1,988,280	42,865,022
Less : Minority interest	319,237,414	146,043,271
Less: Total stock-based employee compensation expense determined under fair value based method (net of intrinsic value based compensation expense)	155,523,719	36,798,938
Adjusted profit before exceptional / non recurring items available for equity shareholders (For Basic EPS)	542,343,645	629,507,023
Basic earnings per share (face value Rs. 2/- per share)		
- As reported (in Rs.)	16.22	15.14
- As adjusted (in Rs.)	12.32	14.30
Diluted earnings per share:		
Profit after tax and before exceptional/non recurring items	697,867,364	666,305,961
Less: Effect of Dilutive potential equity shares	7,515,000	5,260,500
Less: Adjustment for potential conversion of ZCCBs (net of tax)	81,737,514	–
Less: Total stock-based employee compensation expense determined under fair value based method (net of intrinsic value based compensation expense)	155,523,719	36,798,938
Adjusted profit before exceptional / non recurring items available for equity shareholders (For Diluted EPS)	453,091,131	624,246,523
Diluted earnings per share (face value Rs. 2/- per share)		
- As reported (in Rs.)	14.15	15.01
- As adjusted (in Rs.)	10.25	14.18
EPS after exceptional / non recurring items:		
Basic earnings per share:		
Net profit for the year	714,275,433	649,897,892
Less: Total stock-based employee compensation expense determined under fair value base method (net of intrinsic value based compensation expense)	155,523,719	36,798,938
Adjusted profit after exceptional / non recurring items available for equity shareholders (For Basic EPS)	558,751,714	613,098,954
Basic earnings per share (face value Rs. 2/- per share)		
- As reported (in Rs.)	16.59	14.77
- As adjusted (in Rs.)	12.69	13.93
Diluted earnings per share:		
Net profit for the year	714,275,433	649,897,892
Less: Effect of Dilutive potential equity shares	7,515,000	5,260,500
Less: Adjustment for potential conversion of ZCCBs (net of tax)	81,737,541	–
Less: Total stock-based employee compensation expense determined under fair value based method (net of intrinsic value based compensation expense)	155,523,719	36,798,938
Adjusted net profit after exceptional items available for equity shareholders (For Diluted EPS)	469,499,200	607,838,454
Diluted earnings per share (face value Rs. 2/- per share)		
- As reported (in Rs.)	14.52	14.64
- As adjusted (in Rs.)	10.62	13.81

Significant Accounting Policies
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C. The fair value of each option of the Parent Company on the date of grant is Rs. 483.88 under ESOP Scheme 2005 and Rs. 547.29 under ESOP Scheme 2006 using the Black-Scholes Option Pricing Formula and of MCX it is Rs. 13.80 using Binomial Option Pricing Model, considering the following parameters:

		Parent Company		MCX
		ESOP 2005	**ESOP 2006**	**ESOP 2005**
(i)	Expected volatility	64.48% to 86.41%	48.05% to 57.74%	0%*
(ii)	Option life	3 years	2 years	3 years
(iii)	Dividend yield	0.41%	0.49%	10%
(iv)	Risk-free interest rate	5.98% to 6.41%	7.48% to 7.50%	6.5%
(v)	To allow for the effects of early exercise, it is assumed that the employees would exercise the options after vesting date.			
(vi)	Expected volatility is based on the historical volatility of the share prices over the period that is commensurate with the expected term of the option.			

The intrinsic value per option of MCX is Rs 13/-.

*The volatility has been taken as 0% since MCX is an unlisted commodities exchange and no similar enterprise is listed on any stock exchange in India.

8. The tax effect of significant timing differences that have resulted in deferred tax assets (net) and liabilities (net) are given below:

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

(in Rupees)

Particulars	As at 31st March 2007	As at 31st March 2006
a) *Deferred tax liability:*		
Depreciation	10,700,705	6,318,959
	10,700,705	6,318,959
b) *Deferred tax asset:*		
Provision for doubtful debts, advances etc.	8,894,364	3,877,184
Provision for diminution in value of long term investment	–	8,325,227
Carried forward capital loss	–	1,995,344
Employee benefits	8,034,482	2,898,232
Others	2,583,882	1,893,921
	19,512,728	18,989,908
Deferred tax asset (net)	8,812,023	12,670,949

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

(in Rupees)

Particulars	As at 31st March 2007	As at 31st March 2006
a) *Deferred tax liability:*		
Depreciation	46,300,075	36,869,349
	46,300,075	36,869,349
b) *Deferred tax asset:*		
Employee benefits	4,514,442	767,210
Provision for doubtful debts, advances etc.	6,475,846	–
Others	61,210	121,231
	11,051,498	888,441
Deferred tax liability (net)	35,248,577	35,980,908

Significant Accounting Policies
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9. The Group has entered into agreements for operating leases for various premises ranging from 11 months to 66 months. The lease rentals recognized in the profit and loss account during the year and the future minimum lease payments under non cancellable operating lease are as follows:

(in Rupees)

Particulars	As at 31st March 2007	As at 31st March 2006
Lease rentals	92,625,153	39,798,538
Obligations on non-cancellable leases		
Not later than one year	70,273,205	54,414,913
Later than one year and not later than five years	52,649,646	24,825,174
Later than five years	5,733,490	–

10. In NBHC, under the Minimum Support Price Scheme for procurement, the Food Corporation of India ('FCI') has not prescribed the price of URS graded rice till date and hence the management has recognized revenue under that grade aggregating to Rs.15,592,010/- on the basis of in principle approval of claims made and its reasonable certainty of ultimate collection.

11. Segment Reporting

a. Primary segment: Business segments

(in Rupees)

Particulars	STP Technologies	Exchange based revenue	Others	Elimination	Total
External Revenue	771,759,706	1,718,078,912	189,633,977	–	2,679,472,595
	(632,820,710)	(1,165,118,900)	(22,532,120)	(–)	(1,820,471,730)
Less: Excise duty	34,547,398	–	–	–	34,547,398
	(616,695)	(–)	(–)	(–)	(616,695)
Net External Revenue	737,212,308	1,718,078,912	189,633,977	–	2,644,925,197
	(632,204,015)	(1,165,118,900)	(22,532,120)	(–)	(1,819,855,035)
Inter-segment revenue	263,201,992	–	18,000,000	281,201,992	–
	(266,416,123)	(189,649)	(–)	(266,605,772)	(–)
Total	1,000,414,300	1,718,078,912	207,633,977	281,201,992	2,644,925,197
	(898,620,138)	(1,165,308,549)	(22,532,120)	(266,605,772)	(1,819,855,035)
Segment result excluding Other Income and Interest	117,835,671	898,227,872	-77,045,998	–	939,017,545
	(278,005,892)	(735,049,496)	(-22,920,247)	(–)	(990,135,141)
Add: Other income (allocable)	13,738,158	454,965,586	6,808,841	–	475,512,858
	(40,489,205)	(151,713,580)	(207,637)	(–)	(192,410,422)
Less: Interest expense(allocable)	2,782,431	5,665,792	15,096	–	8,463,319
	(31,144)	(927,648)	(–)	(–)	(958,792)
Profit / Loss before Tax and exceptional/ non recurring items	128,791,398	1,347,527,666	-70,252,253	–	1,406,066,811
	(318,463,950)	(885,835,431)	(-22,712,610)	(–)	(1,181,586,771)
Add: Unallocable other income/interest expense (net)					130,349,862
					(44,235)
Less : Taxation (including tax in respect of earlier years)					519,311,895
					(369,281,774)
Less : Exceptional / non recurring Items					-16,408,069
					(16,408,069)
Profit for the year before minority interest					1,033,512,847
					(795,941,163)
Segment Assets	4,004,622,949	9,223,724,227	173,472,426	–	13,401,819,602
	(1,388,342,347)	(6,686,773,126)	(55,200,855)	(–)	(8,130,316,328)

Significant Accounting Policies
and Notes to Consolidated Accounts

Particulars	STP Technologies	Exchange based revenue	Others	Elimination	Total
Unallocable assets					74,456,501
					(27,010,693)
Segment liabilities	583,554,091	4,102,253,072	34,595,996	–	4,720,403,159
	(436,433,081)	(3,439,966,684)	(9,712,507)	(–)	(3,886,112,272)
Unallocable liabilities					4,533,496,331
					(75,448,016)
Additions to fixed assets	125,305,225	601,216,510	13,883,128	–	740,404,863
	(33,483,374)	(167,620,086)	(15,347,982)	(–)	(216,451,442)
Depreciation	18,496,772	67,397,401	2,989,863	–	88,884,036
	(11,407,482)	(42,993,603)	(1,440,546)	(–)	(55,841,631)
Non cash expenses	16,160,346	19,393,003	1,260,144	–	36,813,493
	(6,320,438)	(2,824,779)	(2,147,154)	(–)	(11,292,371)

Notes:

1. Each of the entities to consolidation 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, except NBHC, which operates in two business segments not being reportable segments on consolidated basis.
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 and liabilities represent those of the entities themselves (except in the case of NBHC and those relating to ZCCBs of the Parent Company).
3. The aforesaid segments comprise of consolidation of companies under each segment. 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/incomes/assets and liabilities in respect of the said three segments other than those pertaining to NBHC, those relating to ZCCB of the Parent Company and those relating to taxation.
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, expenses, results, assets and liabilities include transfers between business segments. Such transfers are accounted for at market/ negotiated prices in case of transactions of special nature for which suitable alternative sources does not exist.
6. The reportable segments are described as follows :
   a. STP Technologies segment represents straight through processing solutions and includes an integrated mix of various products and projects. Exchange Based segment represents trading platform for commodity and forex based derivatives.
   b. The businesses, which are not reportable segments during the year, have been grouped under the “Others” segment. This mainly comprises of various services towards storage and allied activities, trading and procurement, data fee and message, gateway, risk reporting and regulatory compliance consultancy etc.
7. Previous year figures are given in brackets and are regrouped to confirm to current year's classification and segment losses are indicated by '-' sign.

Significant Accounting Policies
and Notes to Consolidated Accounts

b. **Secondary Segment: Geographical segments**

(in Rupees)

	Current Year	Previous Year
Net Revenue from Operations		
Within India	2,459,298,198	1,416,699,684
Outside India	185,626,999	403,772,046
Segment Assets		
Within India	10,459,793,362	7,584,854,316
Outside India	2,967,204,281	553,786,524
Segment Liabilities		
Within India	4,280,158,973	3,654,828,453
Outside India	4,880,719,986	231,283,819
Additions to fixed assets		
Within India	723,248,620	178,417,057
Outside India	17,156,243	38,034,385

12. **Related Party information**

I. **Names of related parties and nature of relationship:**

(a) **Entities over which joint control exists:**

1. Dubai Gold and Commodities Exchange (DGCX) - a joint venture entity
2. Safal National Exchange of India Ltd (SNX) - a 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. Lambertus Rutten	:	Joint Managing Director of MCX
Mr. V. Hariharan	:	Director of MCX
Mr. Arshad Khan	:	Director of FT ME
Mr. Ravishankar Natarajan	:	CEO of SNX
Mr. Anil Choudhary	:	Managing Director and CEO of NBHC

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

Mr. Manjay Shah	:	Director - Business Development

Significant Accounting Policies
and Notes to Consolidated Accounts

II. Transactions with related parties

(in Rupees)

Sr. No.	Transactions during the year	Joint Venture entities	Key Managerial Personnel	Relatives of Key Managerial Personnel
1.	Sales Products (IPR Based) (DGCX)	19,338,031	–	–
		(–)	(–)	(–)
2.	Sales - Services (Project based) (DGCX)	27,260,809	–	–
		(179,348,200)	(–)	(–)
3.	Sale of Computer Hardware (SNX)	2,925,000	–	–
		(–)	(–)	(–)
4.	Expenses recovered by the Company:			
	DGCX	963,050	–	–
		(–)	(–)	(–)
	SNX	5,141,572	–	–
		(–)	(–)	(–)
5.	Expenses recovered from the Company:			
	DGCX	690,564	–	–
		(–)	(–)	(–)
	SNX	2,133	–	–
		(–)	(–)	(–)
6.	Advances			
	- Balance as at the close of the year	3,764,459	–	–
		(–)	(–)	(–)
7.	Payables			
	- Balance as at the close of the year	11,824,256	–	–
		(–)	(–)	(–)
8.	Investment in joint venture			
	- Investment made during the year			
	- Equity / Ordinary Shares			
	SNX	4,900,000	–	–
		(–)	(–)	(–)
	DGCX	–	–	–
		(218,180,000)	(–)	(–)
	- Share Application Money paid			
	SNX	20,235,000	–	–
		(–)	(–)	(–)
	- Balance at the close of the year	153,225,000	–	–
		(218,180,000)	(–)	(–)
9.	Remuneration (including professional fees)	–	89,641,184	4,639,659
		(–)	(38,852,352)	(1,333,871)
10.	Dividend paid	–	65,465,379	240,819
		(–)	(10,273,206)	(90,677)

Significant Accounting Policies
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Employee stock options exercised during the year:

Sr. No.	Name of KMP		Number of options exercised
1.	Joseph Massey :	MCX	2,000 (–)
2.	V. Hariharan :	MCX	16,565 (–)
		Parent Company	4,000 (–)
3.	Arshad Khan :	MCX	200 (–)
		Parent Company	2,000 (–)

Notes:

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

(in Rupees)

Transaction during the year		Amount
Remuneration (including professional fees) :		
	Jignesh Shah	51,862,655 (31,783,888)
	Lambertus Rutten	15,535,934 (–)
Dividend paid :		
	Jignesh Shah	64,520,846 (10,209,551)

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 6)

d) Refer Note 1 c for reasons for non disclosure of transactions with Mehul Telecom Pvt. Ltd. and Fortune Share and Securities Pvt. Ltd.

13. (a) During the year, the Parent Company issued Zero Coupon Convertible Bonds due 2011 ('ZCCBs') aggregating to US $ 100,000,000 equivalent to Rs. 4,474,000,000/- on the date of issuance (the 'issue'). These bonds are listed on the Singapore Exchange Securities Trading Limited.

As per the terms of the issue, the holders have an option to convert the ZCCBs into equity shares at any time on and after January 30, 2007 upto the close of business on December 14, 2011, at an initial conversion price of Rs. 2,362.68 per equity share at a fixed exchange rate on conversion of Rs. 44.6738 to US $ 1, subject to certain adjustments as per the terms of the issue. Under certain conditions, the Parent Company, on or after December 20, 2007 but not less than seven business days prior to December 21, 2011, has an option to mandatorily convert the ZCCBs into equity shares, in whole but not in part. Further, under certain circumstances, the Parent Company has the option to redeem the ZCCBs, in whole but not in part, at their Early Redemption Amount. Unless previously converted or redeemed or purchased and cancelled, the Parent Company will redeem these bonds at a premium at 147.14 percent of their principal amount on December 21, 2011.

As at 31st March, 2007 none of the bonds has been converted into equity shares and the balance of ZCCB outstanding, as restated, as on 31st March, 2007 aggregating to Rs. 4,344,170,000/- has been disclosed under “Unsecured Loans” in the Balance Sheet.

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(b) The Parent Company has estimated and accrued the redemption premium on a pro-rata basis, in accordance with the requirements of Accounting Standard (AS-29) "Provisions, Contingent Liabilities and Contingent Assets" and debited the same to Securities Premium account as permitted by Section 78 of the Companies Act 1956.

(c) The ZCCB issue expenses aggregating to Rs. 157,536,929/- have been charged to the Profit and Loss account and an equivalent amount is adjusted against the Securities Premium Account (net of tax benefit of Rs. 53,026,930/-) (Refer Schedule 2) as permitted by Section 78 of the Companies Act, 1956.

The issue expenses consist of the following:

(in Rupees)

Particulars	Amount
Underwriting commission	59,787,450
Legal and professional fees	26,811,521
Brokerage charges	66,139,950
Audit fees	3,550,000
Printing and stationery expenses	207,263
Miscellaneous expenses	1,040,745
Total	**157,536,929**

14. The Parent Company, during the year, paid Rs. 59,787,450/- to its underwriters towards underwriting commission for it's ZCCB issue. The Parent Company proposes to obtain the approval of shareholders in respect thereof in accordance with the requirements of Articles of Association of the Parent Company.

15. Consequent to the Revised Accounting Standard (AS-15) “Employee Benefits” read with recent guidance on implementation of AS-15 issued by The Institute of Chartered Accountants of India, effective from April 1, 2007 but early adapted by the Company with effect from April 1, 2006, the Company has reviewed and revised its accounting policy in respect of employee benefits. Consequent upon the change, profit before tax for the year ended March 31, 2007 is lower by Rs. 12,222,165/-. In accordance with the transitional provisions contained in the Accounting Standard, the difference of Rs. 5,736,762/- between the liability in respect of gratuity and leave encashment existing on the date of adoption and the liability that would have been recognized at the same date under the previous accounting policy (net of tax of Rs. 1,937,151/-) has been adjusted against the opening balance in the general reserve.

16. Employee benefit plans:

i) Defined contribution plans:

Amounts recognized as expenses towards contributions to provident fund, employee state insurance corporation and other funds by the Group are Rs. 15,803,378/- (Previous year Rs. 7,808,965/-).

ii) Defined benefit plans:

a) Gratuity Plan : The Parent Company and certain subsidiaries makes annual contribution to the Employee's Group Gratuity Assurance Scheme, administered by the Life Insurance Corporation of India ('LIC'), a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to fifteen days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs on completion of five years of service. The Parent Company and MCX makes annual contribution to the Employee's Group Gratuity Assurance Scheme, administered by the Life Insurance Corporation of India ('LIC'), a funded defined benefit plan for qualifying employees. In the case of other subsidiaries gratuity plan is non-funded.

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b) Leave Encashment : Employees' entitlement to leave encashment in future periods based on unavailed leave as at balance sheet date, as per the policy of the Company, is expected to be a long term benefit and is actuarially valued.

The following table sets out the status of the funded / unfunded gratuity and leave encashment plan for the year ended March 31, 2007 as required under AS 15 (Revised):

(in Rupees)

	Gratuity Plan (Funded)		Leave Encashment (Non Funded)
I. Change in benefit obligation:			
Projected benefit obligation at the beginning of the year	8,781,166	201,742	6,093,688
Interest cost	658,587	15,394	457,328
Current service cost	3,477,872	562,893	2,820,883
Benefit paid	(612,993)	–	(1,021,325)
Actuarial (gain) / loss on obligations	4,844,819	221,824	7,884,811
Projected benefit obligation at the end of the year	**17,149,451**	**1,001,853**	**16,235,385**
II. Change in plan assets			
Fair value of the plan asset at the beginning of the year	3,784,324	–	–
Expected return on plan assets	302,746	–	–
Contributions	5,748,461	–	1,021,325
Benefits paid	(612,993)	–	(1,021,325)
Actuarial gain / (loss) on plan assets	22,691	–	–
Fair value of plan assets at the end of the year	**9,245,229**	**–**	**–**
Excess of obligation over plan assets	**7,904,222**	**1,001,853**	**16,235,385**
III. Expense for the year			
Current service cost	3,477,872	562,893	2,820,883
Interest cost	658,587	15,394	457,328
Expected return on plan assets	(302,746)	–	–
Net actuarial (gain) / loss recognized	4,822,128	221,824	7,884,811
Gratuity / Leave Encashment cost	**8,655,841**	**800,111**	**11,163,022**
IV. Actual return on plan assets	**325,437**	**–**	**–**
V. Category of Assets as on March 31, 2007			
Insurer managed funds	9,245,229	–	–
Total	**9,245,229**	**–**	**–**
VI. Assumptions			
Discount rate	8.00 %	8.00 %	8.00 %
Salary escalation rate	7.50 %	7.50 %	7.50 %
Expected rate of return on plan assets	8.00 %	–	–

Expected rate of return on plan assets is based on expectation of the average long term rate of return expected to prevail over the estimated term of the obligation on the type of the investments assumed to be held by LIC, since the fund is managed by LIC.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotions and other relevant factors, such as supply and demand in the employment market.

c) The unfunded liability towards employees not covered with the scheme administered by LIC in respect of certain subsidiaries recognised aggregates to Rs. 841,883/-.

d) The Groups share in joint venture towards the amounts required to cover the unfunded gratuity and end of service benefits as at balance sheet date aggregates to Rs. 6,394,099/-.

e) The Company has recognised Rs. 15,853,324/- as liability towards short term compensatory absences.

Significant Accounting Policies
and Notes to Consolidated Accounts

17. Earnings Per Share is calculated as follows:

(in Rupees)

Particulars	Current Year	Previous Year
EPS before exceptional / non recurring items:		
a. Profit after tax and before exceptional/ non recurring items and prior period adjustment	1,019,093,058	855,214,254
Less: Prior period adjustment (short provision for tax)	1,988,280	42,865,022
Less: Minority Interest	319,237,414	146,043,271
Profit after tax and before exceptional / non recurring items available for equity shareholders (for Basic EPS)	**697,867,364**	**666,305,961**
Less: Adjustment for stock options of Subsidiary Company	7,515,000	5,260,500
Less: Adjustment for potential conversion of ZCCBs (net of tax)	81,737,514	–
Profit before exceptional / non recurring items available for equity shareholders (for Diluted EPS)	**608,614,851**	**661,045,461**
b. Weighted average number of equity shares		
Basic	44,030,974	44,008,936
Add: Effect of Dilutive Stock Options	167,420	36,655
Diluted	44,198,394	44,045,591
c. Basic earnings per share (Rs.)	16.22	15.14
Diluted earnings per share (Rs.)	14.15	15.01
d. Face value per share (Rs.)	2/-	2/-
EPS after exceptional / non recurring items:		
a. Net profit for the year available to equity shareholders (for Basic EPS)	714,275,433	649,897,892
Less: Adjustment for stock options of Subsidiary Company	7,515,000	5,260,500
Less: Adjustment for potential conversion of ZCCBs (net of tax)	81,737,514	–
Net profit for the year available for equity shareholders (for Diluted EPS)	625,022,919	644,637,392
b. Weighted average number of equity shares		
Basic	44,030,974	44,008,936
Add: Effect of Dilutive Stock Options	167,420	36,655
Diluted	44,198,394	44,045,591
c. Basic earnings per share (Rs.)	16.59	14.77
Diluted earnings per share (Rs.)	14.52	14.64
d. Face value per share (Rs.)	2/-	2/-

18. During the year, a subsidiary company viz. MCX received the guidelines for Investor Protection Fund ('IPF') from Forward Markets Commission ('FMC'), Ministry of Consumer Affairs, Food and Public Distribution, directing the Company to create a Trust upto January 1, 2008 and in the interim, to keep all the penalties collected (after 10% deduction towards administrative expenditure) including those for delivery obligations, non-delivery, position limit violation, etc., in a separate bank account till the IPF trust is set up. MCX has submitted its draft rules pertaining to Investor Protection Fund and represented to the aforesaid Commission stating, inter-alia, that all the specific penalties (FMC prescribed penalties) would be credited to the IPF and has requested the Commission to consider partial modification of the guidelines enabling exchanges to retain exchange prescribed penalties / charges in full and recommending accumulated funds in the Trust for utilization towards investor awareness, investor protection etc. The response from the Commission is awaited and MCX is hopeful of a positive response. Meanwhile MCX, during the year, also incurred substantial expenses towards investor education and awareness programmes. Considering these guidelines, MCX has retained an amount of Rs. 19,866,164/- payable to IPF with respect to penalties etc prescribed by FMC and Rs. 2,500,000/- provided towards contribution to IPF in accordance with the aforesaid guidelines and disclosed the aggregate amount of Rs. 22,366,164/- under current liabilities (Schedule 9) and other penalties aggregating to Rs. 31,011,631/- have been credited to Profit and Loss account (Schedule 12) out of which Rs. 25,950,228/- (net of recovery towards administrative expenditure) is considered as contingent liability and disclosed accordingly. On the basis of the submission made, and on the basis of the opinion obtained by MCX from the eminent counsel regarding the applicability of these guidelines, MCX does not expect any further liability on this account. Pending the formation of the Trust, the amounts credited to the Investor Protection Fund as aforementioned have not been deposited in a separate bank account though MCX has earmarked fixed deposits for a partial amount aggregating to Rs. 15,053,982/- towards the same (Refer Schedule 7) as at March 31, 2007 and subsequent to year end earmarked additional fixed deposits aggregating to Rs. 7,048,216/-.

Significant Accounting Policies
and Notes to Consolidated Accounts

19. The FMC has, during the year, communicated to MCX, that all the monies earmarked for Settlement Guarantee Fund ('SGF') need to be maintained in a separate account and income earned on SGF contributions, needs to be retained in the same account and not used for any other purposes other than for meeting the settlement obligations. Moreover, the current status of investments of SGF in various securities be also indicated including the policy for such investments by the Exchange.

MCX has submitted to the FMC, inter-alia, that in view of daily changes in margin deposits and release and SGF being comprised of interest free deposits from members towards trading margins and the additional insurance facility taken by Exchange to cover risk arising from any default upto Rs. 10 crores, the ploughback of interest to SGF is inappropriate in view of the risk management systems run by the Exchange and the additional precaution taken by the Exchange to secure market. The response from FMC is awaited. On that basis, the amount received from the members are continued to be disclosed under current liabilities (Refer Schedule 9) as per policy followed consistently and the income on such funds (amount unascertained due to fluid nature and composition of margin deposit) is continued to be credited to the profit and loss account and is included under other income (Refer Schedule 12). On the basis of the submission made, MCX does not expect any liability, actual or contingent on this account.

20. During the previous year, MCX filed its Draft Red Herring Prospectus with the Securities and Exchange Board of India 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 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. However, the Issue has been postponed and MCX plans in this respect are expected to be formalized shortly.

21. MCX, in view of its proposed Issue, expected during the latter part of the year, incurred an amount of Rs. 15,559,810/- towards advertisement and sponsorship of certain television programmes aired by certain business and news channels towards creating corporate visibility and awareness to potential investors, which in the ordinary course would not have been incurred. However, in view of the postponement of the proposed Issue, further planned expenditure on such proposed Issue is presently kept on hold. Consequently, in the standalone financial statements of MCX such one time advertisement and sponsorship cost incurred has been considered as exceptional and disclosed in profit and loss account before provision for tax. In consolidated financial statements, such expenditure, in included respectively under advertisement expenses and sponsorship and seminar expenses in Operating and other expenses schedule. (Refer Schedule 13)

22. In MCX the leasehold improvements to premises are amortized over the lease period being primary and secondary, instead of only over the primary period earlier followed at the interim stage, in view of growing business and manpower requirements making it unlikely to surrender such premises on expiry of primary lease period.

23. As at March 31, 2007 advance income tax and provision for taxation, advance fringe benefit tax and provision for fringe benefit tax (Refer Schedule 8 and 10), have been disclosed on net basis wherever a legal right to set off exits and when the Company intends to settle the asset and liability on a net basis. Accordingly previous year's balances have been regrouped which were disclosed on gross basis.

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 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: 30th June, 2007

For and on behalf of the Board.

Jignesh Shah
Chairman and Managing Director

Ravi Sheth
Director

P. Ramanathan
Company Secretary & VP (Legal & Secretarial)

Place : Mumbai
Date: 30th June, 2007


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Auditors' Report

TO THE SHAREHOLDERS OF
FINANCIAL TECHNOLOGIES (INDIA) LIMITED

1. We have audited the attached Balance Sheet of **Financial Technologies (India) Limited** as at March 31, 2007, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 it appears from our examination of those books;

   iii) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   v) On the basis of written representations received from the directors, as on March 31, 2007 and taken on record by the board of directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

   vi) Without qualifying our opinion, we draw attention to Note 16 of Schedule 14 regarding payment of underwriting commission of Rs. 59,787,450/, which is pending approval of the shareholders as explained in the note.

   vii) 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 other 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, 2007;

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

      c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For Deloitte Haskins & Sells,
Chartered Accountants

P.R.Barpande
Partner
Membership No. 15291

Place: Mumbai
Date: June 30, 2007.

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) a) As explained to us, inventories were physically verified by the management at the time of purchase during the year and on that basis, in our opinion, verification of inventories has been at reasonable intervals by the management. There are no inventories as at Balance Sheet date.

b) In our opinion and according to the information and explanations given to us, as stated in 'a' above, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification at the time of receipt, as stated above.

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) In our opinion and according to the information and explanations given to us, there is an internal control system commensurate with the size of the Company and nature of its business for purchase of inventory and fixed assets and sale of goods and services, which, *is being further strengthened in respect of certain areas of sale of fixed price service contracts (project based revenues).* 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 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 certain areas of service tax dues, where there have been delays in deposit. According to the information and explanations given to us, there are no undisputed amounts payable in respect of the aforesaid statutory dues as at March 31, 2007 outstanding for a period more than six months from the date they became payable.

Annexure
to the Auditors' Report

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:

Statement of disputed dues

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	334,115	Assessment Year 2001-02	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income tax demands	2,912,234	Assessment Year 2001-02	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 and debenture holders. The Company has not borrowed any amounts from financial institutions.

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. Accordingly, clause 4(xv) of the Order is not applicable to the Company.

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 secured debentures during the year and hence, the question of creation of security or charge in respect of debentures issued, does not arise.

xx) We have verified the end use of monies raised by public issue of Zero Coupon Convertible Bonds as disclosed in the note no. 15(d) of Schedule 14.

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.

For Deloitte Haskins & Sells,
Chartered Accountants

P.R.Barpande
Partner
Membership No. 15291

Place: Mumbai
Date: June 30, 2007.

Balance Sheet
as at 31st March 2007

(in Rupees)

	Schedule No.	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
I. SOURCES OF FUNDS				
(1) Shareholders' funds				
(a) Share capital	1	88,189,392		88,017,872
(b) Reserves and surplus	2	1,898,413,731		1,422,158,452
			1,986,603,123	1,510,176,324
(2) Loan funds:				
Unsecured loan-				
Zero Coupon Convertible Bonds (ZCCB)			4,344,170,000	–
(Refer Note 15 (a) to Schedule 14)				
	TOTAL		**6,330,773,123**	**1,510,176,324**
II. APPLICATION OF FUNDS				
(1) Fixed assets	3			
(a) Gross block		231,988,252		128,564,142
(b) Less : depreciation/ amortisation		58,590,054		44,992,163
(c) Net block		173,398,198		83,571,979
(d) Capital work-in-progress		517,242,231		8,181,416
			690,640,429	91,753,395
(2) Investments	4		4,143,828,391	1,602,458,865
(3) Deferred tax asset (net)				
(Refer Note 9 to Schedule 14)			8,812,023	12,670,949
(4) Current assets, loans and advances:				
(a) Sundry debtors	5	264,066,529		68,143,587
(b) Cash and bank balances	6	1,815,155,173		96,811,062
(c) Loans and advances	7	154,310,021		131,340,689
		2,233,531,723		296,295,338
Less: Current liabilities and provisions:				
(a) Current liabilities	8	491,931,707		191,546,609
(b) Provisions	9	254,107,736		301,455,614
		746,039,443		493,002,223
Net current assets / (liabilities)			1,487,492,280	(196,706,885)
	TOTAL		**6,330,773,123**	**1,510,176,324**
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: 30th June, 2007

For and on behalf of the Board.

Jignesh Shah
Chairman and Managing Director

Ravi Sheth
Director

P. Ramanathan
Company Secretary & VP (Legal & Secretarial)

Place : Mumbai
Date: 30th June, 2007

Profit and Loss Account
for the year ended 31st March 2007

(in Rupees)

	Schedule No.	Current Year	Previous Year
INCOME			
Sales	10	1,022,887,883	899,236,833
Less: Excise duty		34,547,398	616,695
		988,340,485	898,620,138
Other income	11	752,978,285	63,949,022
		1,741,318,770	**962,569,160**
EXPENDITURE			
Purchase of trading goods		23,455,017	–
Operating and other expenses	12	531,239,184	319,862,114
Interest	13	2,782,431	31,144
Depreciation / amortisation		15,375,822	11,347,302
		572,852,454	**331,240,560**
Profit before tax and before exceptional/ non recurring items		**1,168,466,316**	**631,328,600**
Provision for taxation			
Income Tax: Current tax		177,120,689	152,625,000
Deferred tax		(2,850,423)	(5,661,250)
Fringe benefit tax		4,427,100	1,983,007
Wealth tax		54,000	31,630
Profit after tax and before exceptional/ non recurring items		**989,714,950**	**482,350,213**
Exceptional/ non recurring items (net of deferred tax Rs. 8,325,227/-) [(Previous year Rs. 8,325,227/-)] (Refer Note 6 to Schedule 14)		(16,408,069)	16,408,069
Profit for the year after tax and exceptional / non recurring items		**1,006,123,019**	**465,942,144**
Less: Short provision for income tax in respect of earlier year		–	41,269,716
Balance brought forward from previous year		247,710,858	174,125,566
Amount available for appropriation		**1,253,833,877**	**598,797,994**
Appropriations			
Transferred to general reserve		101,000,000	50,000,000
Final dividend (Proposed)		88,189,392	228,846,467
Interim dividend		264,430,960	35,207,149
Tax on dividend		56,788,835	37,033,520
Balance carried to balance sheet		743,424,690	247,710,858
Earnings Per Share (Refer Note 20 to Schedule 14)			
Basic (before exceptional / non recurring items)		22.48	10.02
Diluted (before exceptional / non recurring items)		20.54	10.01
Basic (after exceptional / non recurring items)		22.85	9.65
Diluted (after exceptional / non recurring items)		20.91	9.64
Face value per share		**2/-**	**2/-**
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: 30th June, 2007

For and on behalf of the Board.

Jignesh Shah
Chairman and Managing Director

Ravi Sheth
Director

P. Ramanathan
Company Secretary & VP (Legal & Secretarial)

Place : Mumbai
Date: 30th June, 2007

Cash Flow Statement
for the year ended 31st March 2007

(in Rupees)

	Current Year	Current Year	Previous Year	Previous Year
A. Cash flow from operating activities				
Net profit before tax and exceptional / non recurring items		**1,168,466,316**		**631,328,600**
Adjustments for:				
Depreciation/ amortisation	15,375,822		11,347,302	
Profit on sale of investments (net)	(27,758,464)		(8,429,390)	
Loss on sale of fixed assets (net)	231,227		260,065	
Diminution in value of current investments	1,441,741		287,973	
Dividend from investments	(636,027,766)		(42,251,661)	
Interest expense	2,782,431		31,144	
Exchange rate fluctuations (net)	(82,936,769)		(35,406)	
Interest income	(27,493,449)	(754,385,227)	(3,516,773)	(42,306,746)
Operating profit before working capital changes		**414,081,089**		**589,021,854**
Adjustments for:				
Trade and other receivables	(245,202,578)		(61,768,641)	
Trade payables and provisions	104,279,830	(140,922,748)	134,889,320	73,120,679
Cash from operations		**273,158,341**		**662,142,533**
Tax paid		(150,471,703)		(173,396,155)
Net cash from operating activities		**122,686,638**		**488,746,378**
B. Cash flow from investing activities				
Purchase of fixed assets		(614,951,094)		(40,858,189)
Proceeds from sale of fixed assets		457,011		1,448,638
Purchase of investments in subsidiary companies		(2,430,914,812)		(214,607,667)
Purchase of investments (including fixed deposits)		(3,955,238,406)		(2,821,242,294)
Advance consideration pending transfer of investment		20,100,000		
Proceeds from sale of investments (including fixed deposits)		3,917,148,443		2,679,297,427
Interest income		25,720,083		3,009,113
Loans and advances to subsidiary companies		46,626,896		(51,858,904)
Dividend from investments		636,027,766		42,251,661
Net cash used in investing activities		**(2,355,024,113)**		**(402,560,215)**
C. Cash flow from financing activities				
Proceeds from borrowings (net)		4,474,000,000		–
Proceeds from issue of share capital		84,182,016		–
Issue expenses of ZCCBs		(157,536,928)		–
Dividend paid during the year (including dividend tax)		(380,431,023)		(59,919,467)
Interest expense		(2,782,431)		(31,144)
Net cash from financing activities		**4,017,431,634**		**(59,950,611)**
Net cash flow during the year		**1,785,094,159**		**26,235,552**
Net increase in cash and cash equivalents		**1,785,094,159**		**26,235,552**
Cash and cash equivalents (opening balance)		49,473,260		23,237,708
Cash and cash equivalents (closing balance)		1,834,567,419		49,473,260

Cash Flow Statement
for the year ended 31st March 2007 continued

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. Reconciliation of cash and bank balances (Refer Schedule 6) with cash and cash equivalents is as follows:

(in Rupees)

	Current Year	Previous Year
Cash and cheques on hand	10,812,902	54,195
Bank balances	1,776,585,005	49,458,234
Unrealised loss /(gain) on foreign currency cash and cash equivalents*	47,169,512	(39,169)
Cash and cash equivalents	**1,834,567,419**	**49,473,260**
- In deposit accounts (maturing more than 3 months)	23,566,406	44,881,139
- Interest accrued on fixed deposits	4,190,860	2,417,494
Unrealised loss /(gain) on foreign currency cash and cash equivalents*	(47,169,512)	39,169
Cash and bank balance	**1,815,155,173**	**96,811,062**

* Includes Rs. 388,099/- (Previous Year Rs. 72,647/-) debited / credited 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.

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: 30th June, 2007

For and on behalf of the Board.

Jignesh Shah
Chairman and Managing Director

Ravi Sheth
Director

P. Ramanathan
Company Secretary & VP (Legal & Secretarial)

Place : Mumbai
Date: 30th June, 2007

Schedules Forming
Part of the accounts

(in Rupees)

	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
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:			
44,094,696 (Previous year 44,008,936) Equity shares of Rs. 2/-each fully paid-up		88,189,392	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) 217,600 (Previous year 131,840) Equity shares of Rs. 2/- each fully paid-up have been allotted to the employees under employee stock option ('ESOP') schemes.			
(b) Particulars of options on unissued capital (Refer Note 8 to Schedule 14)			
TOTAL		**88,189,392**	**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		1,102,265,401
Add: Received during year on issue of shares under ESOP	84,010,496		–
Less: ZCCB issue expenses (net of tax of Rs.53,026,930/-) (Refer Note 15 (c) to Schedule 14)	104,509,998		–
Provision for premium payable on redemption of ZCCB (Refer Note 15 (b) to Schedule 14)	96,305,800	985,460,099	– 1,102,265,401
General Reserve:			
Balance as per last balance sheet	57,500,000		7,500,000
Add: Transferred from Profit and Loss Account	101,000,000		50,000,000
Less: Transitional provision adjustment (net of tax) - Employee Benefits (Refer Note 17 to Schedule 14)	(3,175,688)	155,324,312	– 57,500,000
Foreign Currency Translation Reserve:			
Balance at the commencement of the year	(77,119)		(161,001)
Add : Movement during the year	(477,563)		83,882
		(554,682)	(77,119)
Profit and Loss Account		743,424,690	247,710,858
TOTAL		**1,898,413,731**	**1,422,158,452**

Schedules Forming
Part of the accounts Continued

SCHEDULE 3: Fixed Assets

(in Rupees)

Particulars	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	Cost as at 01.04.2006	Additions	Deletion/ Adjustments	Cost as at 31.03.2007	Upto 31.03.2006	For the year	Deletion/ Adjustments	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
Tangible Assets										
Land (Leasehold)	–	68,816,572	–	68,816,572	–	370,793	–	370,793	68,445,779	–
Building	18,082,611	–	–	18,082,611	3,243,630	294,747	–	3,538,377	14,544,234	14,838,981
Leasehold premises improvements	21,131,451		280,208	20,851,243	2,369,847	3,476,898	5,004	5,841,741	15,009,502	18,761,604
Office equipments (including computer hardware)	61,056,875	31,324,548	2,142,086	90,239,337	26,507,254	8,954,554	1,758,421	33,703,387	56,535,950	34,549,621
Furniture and fittings	13,792,543	98,746	43,875	13,847,414	5,742,689	714,352	14,506	6,442,535	7,404,879	8,049,854
Vehicles	5,587,557	3,578,727		9,166,284	843,925	645,101		1,489,026	7,677,258	4,743,632
SUB TOTAL	119,651,037	103,818,593	2,466,169	221,003,461	38,707,345	14,456,445	1,777,931	51,385,859	169,617,602	80,943,692
Intangible Assets										
Trade mark	202,970	126,500	–	329,470	144,653	13,970	–	158,623	170,847	58,317
Technical knowhow	633,413		–	633,413	633,413	–	–	633,413	–	–
Computer software	8,076,722	1,945,186	–	10,021,908	5,506,752	905,407	–	6,412,159	3,609,749	2,569,970
SUB TOTAL	8,913,105	2,071,686	–	10,984,791	6,284,818	919,377	–	7,204,195	3,780,596	2,628,287
TOTAL	**128,564,142**	**105,890,279**	**2,466,169**	**231,988,252**	**44,992,163**	**15,375,822**	**1,777,931**	**58,590,054**	**173,398,198**	**83,571,979**
Previous year	**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**	
Capital Work-in-Progress includes Capital Advances Rs. 431,092,862 /- (Previous year represents capital advances Rs. 8,181,416/-)									**517,242,231**	**8,181,416**

Note:

1. Capital Work in Progress is respect of acquisition of land, buliding and improvements there to.
2. Deletions/Adjustment in the gross block and depreciation includes the adjustment of Rs. 902,864/- (Previous year Rs. Nil) Rs. 5,004/- has been written back and included under Miscellaneous income. (Refer Schedule 11)

Schedules Forming
Part of the accounts Continued

(in Rupees)

	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
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) 17,535,000 (Previous year: 21,692,000) Equity shares of Rs.10/- each fully paid-up of Multi Commodity Exchange of India Limited (a Company under the same Management)	175,350,000		216,920,000
(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) 3,500,000 (Previous year: 750,000) Equity shares of Rs.10/- each fully paid-up of TickerPlant Infovending Limited	35,000,000		7,500,000
(iv) 6,999,900 (Previous year: 1,499,900) Equity shares of Rs.10/- each fully paid-up of National Spot Exchange Limited	69,999,000		14,999,000
(v) 3,250,000 (Previous year: 600,000) Equity shares of Rs.10/- each fully paid-up of Riskraft Consulting Limited	32,500,000		6,000,000
(vi) 3,100,000 (Previous year: 1,100,000) Equity shares of Rs.10/- each fully paid-up of atom technologies limited	31,000,000		11,000,000
(vii) 8,050 (Previous year: 2,500) Equity shares of AED 1000/- each fully paid-up of Financial Technologies Middle East DMCC (See Note 3 below)	99,658,718		30,608,667
(viii) 14,500,000 (Previous year: 4,500,000) Equity shares of Rs.10/- each fully paid-up of National Bulk Handling Corporation Ltd.	145,000,000		45,000,000
(ix) 50,000 (Previous year: Nil) Equity shares of Rs.10/- each fully paid-up of Global Payment Networks Limited	500,000		–
(x) 50,000 (Previous year: Nil) Equity shares of Rs.10/- each fully paid-up of Financial Technologies Communications Limited	500,000		–
(xi) 50,000 (Previous year: Nil) Equity shares of Rs.10/- each fully paid-up of Indian Energy Exchange Limited	500,000		–
(xii) 2 (Previous year: Nil) Ordinary shares of USD.1/- each fully paid-up of FT Group Investments Pvt. Ltd.	86		–
(xiii) 2 (Previous year: Nil) Ordinary shares of USD.1/- each fully paid-up of Knowledge Asssets Private Limited	86		–
(xiv) 328,671 (Previous year: Nil) Ordinary shares of MUR.100/- each fully paid-up of Global Board of Trade Ltd, Mauritius	44,654,034		–
(xv) 1 (Previous year: Nil) Ordinary share of USD.1/- each fully paid-up of Singapore Mercantile Exchange PTE Limited	30		–
(xvi) 25,000,000 (Previous year: Nil) Ordinary shares of SGD.1/- each fully paid-up of Singapore Mercantile Exchange PTE Limited	725,011,457		–
		1,390,073,411	362,427,667
In Optionally Convertible Preference shares of Subsidiary Companies			
(i) 7,888,080 (Previous year: Nil) 5% Optionally convertible Preference Shares of MUR.100/- each fully paid-up of Global Board of Trade Ltd.	1,071,693,600		–
(ii) 10,000,000 (Previous year: Nil) 5% Optionally convertible Preference Shares of SGD 1/- each fully paid-up of Singapore Mercantile Exchange PTE Ltd.	290,005,468		–
		1,361,699,068	–
		2,751,772,479	362,427,667

Schedules Forming
Part of the accounts Continued

(in Rupees)

	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
B) Other than trade			
In equity shares of joint venture companies			
(i) 2,000 (Previous year: 4,000) Class B Shares of USD 1,000/- each, fully paid in Dubai Gold and Commodities Exchange DMCC	87,240,000		174,480,000
(ii) 190,000 (Previous year: Nil) Class B Shares of Rs 10/- each, fully paid in Safal National Exchange of India Limited	1,900,000		–
		89,140,000	174,480,000
In equity shares of others			
(i) Nil (Previous year: 1,499,943) Equity shares of Rs.10/- each fully paid-up of eLogistics Private Limited	–		44,833,296
Less: Provision for dimunition in value of investments (Refer note 6 to schedule 14)	–		(24,733,296)
		–	20,100,000
In Optionally Convertible Preference shares of others			
(i) 230,000 (Previous year: Nil) 5% Optionally convertible Preference Shares of Rs 10/- each fully paid-up of Mehul Telecom Pvt. Limited		23,000,000	–
		2,863,912,479	557,007,667
II] Current (unquoted) (at lower of cost and fair value)			
Other than Trade			
- In equity shares of subsidiary company:			
(i) 7,515,000 (Previous year: 3,358,000) Equity shares of Rs.10/- each fully paid-up of Multi Commodity Exchange of India Limited (a Company under the same management)		75,150,000	33,580,000
In Others			
(i) 1,499,943 (Previous year: Nil) Equity shares of Rs.10/- each fully paid-up of e-Logistics Private Limited (Refer note 6 to schedule 14)	44,833,296		–
(ii) 5,000 (Previous year: Nil) Equity shares of Rs. 10/- each fully paid-up of Mehul Telecom Pvt. Ltd.	50,000		–
(iii) 5,000 (Previous year: Nil) Equity shares of Rs. 10/- each fully paid-up of Fortune Share & Securities Pvt. Limited	50,000		–
		44,933,296	–
- In units of mutual funds:			
(i) 549,871.18 (Previous year: Nil) Units of Rs.10/- each of Birla Sunlife Cash Manager cash option WDR	5,503,826		–
(ii) 51,895.493 (Previous year:Nil) Units of Rs.1000/- each of DSPML Liquid Plus Fund-WDR	51,905,870		–
(iii) 491,486.87 (Previous year:Nil) Units of Rs.10/- each of DBS Chola Short Term Floating Rate Fund	5,040,066		–
(iv) 2,014,296.87(Previous year: 6,645,263.88) Units of Rs.10/- each of HDFC Cash Management Fund- Savings Plan - Daily Dividend Reinvestment	21,424,867		70,681,685
(v) 250,000 (Previous year: 250,000) Units of Rs.10/- each of JM Equity & Derivatives Fund -Dividend	2,500,000		2,500,000
(vi) 5,081,665.50 (Previous year: Nil) Units of Rs.10/- each of JM Money Manager Super Plus Plan	50,816,669		–
(vii) 4,828,121.03 (Previous year: 6,118,145.06) Units of Rs.10/- each of Kotak Cash Plus - Dividend	49,013,383		61,184,501

Schedules Forming
Part of the accounts Continued

(in Rupees)

		As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
(viii)	209,418.57 (Previous year: Nil) Units of Rs.10/- each of Kotak Liquid - Institutional Premium - Daily Dividend Reinvestment	2,560,792		–
(ix)	13,753,472.78 (Previous year: Nil) Units of Rs.10/- each of LIC Liquid Mutual Fund	151,014,507		–
(x)	9,859,816.47 (Previous year: Nil) Units of Rs.10/- each of LICMF Floating Rate Fund-STP-Dividend Plan -WDR	100,146,052		–
(xi)	5,279,023.24 (Previous year: 5,112,997.68) Units of Rs.10/- each of Prudential ICICI Blended Plan B- Institutional Dividend	52,801,219		51,130,803
(xii)	1,001,143.53 (Previous year: Nil) Units of Rs.10/- each of Pru ICICI Cash Sweep Plan- Cash option	10,011,435		–
(xiii)	8,494,637.89 (Previous year: 5,747,941.18) Units of Rs.10/- each of Reliance Liquidity Fund Daily Dividend Reinvestment	84,984,572		57,497,230
(xiv)	380,424.86 (Previous year: Nil) Units of Rs.10/- each of Birla Bond Plus - Retail- Growth	5,000,000		–
(xv)	1,041,957.69 (Previous year: Nil) Units of Rs.10/- each of JM Arbitrage Fund	10,424,358		–
(xvi)	3,859.80 (Previous year: Nil) Units of Rs.1000/- each Templeton India Short Term Income Plan- Growth	5,000,000		–
(xvii)	5,000,000 (Previous year: 5,000,000) Units of Rs.10/- each of Birla Fixed Term Plan Series H	50,000,000		50,000,000
(xviii)	5,000,000 (Previous year: 5,000,000) Units of Rs.10/- each of JM Fixed Maturity Fund- Series II- yearly Plan- YSA- Growth (156)	50,000,000		50,000,000
(xix)	10,000,000 (Previous year: Nil) Units of Rs.10/- each of Kotak Wealth Builder Series I	99,445,000		–
(xx)	5,000,000 (Previous year: Nil) Units of Rs.10/- each of Kotak FMP 3M Series 14	50,000,000		–
(xxi)	3,000,000 (Previous year: Nil) Units of Rs.10/- each of Kotak Twin Advantage Series III	30,000,000		–
(xxii)	3,000,000 (Previous year: 3,000,000) Units of Rs.10/- each of Prudential ICICI Fixed Maturity Plan- Series 28	30,000,000		30,000,000
(xxiii)	2,500,000 (Previous year: Nil) Units of Rs.10/- each of Pru ICICI FMP Series 37- 3 months Plus plan A- Retail Dividend	25,000,000		–
(xxiv)	5,000,000 (Previous year: Nil) Units of Rs.10/- each of Reliance Monthly Interval Fund Series I-Institutional Growth Plan	50,000,000		–
(xxv)	5,000,000 (Previous year: Nil) Units of Rs.10/- each of Reliance Monthly Interval Fund Series II-Institutional Growth Plan	50,000,000		–
(xxvi)	10,000,000 (Previous year: 10,000,000) Units of Rs.10/- each of Reliance Fixed Tenor Fund- Plan A- Growth Plan	99,855,000		99,855,000
(xxvii)	Nil (Previous year: 772,269.46) Units of Rs.10/- each of HDFC Liquid Fund Units -Dividend Reinvestment	–		7,887,499
(xxviii)	Nil (Previous year: 945,467.70) Units of Rs.10/- each of DSP Savings Plus- Conservative Fund Growth Option	–		10,556,052
(xxix)	Nil (Previous year:1,400,480.90) Units of Rs.10/- each of FT India Monthly Income Plan-A Growth	–		26,434,777
(xxx)	Nil (Previous year: 4,997,475) Units of Rs.10/- each of HDFC Floating Rate- Income Fund-Short Term Plan- Dividend Reinvestment	–		50,426,803
(xxxi)	Nil (Previous year:2,000,000) Units of Rs.10/- each of Reliance Fixed Maturity Fund - Series II-Annual Plan- I - Dividend Option	–		20,000,000

Schedules Forming
Part of the accounts Continued

(in Rupees)

	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
(xxxii) Nil (Previous year: 506,463.38) Units of Rs.10/- each of SBI-Mutual Fund -Magnum Institutional Income-Savings Dividend	–		5,081,064
(xxxiii) Nil (Previous year: 15,000,000) Units of Rs.10/- each of HDFC Multiple Yield Fund - Plan 2005	–		150,000,000
(xxxiv) Nil (Previous year: 2,069,580.18) Units of Rs.10/- each of Kotak Flexi Debt Scheme - Dividend	–		20,782,518
(xxxv) Nil (Previous year: 1,251,649.32) Units of Rs.10/- each of Templeton Floating Rate Income Fund- Long Term Plan Growth	–		14,852,373
(xxxvi) Nil (Previous year: 5,249,345.38) Units of Rs.10/- each of Kotak Fixed Maturity Plan Series 19- Dividend	–		52,493,454
(xxxvii) Nil (Previous year: 2,263,776) Units of Rs.10/- each of Kotak Income Plus-Monthly Income Plan-Dividend Reinvestment	–		25,108,639
(xxxviii) Nil (Previous year: 10,000,000) Units of Rs.10/- each of Reliance Fixed Maturity Fund - Monthly Series II - Dividend Option	–		100,000,000
(xxxix) Nil (Previous year: 5,431,201.66) Units of Rs.10/- each of Kotak Flexi Debt Scheme- Growth	–		55,398,800
		1,142,447,616	1,011,871,198
		1,262,530,912	1,045,551,198
(III) Share application money paid towards equity shares (since alloted)			
(i) Safal National Exchange of India Limited.		17,385,000	–
TOTAL		**4,143,828,391**	**1,602,458,865**
Notes			
1) Aggregate value of unquoted Investments		**4,126,443,391**	**1,602,458,865**
2) Purchased and Sold during the year			

Scheme Name	Face Value	Nos.	Cost
Birla Cash Plus-Institutional- DDR	10	4,008,550	43,301,564
Birla Cash Plus-Retail- DDR	10	305,879	5,007,048
DSP Merrill Lynch - Savings Plus Moderate Growth	10	1,065,001	15,000,000
DSPML Liquidity Fund- regular plan -Weekly Divd	10	8,187,522	233,478,312
DSPML Liquid plus Institutional plan -Weekly Divd	1,000	49,926	49,926,301
HDFC Cash Management Fund- Savings Plan - Daily Dividend Reinvestment	10	31,693,035	337,099,794
HDFC Floating Rate- Income Fund-Short Term Plan- Dividend Reinvestment	10	172,008	1,742,277
HDFC Liquid Fund - Dividend Reinvestment	10	1,009	10,352
Kotak Cash Plus - Dividend	10	8,393,347	85,304,620
Kotak Fixed Maturity Plan (FMP) Series 6M - Series I Dividend	10	5,397,452	53,974,524
Kotak Flexi Debt Scheme1 - Dividend reinvestment	10	1,031,431	10,378,933
Kotak Income Plus-Monthly Income Plan-Dividend Reinvestment	10	1,452,389	15,992,774
Kotak Liquid - Institutional Premium - Daily Dividend Reinvestment	10	10,622,492	129,892,896
Kotak Liquid Regular-Weekly Divd	10	543,998	5,452,915
Reliance fixed horizon fund plan B series II	10	2,000,000	20,000,000
Reliance Liquidity Fund Daily Dividend Reinvestment	10	42,736,184	427,494,319
Reliance fixed horizon fund monthly plan series IV	10	5,000,000	50,000,000
Reliance fixed horizon fund II monthly plan series IV	10	5,000,000	50,000,000
Reliance fixed horizon fund plan A series I	10	10,000,000	100,000,000
Reliance fixed horizon fund plan A series II	10	10,000,000	100,000,000

Schedules Forming
Part of the accounts Continued

Scheme Name	Face Value	Nos.	Cost
Reliance fixed horizon fund plan A series III	10	10,000,000	100,000,000
SBI-Mutual Fund -Magnum Institutional Income-Savings Dividend	10	765	7,653
SBI MF Magnum Institutional Income Fund Savings Plan- DR	10	2,031,002	20,376,031
Templeton India Short term Income Plan Weekly Dividend Reinvestment	10	4,828,826	48,347,173
UTI Liquid Fund Cash Plan (Regular) MDR	1,000	12,154	12,500,000
UTI Liquid Fund Cash Plan (Institutional) MDR	1,000	258,305	266,098,396

3) In respect of investment in 1000 equity shares of Financial Technologies Middle East, the Company has received the allotment letter and the share certificates are expected shortly.

(in Rupees)

	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
Schedule 5: Sundry debtors (Unsecured)			
Debts outstanding for a period exceeding six months	33,744,214		14,095,009
Other debts	249,231,277		65,405,869
		282,975,491	79,500,878
Less: Provision		18,908,962	11,357,291
TOTAL		**264,066,529**	**68,143,587**
Notes: Sundry Debtors include:			
1. Considered good		264,066,529	68,143,587
Considered doubtful		18,908,962	11,357,291
		282,975,491	79,500,878
2 Debts due from Multi Commodity Exchange of India Limited, a company under the same management.		46,301,483	–
Schedule 6: Cash and Bank balances			
Cash (Incuding cheques on hand Rs. 10,718,256/- Previous year Rs. Nil)		10,812,902	54,195
Bank balances:			
(a) With scheduled banks:			
(i) In current accounts (including in Exchange Earners Foreign Currency account Rs. 10,299,136/- (Previous year Rs. 3,951,247/-) (Refer Note 15 (d) to Schedule 14 for unutilised monies of ZCCB issue)		262,001,955	46,466,408
(ii) In deposit accounts* [including interest accrued on deposits Rs. 4,190,861/- (Previous year: Rs. 2,417,494/-)] (Refer Note 15(d) to Schedule 14 for unutilised monies of ZCCB issue)		1,537,356,342	47,298,633
(b) With others:			
(i) with PNC Bank - New Jersey Branch in current account [Maximum amount outstanding at any time during the year Rs. 5,337,915/- (Previous year: Rs. 3,742,283/-)]		2,091,197	1,506,519
(ii) with PNC Bank - New Jersey Branch in deposit account [Maximum amount outstanding at any time during the year Rs.10,511,257/- (Previous year: Rs. 8,842,451/-)]		2,892,777	1,454,743
(iii) with ANZ Grindlays Bank - Australia Branch in current account [Maximum amount outstanding at any time during the year Rs. 172,727/- (Previous year: Rs. 120,860/-)]		–	30,564
*[Includes Rs. 23,812,712/- (Previous year: Rs. 2,751,054/-) under lien with bank against bank guarantees]			
TOTAL		**1,815,155,173**	**96,811,062**

Schedules Forming
Part of the accounts Continued

(in Rupees)

	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
Schedule 7: Loans and Advances (Unsecured)			
Loans and advances to subsidiary companies	5,694,982		52,321,878
Advances recoverable in cash or kind or for value to be received	77,802,342		26,220,649
Advance income tax including tax deducted at source (net) (Refer Note No. 23 to Schedule 14)	25,213,249		4,539,443
Premises and other deposits	52,858,076		48,420,097
		161,568,649	131,502,067
Less: Provision		7,258,628	161,378
TOTAL		**154,310,021**	**131,340,689**
Notes:			
1 Loans and Advances include:			
a) Considered good		154,310,021	131,340,689
Considered doubtful		7,258,628	161,378
		161,568,649	131,502,067
b) Due from Multi Commodity Exchange of India Limited [Maximum amount outstanding at any time during the year Rs. 27,217,533/- (Previous year: Rs. 21,548,061/-)] towards reimbursements) (a company under same management)		1,480,937	21,548,061
c) Rs. 51,021,570/- (Previous year Rs. 47,815,164/-) paid as deposits towards premises taken on lease.		–	–
d) Balance due from officer of the Company Rs. 455,893/- [Maximum amount outstanding at any time during the year Rs. 455,893/- (Previous year Rs. Nil)]		455,893	–
e) Balances with Excise Department		386,932	20,805
2 Refer Note 15(d) to Schedule 14 for unutilised monies of ZCCB issue		–	–
Schedule 8: Current liabilities			
Sundry creditors			
- Total outstanding dues to small scale industrial undertakings	–		–
- Total outstanding dues to creditors other than small scale industrial undertakings	242,579,653		148,494,838
		242,579,653	148,494,838
Subsidiary Companies*		25,619,697	26,485,492
Advance consideration pending transfer of shares (Refer Note 6 to Schedule 14)		20,100,000	–
Unpaid dividend**		160,162,529	397,377
Unearned revenue		43,469,828	16,168,902
TOTAL		**491,931,707**	**191,546,609**
"The company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence, disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given."			
* 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.			
Schedule 9: Provisions			
For taxation (including wealth tax) (net) (Refer Note 23 to Schedule 14)		30,986,976	31,827,006
For fringe benefit tax (net) (Refer Note 23 to Schedule 14)		–	383,007
For gratuity and leave encashment		23,637,781	8,303,417
For premium payable on redemption of ZCCBs (Refer Note 15 (b) to Schedule 14)		96,305,800	–
Proposed dividend		88,189,392	228,846,467
Tax on dividend		14,987,787	32,095,717
TOTAL		**254,107,736**	**301,455,614**

Schedules Forming
Part of the accounts Continued

(in Rupees)

	Current Year	Current Year	Previous Year
Schedule 10: Sales			
Products (IPR Based-License)		711,504,771	542,314,214
Services (Project Based)		282,437,338	356,922,619
Sale of goods (Trading)		28,945,774	–
TOTAL		**1,022,887,883**	**899,236,833**
Schedule 11: Other Income			
Dividend from investments:			
- From subsidiary company :Trade	601,200,000		15,050,000
- Current investments (other than trade)	34,827,766		27,201,661
		636,027,766	42,251,661
Interest :			
From bank on deposit accounts		26,223,996	3,148,037
From others		1,269,453	368,736
[Tax deducted at source Rs. 394,491/- (Previous year: Rs. 681,481/-)]			
Profit on sale of investments (net)			
- Long term investments (trade)	7,019,507		23,360
- Current investments (other than trade)	20,738,957		8,406,030
		27,758,464	8,429,390
Service charges		–	8,166,970
Service tax set off claimed (prior period)		–	1,566,669
Exchange rate fluctuations (net)		60,489,329	–
Miscellaneous income		1,209,277	17,559
[Including Write Back of Depreciation Rs. 5,004/- (Previous year Rs. Nil) (Refer Schedule 3)]			
TOTAL		**752,978,285**	**63,949,022**

Schedules Forming
Part of the accounts Continued

(in Rupees)

	Current Year	Current Year	Previous Year
Schedule 12: Operating and other expenses *			
Payment to and provisions for employees:			
Salaries and bonus	293,132,515		165,815,490
Contribution to provident fund and other funds	8,615,060		5,144,184
Including Rs.1,880,461/- (Previous year: Rs. 1,288,376/-) paid to/collected by various authorities located outside India as contributions]			
Gratuity	5,191,805		761,475
Staff welfare expenses	10,660,528		4,742,630
		317,599,908	176,463,779
Electricity		5,908,998	4,447,403
Brokerage and commission charges		19,602,741	14,866,827
Sales tax and service tax and Professional Tax		8,697	17,130
Rent (Refer Note 10 to Schedule 14)		22,536,902	13,604,636
Rates and taxes		1,810	2,620
Service charges		12,388,237	10,707,207
Repairs and maintenance- others		4,918,413	4,379,548
Travelling and conveyance		16,350,299	13,805,847
Communication expenses		13,706,690	9,916,531
Insurance		4,315,819	2,736,128
Diminution in value of current investments		1,441,741	287,973
Loss on sale of fixed assets (net)		231,227	260,065
Legal and professional charges		30,501,715	39,196,769
Sponsorship Expenses		20,617,865	–
Irrecoverable debts/advances written off		51,585	569,442
Provision for doubtful debts/advances		14,667,020	4,484,615
Exchange rate fluctuations (net)		–	1,835,822
ZCCB issue expenses	157,536,929		–
Less : Amount adjusted against Securities Premium Account	157,536,929		–
(Refer Note 15 (c) to Schedule 14)		–	–
Miscellaneous expenses		46,389,517	22,279,772
TOTAL		**531,239,184**	**319,862,114**
* net of recoveries on account of sharing of common expenses with group companies. (Refer Note 14 (II) (7) to Schedule 14)			
Schedule 13: Interest			
Interest on:			
- Deferred payment of leasehold land premium		2,317,902	–
- Others [including interest on delayed tax payment Rs. 461,873/- (Previous year: Rs. 31,144/-)]		464,529	31,144
TOTAL		**2,782,431**	**31,144**

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Schedule 14

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 a straight line basis over the lease term in accordance with the respective lease agreements.

F. Depreciation and amortization

Depreciation and amortization is provided for on straight line basis. On assets other than leasehold land, leasehold improvements to premises, patent, trademark and computer software it is provided for at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956.

Leasehold improvements to premises and premium on leasehold land are each amortized over the period of lease. Patent and trademarks are each amortized over eight years and technical know-how and computer software are each amortized over six years considering their respective useful lives.

G. Investments

Current investments are carried at the lower of cost and 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 and realization exists. Sales include sale of products (licenses), services (contracts) and traded goods.

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 service contracts is recognized in proportion to the degree of completion of service by reference to and based on milestones/acts performed as specified in the contracts and in the case of time and material service contracts, it is recognized on the basis of hours completed and material used. Revenue from annual maintenance contracts and lease of licenses is recognized proportionately over the period in which the services are rendered/licenses are leased. Revenue from sale of traded goods is recognized when the significant risks and rewards in respect of ownership of goods are transferred by the Company.

Sales are stated net of returns and sales tax, VAT, lease tax and service tax wherever applicable.

Dividend income is recognised when the Company's right to receive dividend is established. Interest income is recognised 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

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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) (Revised) "Accounting for the Effects of Changes in Foreign Exchange Rates" 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. Employee Benefits

a) Post employment benefits and other long term benefits

Payments to defined contribution retirement schemes viz. provident fund and employee state insurance, are expensed as incurred.

For defined benefit schemes viz gratuity and leave encashment expected to occur after twelve months, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at balance sheet date. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost plus the present value of available refunds and reduction in future contributions to the scheme.

b) Short term employee benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized as an expense during the period when the employee renders those services. These benefits include compensated absences such as leave expected to be availed within a year and performance incentives.

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

Tax expense comprises current tax, deferred tax, fringe benefit tax and wealth tax. Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of Income-Tax Act, 1961. The Company recognises deferred tax (subject to consideration of prudence) based on the tax effect of timing differences, being differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the statement of profit and loss using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. 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. Fringe benefit tax is recognized in accordance with the relevant provisions of the Income Tax Act, 1961, and the Guidance note on Accounting for Fringe Benefit Tax issued by The Institute of Chartered Accountants of India.

M. Stock based compensation

The compensation cost of stock options granted by the Company is measured by the intrinsic value method, i.e. the difference, if any, 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, is amortised uniformly over the service period. (Refer Note 8).

N. Impairment of fixed assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is

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reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and Loss Account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at lower of historical cost or recoverable amount.

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.

P. Inventories

Inventory of trading goods are valued at lower of cost or net realizable value.

II. NOTES FORMING PART OF ACCOUNTS:

(in Rupees)

Particulars	Current Year	Previous Year
1. Estimated amount of contract to be executed on capital account and not provided for (net of advances)	791,366,136	51,968,209
2. Contingent liabilities not provided for in respect of:		
(a) Counter guarantees issued against bank guarantees	190,000	190,000
(b) Income tax demands disputed in appeal and pending decision before higher authorities	5,751,094	26,780,955
3. Payment to auditors (excluding service tax)		
(a) For audit fees	2,500,000	2,100,000
(b) For other matters		
(i) For ZCCB related reports/certificates	3,550,000	–
(ii) for other services such as certificates etc	610,000	40,000
(c) For reimbursement of out of pocket expenses	34,773	3,709
Total	**6,694,773**	**2,143,709**
4. (i) Managerial remuneration under Section 198 of the Companies Act, 1956 paid or payable during the year		
(a) Salaries and allowances	16,007,797	8,120,240
(b) Provision for leave encashment	429,456	728,522
(c) Commission	40,000,000	25,000,000
Total	**56,437,253**	**33,848,762**

The aforesaid remuneration for the current year to the managing director and the whole time director is based on revised remuneration scale as approved by the shareholders whereas for the previous year it was for part of the year.

(ii) The Company has also paid sitting fees of Rs.162,000/- (Previous Year: Rs. 204,000/-) 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:

(in Rupees)

Particulars		Current Year	Previous Year
	Net profit before tax and after exceptional/ non recurring items	1,193,199,612	606,595,305
Add:	Directors remuneration (including commission)	56,437,253	33,848,762
	Directors sitting fees	162,000	204,000
	Provision for doubtful debts/advances	14,667,020	4,484,615
	Provision for diminution in the value of investments (Gross)	1,441,741	24,733,296
	Loss on sale of fixed assets (net)	231,227	260,065
		1,266,138,853	670,126,043
Less:	Profit on sale of investments (net)	27,758,464	8,429,390
	Provision for diminution in the value of investment written back	24,733,296	–
	ZCCB Issue Expenses	157,536,929	–
	Net profit under Section 349 of the Companies Act, 1956	1,056,110,164	661,696,653
	Eligible salaries, perquisites and commission @ 10% of above	105,611,016	66,169,665
	Commission to Managing Director (As restricted by Board of Directors)	40,000,000	25,000,000

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5. The Ministry of Company Affairs, Government of India vide its order no. 47/171/2007-CL-III dated April 5th, 2007 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.

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

   Based on the information then available and pending out come of a petition filed by the Company before the CLB under section 397 and 398 of the Companies Act, and arbitration proceedings instituted during the year, the Company had, out of abundant caution, made provision of Rs. 24,733,296/- towards diminution in the value of such investment being other than temporary and considered the same as exceptional/non recurring item (net of tax) of Rs. 16,408,069/- in the previous year.

   During the year, ELPL deposited Rs. 20,100,000/- with the Company. Subsequent to the year end, both the parties have agreed on the settlement terms by which the promoter of ELPL has agreed to pay the balance sum of Rs. 24,733,296/- (net of Rs. 20,100,000/- already received) over an agreed period, in installments, in lieu of transfer of shares by the Company to the promoter. The said settlement terms were filed with the independent arbitrator who has given the award to give effect to the said terms of the settlement.

   Based on the said award of the arbitrator, pending transfer of shares and receipt of full amount there against, the Company has continued to show such shares held as investments and the amount of Rs. 20,100,000/-, as received towards partial consideration has been included under current liabilities (Refer Schedule 8). Considering the intention of the Company now to hold these shares temporarily till receipt of full consideration, the investment has now been reclassified as Current Investments. The provision for diminution in value of investment made in the previous year has been written back to the Profit and Loss account during the year, considering the favourable arbitration award and the write back (net of tax) of Rs. 16,408,069/- is disclosed as an exceptional/ non recurring item.

7. Company's equity investments in six subsidiaries aggregating to Rs. 413,157,718/- and debts/loans and advances aggregating to Rs. 5,102,933/- due from these subsidiaries as at March 31, 2007 are considered to be good in spite of continuing losses in the subsidiaries in view of their Company's business plans expecting improvement in their profitability and since they are held as long term strategic investments.

   During the year, the Company has made new investments in seven subsidiaries aggregating to Rs. 2,132,864,761/- and has debts/loans and advances due from these subsidiaries aggregating to Rs. 98,280,670/- , which have been incorporated close to year end and are yet to commence business operations. They have sound business plans for these investments and the management expects these companies to achieve turnover and profitability on commencement of business operations in near future.

   Accordingly, in the opinion of the management, no provision is considered necessary towards investments, debts, and loans and advances.

8. Stock based compensation:

a) During the previous year, the Company granted 440,000 stock options to its employees and employees of subsidiary Company under an Employee Stock Option Plan 'ESOP Scheme 2005'.

   During the year, the Company has also instituted Employee Stock Option Plan 'ESOP Scheme 2006' 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 Annual General Meeting held on September 29, 2006.

   Details of the options granted under the both the plans are as under :

Schemes	Grant Date	No. of Options Granted	Exercise Price	Vesting Period
ESOP 2005	October 31, 2005	440,000	981.60	31.10.2005 - 30.10.2006
			981.60	31.10.2005 - 30.10.2007
			981.60	31.10.2005 - 30.10.2008
ESOP 2006	November 20, 2006	440,000	1,812.70	20.11.2006 - 19.11.2007
			1,812.70	20.11.2006 - 19.11.2008

   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.

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The particulars of the options granted and lapsed aforementioned two Schemes are as follows:

Particulars	ESOP 2005	ESOP 2006
Options outstanding as at the beginning of the year	440,000 (–)	– (–)
Options granted during the year	– (440,000)	440,000 (–)
Options exercised during the year	85,760 (–)	– (–)
Options lapsed during the year	600 (–)	– (–)
Options forfeited during the year	8,200 (–)	– (–)
Options outstanding as at the year-end	345,440 (440,000)	440,000 (–)
Options exercisable as at the year-end	– (–)	– (–)

(Previous year's figures are given in brackets)

b) The Company has followed the intrinsic value-based method of accounting for stock option granted after April 1, 2005. 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 on Accounting for Employee Share-based Payments, issued by The Institute of Chartered Accountants of India, the Company's net profit for the year would have been lower by Rs. 158,698,543/- (Previous year Rs. 37,504,332/) and earnings per share as reported would be lower as indicated below:

(in Rupees)

Particulars	Current Year	Previous Year
EPS before exceptional/non recurring items		
Profit after tax and before exceptional/non recurring items	989,714,950	482,350,213
Less: Short provision for tax of earlier years	–	41,269,716
Net profit for equity shareholders	989,714,950	441,080,497
Less: Total stock-based employee compensation expense determined under fair value base method	158,698,543	37,504,332
Adjusted net profit before exceptional/non recurring items for basic EPS	**831,016,407**	**403,576,165**
Less: Adjustment for potential conversion of ZCCBs (net of tax)	81,737,514	–
Adjusted net profit before exceptional/non recurring items for diluted EPS	**749,278,893**	**403,576,165**
Basic and diluted earnings per share (face value Rs. 2/- per share)		
- As reported (in Rs.) Basic	22.48	10.02
Diluted	20.54	10.01
- As adjusted (in Rs.) Basic	18.87	9.17
Diluted	16.95	9.17
EPS after exceptional/non recurring items		
Profit after exceptional / non recurring items	1,006,123,019	465,942,144
Less: Short provision for tax of earlier years	–	41,269,716
Net profit for equity shareholders	1,006,123,019	424,672,428
Less: Total stock-based employee compensation expense determined under fair value base method	158,698,543	37,504,332
Adjusted net profit after exceptional/non recurring items for basic EPS	**847,424,476**	**387,168,096**
Less: Adjustment for potential conversion of ZCCBs (net of tax)	81,737,514	–
Adjusted net profit after exceptional/non recurring items for diluted EPS	**765,686,962**	**387,168,096**
Basic and diluted earnings per share (face value Rs. 2/- per share)		
- As reported (in Rs.) Basic	22.85	9.65
Diluted	20.91	9.64
- As adjusted (in Rs.) Basic	19.25	8.80
Diluted	17.32	8.80

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The fair value of each option on the date of grant is Rs. 483.88 under ESOP Scheme 2005 and Rs. 547.29 under ESOP Scheme 2006 using the Black-Scholes Option Pricing Formula, considering the following parameters:

		ESOP 2005	ESOP 2006
(i)	Expected volatility	64.48% to 86.41%	48.05% to 57.74%
(ii)	Option life	3 years	2 years
(iii)	Dividend yield	0.41%	0.49%
(iv)	Risk-free interest rate	5.98% to 6.41%	7.48% to 7.50%

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

vi) Expected volatility is based on the historical volatility of the share prices over the period that is commensurate with the expected term of the option.

9. The tax effect of significant timing differences that have resulted in deferred tax assets and liabilities are given below:

(in Rupees)

Particulars	As at 31st March 2007	As at 31st March 2006
a) *Deferred tax liability:*		
Depreciation	10,700,705	6,318,959
	10,700,705	**6,318,959**
b) *Deferred tax asset:*		
Provision for doubtful debts, advances etc.	8,894,364	3,877,184
Provision for diminution in the value of long term investment	–	8,325,227
Carried forward capital loss	–	1,995,344
Employee benefits	8,034,482	2,898,232
Others	2,583,882	1,893,921
	19,512,728	**18,989,908**
Deferred tax asset (net)	**8,812,023**	**12,670,949**

10. 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:

(in Rupees)

Particulars	Current Year	Previous Year
Lease rentals (net of recoveries Rs. 38,285,060/- (Previous Year Rs. 18,841,784/-))	21,959,338	11,868,644
Obligations on non-cancelable leases		
Not later than one year	59,256,846	47,872,975
Later than one year and not later than five years	38,872,066	23,323,701
Later than five years	–	–

11. 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):

(in Rupees)

Nature of Expenses	Current Year	Previous Year
ZCCB expenses	150,584,963	–
Salaries	19,228,408	11,170,567
Travelling	4,247,317	6,768,782
Professional fees	1,172,389	4,404,642
Membership & subscription fees	1,676,699	–
Rent	95,216	1,738,672
Other matters	3,735,367	1,284,163
Total	**180,740,359**	**25,366,826**

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b) Earnings in foreign currency (including foreign branches):

(in Rupees)

Nature of Earnings	Current Year	Previous Year
Export of Products (IPR based)	3,283,781	–
Export of Services (Project based)	68,279,774	210,725,185
Interest on deposits	28,056,037	102,749
Other matters	8,180,746	–
Total	**107,800,338**	**210,827,934**

c) Trading Goods:

Class of Goods	Opening Stock		Purchases		Sales		Closing Stock	
	Qty (Nos)	Amount (Rs)	Qty (Nos)	Amount (Rs)	Qty (Nos)	Amount (Rs)	Qty (Nos)	Amount (Rs)
Computer hardware including peripherals	–	–	209	20,329,393	209	25,212,601	–	–
Computer software including licenses and subscription charges	–	–	1,859	3,125,624	1,859	3,733,173	–	–
Total	–	–	**2,068**	**23,455,017**	**2,068**	**28,945,774**	–	–

12. In the previous year, out of the net proceeds of Rs. 963,171,590/- from preferential allotments of equity shares, an amount of Rs. 356,780,615/- was pending utilization as at March 31, 2006. Out of the said balance, the Company has, during the year, utilized Rs. 269,734,000/- towards capital expenditure and balance amount for investments in subsidiaries and joint venture entity.

13. 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.

14. 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. 13th October, 2005) (atom)
5. Riskraft Consulting Limited (w.e.f. 28th November, 2005) (Riskraft)
6. National Spot Exchange Limited (w.e.f. 30th September, 2005)
7. National Bulk Handling Corporation Limited (w.e.f. 30th September, 2005) (NBHC)
8. Financial Technologies Middle East- DMCC (w.e.f. 1st August, 2005) (FT ME)
9. Global Board of Trade Ltd (w.e.f. 18th December, 2006) (GBOT)
10. Singapore Mercantile Exchange PTE Ltd (w.e.f. 15th November, 2006) (SMX)
11. Knowledge Assets Pvt. Ltd. (w.e.f. 29th March, 2007)
12. FT Group Investments Pvt. Ltd. (w.e.f. 29th March, 2007) (FTGIPL)
13. Financial Technologies Communications Ltd. (w.e.f. 13th March, 2007)
14. Indian Energy Exchange Ltd. (w.e.f. 26th March, 2007) (IEX)
15. Global Payment Networks Ltd. (w.e.f. 5th March, 2007)

(ii) Joint Venture Entities

1. Dubai Gold and Commodities Exchange (DGCX) - a joint venture in which Company holds 20% Share Capital
2. Safal National Exchange of India Ltd (SNX) - a joint venture in which Company holds 19% 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

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II. Transactions with subsidiaries and joint venture entities: (in Rupees)

Sr. No.	Nature of Transaction	Subsidiary Companies	Joint Venture Entities
1.	**Loan given:**		
	- Opening balance	–	–
		(462,974)	(–)
	- Given during the year	25,828,000	–
		(30,350,000)	(–)
	- Repaid during the year	25,828,000	–
		(30,812,974)	(–)
	- Balance as at 31.03.2007	–	–
		(–)	(–)
2.	**Sales - Services (Project based)**	192,725,009	11,604,393
		(137,099,658)	(179,348,200)
3.	**Sale of Computer Hardware**	26,020,774	2,925,000
		(–)	(–)
4.	**Sales - Products (IPR Based License)**	46,282,937	–
		(34,500,000)	(–)
5.	**Service Charges received- MCX**	–	–
		(8,166,970)	(–)
6.	**Cost of Leasehold Improvements & other assets recovered by the Company**	947,042	–
		(47,507,681)	(–)
7.	**Expenses recovered by the Company (Refer Schedule 12)**	71,026,527	558,073
		(26,700,003)	(–)
8.	**Expenses recovered from the Company**		
	- by MCX relating to Offer for Sale by the Company as part of the proposed public issue of MCX	3,924,872	–
		(15,914,046)	(–)
	- other expenses	10,318,938	692,697
		(5,277,175)	(–)
9.	**Advances**		
	- Balance as at the close of the year	5,694,982	1,077
		(52,321,878)	(–)
10.	**Current liabilities as at close of the year**		
	- Advance against services	2,094,873	11,824,256
		(2,960,668)	(–)
	- Rent deposits	23,524,824	–
		(23,524,824)	(–)
11.	**Transaction Fees received IBS**	–	–
		(1,650,863)	(–)
12.	**Interest received**	1,054,645	–
		(242,847)	(–)
13.	**Sundry Debtors**		
	- Balance as at the close of the year	158,913,201	–
		(–)	(–)
14.	**Investment**		
	- Investment made during the year		
	Equity / Ordinary Shares	1,069,215,744	1,900,000
		(214,607,667)	(174,480,000)
	Optionally Convertible Preference Shares	1,361,699,068	–
		(–)	(–)
	Share Application Money paid	–	17,385,000
		(–)	(–)
	- Balance at the close of the year	2,826,922,478	106,525,000
		(396,007,667)	(174,480,000)
15.	**Dividend Received from MCX**	601,200,000	–
		(15,050,000)	(–)
16.	**Sale of shares in DGCX to FTGIPL**	94,259,507	–
		(–)	(–)
17.	**Rent deposits received**	1,773,824	–
		(23,524,824)	(–)
18.	**Rent deposits refunded**	1,773,824	–
		(–)	(–)

Significant Accounting Policies
and Notes to Accounts

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

(in Rupees)

Sr. No.	Nature of Transaction	Key Managerial Personnel	Relatives of Key Managerial Personnel
1.	Salary & Allowances	56,437,253	1,200,000
		(33,848,762)	(1,333,871)
2.	Dividend paid	65,245,688	240,819
		(10,265,206)	(90,677)

Notes:

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

(in Rupees)

Transaction during the year		Subsidiaries/ Joint Venture Entities
Loan given:	atom	5,000,000
		(–)
	TickerPlant	3,528,000
		(5,350,000)
	Riskraft	7,000,000
		(–)
	National Spot Exchange	10,300,000
		(6,000,000)
	NBHC	–
		(15,500,000)
Loan repaid during the year	atom	5,000,000
		(–)
	TickerPlant	3,528,000
		(5,812,974)
	Riskraft	7,000,000
		(–)
	National Spot Exchange	10,300,000
		(6,000,000)
	NBHC	–
		(15,500,000)
Sales - Services (Project based)	MCX	180,683,375
		(136,000,000)
	DGCX	11,604,393
		(–)
Sale of Computer Hardware	MCX	22,227,166
		(–)
	TickerPlant	3,534,816
		(–)
	SNX	2,925,000
		(–)
Sales - Product (IPR based)	MCX	25,494,629
		(42,666,970)
	FTME	20,788,308
		(–)
Cost of Leasehold Improvements & other assets recovered by the Company	MCX	186,578
		(27,243,928)
	atom	163,133
		(–)
	TickerPlant	201,911
		(–)
	Riskraft	163,133
		(–)

Significant Accounting Policies
and Notes to Accounts

Transaction during the year		Subsidiaries/ Joint Venture Entities
	IBS	512,332
		(–)
	National Spot Exchange	–
		(8,678,179)
Expenses recovered by the Company	MCX	31,366,712
		(15,740,387)
	TickerPlant	11,082,941
		(–)
	National Spot Exchange	8,011,565
		(2,983,500)
	NBHC	–
		(3,090,546)
	SNX	558,073
		(–)
Expenses recovered from the Company		
- Other expenses		
	MCX	8,798,875
		(4,164,599)
	NBHC	1,233,929
		(–)
	FTME	–
		(628,641)
	DGCX	690,564
		(–)
Interest received	MCX	396,758
		(–)
	atom	157,498
		(–)
	National Spot Exchange	500,389
		(45,833)
	NBHC	–
		(192,838)
Received towards rent deposits	MCX	1,773,824
		(12,550,000)
	National Spot Exchange	–
		(5,508,000)
Refunded rent deposit	NBHC	1,773,824
		(–)
Investment made during the year	GBOT	1,116,347,634
		(–)
	SMX	1,015,016,954
		(–)
	MCX	–
		(100,000,000)
	NBHC	–
		(45,000,000)

Significant Accounting Policies
and Notes to Accounts

(in Rupees)

Transaction during the year		Key Managerial Personnel
Salary and allowances		
	Jignesh Shah	51,862,655 (31,783,888)
	Dewang Neralla	4,574,598 (2,064,874)
Dividend paid	Jignesh Shah	64,520,846 (10,209,551)

(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 accordingly, the same is also not a related party. (Refer Note 6 above)

15. (a) During the year, the Company issued Zero Coupon Convertible Bonds due 2011 ('ZCCBs') aggregating to US $ 100,000,000 equivalent to Rs. 4,474,000,000/- on the date of issuance (the 'issue'). These bonds are listed on the Singapore Exchange Securities Trading Limited.

As per the terms of the issue, the holders have an option to convert the ZCCBs into equity shares at any time on and after January 30, 2007 upto the close of business on December 14, 2011, at an initial conversion price of Rs. 2,362.68 per equity share at a fixed exchange rate on conversion of Rs. 44.6738 to US $ 1, subject to certain adjustments as per the terms of the issue. Under certain conditions, the Company, on or after December 20, 2007 but not less than seven business days prior to December 21, 2011, has an option to mandatorily convert the ZCCBs into equity shares, in whole, but not in part. Further, under certain circumstances, the Company has the option to redeem the ZCCBs, in whole but not in part, at their Early Redemption Amount. Unless previously converted or redeemed or purchased and cancelled, the Company will redeem these bonds at a premium at 147.14 percent of their principal amount on December 21, 2011.

As at 31st March, 2007, none of the bonds has been converted into equity shares and the balance of ZCCB outstanding, as restated, as on 31st March, 2007 aggregating to Rs. 4,344,170,000/- has been disclosed under “Unsecured Loan” in the Balance Sheet.

(b) The Company has estimated and accrued the redemption premium on a pro rata basis, in accordance with the requirements of Accounting Standard (AS-29) "Provisions, Contingent Liabilities and Contingent Assets" and debited the same to Securities Premium account as permitted by Section 78 of the Companies Act, 1956.

(c) The ZCCB issue expenses aggregating to Rs. 157,536,929/- have been charged to the Profit and Loss account and an equivalent amount is adjusted against the Securities Premium Account (net of tax benefit of Rs. 53,026,930/-) Refer (Schedule 2) as permitted by Section 78 of the Companies Act, 1956. The issue expenses consist of the following:

Particulars	Rupees
Underwriting commission	59,787,450
Legal and professional fees	26,811,521
Brokerage charges	66,139,950
Audit fees	3,550,000
Printing and stationery expenses	207,263
Miscellaneous expenses	1,040,745
Total	**157,536,929**

Significant Accounting Policies
and Notes to Accounts

(d) Statement of utilization of proceeds out of ZCCB as of March 31, 2007:

(in Rupees)

	Proceeds
Gross proceeds	4,474,000,000
Less: Expenses relating to the issue	157,536,929
Net proceeds	**4,316,463,071**
Deployment upto March 31, 2007	
Investments in subsidiaries	2,131,364,586
Capital Expenditure	398,160,000
Others (including foreign exchange loss)	14,631,825
Total utilized	**2,544,156,411**
Balance held as under pending utilization	
(a) in Deposit Account in Scheduled Bank (Refer Schedule 6)	1,509,599,075
(b) in Current Account in Scheduled Bank (Refer Schedule 6)	209,026,432
(c) in Escrow with Lead Managers (Refer Schedule 7)	131,848
(d) Unrealised loss on foreign exchange	53,549,305
Balance pending utilization	**1,772,306,660**

16. The Company, during the year, paid Rs. 59,787,450/- to its underwriters towards underwriting commission for its ZCCB issue. The Company proposes to obtain the approval of shareholders in respect thereof in accordance with the requirements of Articles of Association of the Company.

17. Consequent to the revised Accounting Standard (AS-15) "Employee Benefits" read with recent guidance on implementation of AS-15 issued by the Institute of Chartered Accountants of India, effective from April 1, 2007 but early adopted by the Company with effect from April 1, 2006 has reviewed and revised its accounting policy in respect of employee benefits. Consequent upon the change, profit before tax for the year ended March 31, 2007 is lower by Rs. 6,076,030/- . In accordance with the transitional provisions contained in the Accounting Standard, the difference of Rs. 4,791,566/- between the liability in respect of gratuity and leave encashment existing on the date of adoption and the liability that would have been recognized at the same date under the previous accounting policy (net of tax of Rs. 1,615,878/-) has been adjusted against the opening balance in the general reserve.

18. Employee benefit plans:

Defined contribution plans: Amounts recognized as expenses towards contributions to provident fund, employee state insurance corporation and other funds by the Company are Rs. 8,615,060/- (Previous year Rs. 5,144,184/-).

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

Employees' entitlement to leave encashment in future periods based on unavailed leave as at balance sheet date, as per the policy of the Company, is expected to be a long term benefit and is actuarially valued.

The following table sets out the status of the gratuity and long term leave encashment plans for the year ended March 31, 2007 as required under AS -15 (Revised):

Significant Accounting Policies
and Notes to Accounts

(in Rupees)

	Gratuity Plan (Funded)	Leave Encashment (Non Funded)
I. Change in benefit obligation:		
Projected benefit obligation at the beginning of the year	7,630,218	4,562,641
Interest cost	572,266	342,199
Current service cost	2,110,459	1,451,474
Benefit paid	(608,510)	(500,055)
Actuarial (gain) / loss on obligations	2,705,737	4,270,519
Projected benefit obligation at the end of the year	**12,410,170**	**10,126,778**
II. Change in plan assets		
Fair value of the plan asset at the beginning of the year	2,582,325	–
Expected return on plan assets	206,586	–
Contributions	4,380,303	500,055
Benefits paid	(608,510)	(500,055)
Actuarial gain / (loss) on plan assets	(9,929)	–
Fair value of plan assets at the end of the year	**6,550,775**	**–**
Excess of obligation over plan assets	**5,859,395**	**10,126,778**
III. Expense for the year		
Current service cost	2,110,459	1,451,474
Interest cost	572,266	342,199
Expected return on plan assets	(206,586)	–
Net actuarial (gain) / loss recognized	2,715,666	4,270,519
Gratuity / Leave encashment cost	**5,191,805**	**6,064,192**
IV. Actual return on plan assets	**196,657**	**–**
V. Category of Assets as on March 31, 2007		
Insurer managed funds	6,550,775	–
Total	**6,550,775**	**–**
VI. Assumptions		
Discount rate	8.00 %	8.00 %
Salary escalation rate	7.50 %	7.50 %
Expected rate of return on plan assets	8.00 %	–

Expected rate of return on plan assets is based on expectation of the average long term rate of return expected to prevail over the estimated term of the obligation on the type of the investments assumed to be held by LIC, since the fund is managed by LIC.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotions and other relevant factors, such as supply and demand in the employment market.

The Company has recognised Rs. 7,651,608/- as provision towards short term compensatory absences.

Significant Accounting Policies
and Notes to Accounts

19. Loans and advances in the nature of loans (as required by clause 32 of the listing agreement with the stock exchanges)

(in Rupees)

Name of the Company		Balance as on 31.03.07	Balance as on 31.03.06	Maximum amount outstanding during the year
Multi Commodity Exchange of India Limited	Subsidiary	1,480,937	21,548,061	27,217,533 (21,548,061)
National Bulk Handling Corporation Limited	Subsidiary	102,374	1,773,824	4,341,415 (26,149,644)
National Spot Exchange Limited	Subsidiary	28,722	13,733,169	24,868,872 (13,733,169)
TickerPlant Infovending Limited #	Subsidiary	979,915	1,798,719	4,839,105 (5,682,488)
Riskraft Consulting Limited #	Subsidiary	17,936	5,915,603	11,169,576 (5,915,603)
atom technologies limited	Subsidiary	28,633	6,006,146	6,006,146 (14,174,624)
Financial Technologies Middle East- DMCC	Subsidiary	–	1,546,356	6,976,478 (6,376,730)
Financial Technologies Communications Limited	Subsidiary	127,095	–	127,095 (–)
Global Payment Networks Limited	Subsidiary	180,995	–	266,000 (–)
Indian Energy Exchange Limited	Subsidiary	181,375	–	181,375 (–)
FT Group Investment Pvt. Ltd.	Subsidiary	287,591	–	287,591 (–)
Knowledge Assets Private Limited	Subsidiary	287,591	–	287,591 (–)
Singapore Mercantile Exchange PTE Limited	Subsidiary	1,991,818	–	1,991,818 (–)
Parshva Systems	Others	1,245,715	1,360,327	1,360,327 (1,466,419)

 # non-interest bearing

Notes:

i) Loan to Parshva Systems is repayable in installments 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.

Significant Accounting Policies
and Notes to Accounts

20. Earnings Per Share is calculated as follows:

(in Rupees)

Particulars	Current Year	Previous Year
EPS before exceptional/non recurring items		
a. Profit after tax and before exceptional/ non recurring items	989,714,950	482,350,213
Short provision for income tax of earlier years	–	(41,269,716)
Profit for the year before exceptional / non recurring items available for equity shareholders (for basic EPS)	989,714,950	441,080,497
Less: Adjustment for potential conversion of ZCCBs (net of tax)	81,737,514	–
Profit for the year before exceptional / non recurring items available for equity shareholders (for dilutive EPS)	907,977,436	441,080,497
b. Weighted average number of equity shares		
Basic	44,030,974	44,008,936
Add: Effect of dilutive stock options	167,420	36,655
Diluted	44,198,394	44,045,591
c. Basic earnings per share	22.48	10.02
Diluted earnings per share	20.54	10.01
d. Face value per share	2/-	2/-
EPS after exceptional/non recurring items		
a. Profit after exceptional/non recurring items	1,006,123,019	465,942,144
Short provision for income tax of earlier years	–	(41,269,716)
Profit after exceptional / non recurring items available for equity shareholders (for basic EPS)	1,006,123,019	424,672,428
Less: Adjustment for potential conversion of ZCCBs (net of tax)	81,737,514	–
Profit after exceptional / non recurring items available for equity shareholders (for dilutive EPS)	924,385,505	424,672,428
b. Weighted average number of equity shares		
Basic	44,030,974	44,008,936
Add: Effect of dilutive stock options	167,420	36,655
Diluted	44,198,394	44,045,591
c. Basic earnings per share	22.85	9.65
Diluted earnings per share	20.91	9.64
d. Face value per share	2/-	2/-

21. Joint Venture Disclosure:

a. Jointly Controlled Entities ('JCEs')by the Company :

1.	Name of the Entity	:- Dubai Gold and Commodities Exchange DMCC ('DGCX')
	Country of Incorporation	: - United Arab Emirates
	% Holding	:- 20 % (Previous year 40%)
2.	Name of the Entity	:- Safal National Exchange of India Ltd ('SNX')
	Country of Incorporation	: - India
	% Holding	:- 19 %

Significant Accounting Policies
and Notes to Accounts

b. Company's share of interest in the assets, liabilities, income and expenses with respect to JCEs (each without elimination of the effects of transactions between the Company and the JCEs) on the basis of unaudited financial statements of the JCEs as at and for the period ended March 2007.

The amounts are translated at period end rate for assets and liabilities and average rate for income and expenses for DGCX.

(in Rupees)

	As at / for the period ended March 31, 2007	
	DGCX	SNX
I. Assets		
1. Fixed Assets	32,631,269	677,358
	(98,674,981)	(–)
2. Current assets		
a) Debtors	2,688,642	–
	(–)	(-)
b) Cash and bank balances	268,406,064	6,758,248
	(397,908,324)	(–)
c) Loans and advances	3,618,607	3,804,277
	(3,103,118)	(–)
II. Liabilities		
1. Current liabilities	168,854,326	537,079
	(180,711,988)	(–)
2. Provisions	2,551,305	–
	(1,734,393)	(–)
III. Miscellaneous Expenditure to the extent not written off or adjusted		
(a) Preliminary expenses	–	341,344
	(–)	(–)
(b) Pre operative expenses	–	3,025,353
	(–)	(–)
IV. Income		
1. Admission fees	48,677,358	–
	(226,088,877)	(–)
2. Transaction fees	678,854	–
	(–)	(–)
3. Interest income	10,552,848	–
	(5,549,137)	(–)
4. Other income	64,595	–
	(95,038)	(–)
V. Expenses		
1. Operating and other expenses	57,709,701	–
	(72,079,656)	(–)
2. Depreciation	21,536,358	–
	(21,243,605)	(–)
VI. Contingent liabilities	–	–
	(–)	(–)
VII. Capital commitments	–	12,375,726
	(–)	(–)

(Previous year figures are given in brackets)

Significant Accounting Policies
and Notes to Accounts

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

(a) Amounts receivable in foreign currency on account of the following

Particulars	Rupees	Amount in Foreign Currency	Foreign Currency
Sundry debtors	109,245,009 (16,062,336)	2,514,750 (360,000)	USD
Cash & bank balance	1,754,391,849 (3,951,247)	40,384,973 (88,553)	USD
Other receivable	131,848 (–)	3,035 (–)	USD
Net investment in non integral foreign branches	7,545,263 (3,440,446)	173,687 (77,105)	USD
	38,660 (87,033)	1,350 (3,123)	SGD

(b) Amounts payable in foreign currency on account of the following

Particulars	Rupees	Amount in Foreign Currency	Foreign Currency
Current liabilities	48,155,124 (–)	11,08,500 (–)	USD
Unsecured loan (ZCCB)	4,344,170,000 (–)	100,000,000 (–)	USD
Premium on redemption on ZCCBs	96,305,800 (–)	2,216,898 (–)	USD

23. As at March 31, 2007 advance income tax and provision for taxation, advance fringe benefit tax and provision for fringe benefit tax (Refer Schedule 7 and 9) have respectively been disclosed on net basis wherever a legal right to set off exits and when the Company intends to settle the asset and liability on a net basis. Accordingly previous year's balances have been regrouped which were disclosed on gross basis.

24. 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 as stated below represents amount paid into Indian bank as per mandate/direction given by the non resident shareholders. Consequently, the exact amount of dividend remitted in foreign currency cannot be ascertained.

Year to which the dividend relates	Number of non resident shareholders	Number of Shares held by non resident shareholders on which dividend is due	Amount of dividend paid to Non Resident shareholders (Amount in Rs.)
2006-07 (1st Interim Dividend)	278	12,900,071	10,320,057
2006-07 (2nd Interim Dividend)	278	13,278,857	10,623,086
2006-07 (3rd Interim Dividend)	318	14,035,548	11,228,438
2005-06 (Final)	276	13,008,493	67,644,164
2005-06 (Interim)*	195	9,849,623	7,879,698
2004-05 (Final)*	183	9,196,381	3,678,552

* Dividend paid in previous year 2005-06

25. 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: 30th June, 2007

For and on behalf of the Board.

Jignesh Shah
Chairman and Managing Director

Ravi Sheth
Director

P. Ramanathan
Company Secretary & VP (Legal & Secretarial)

Place : Mumbai
Date: 30th June, 2007

Balance Sheet Abstract
and the Company's General Business Profile:

I. Registration Details

Registration Number	15586	State Code	18
Balance Sheet date	3/31/2007		

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 (Amounts in Rs. Thousands)

Total Liabilities	Total Assets
6,330,773	6,330,773
Paid-up Capital	Reserves & Surplus
88,189	1,898,414
Secured Loans	Unsecured Loans
–	4,344,170
Net Fixed Assets	Investments
690,640	4,143,828
Net Current Assets	Deferred Tax
1,487,492	8,812
Misc. Expenditure	Accumulated Losses
–	–

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

Turnover (Sales and Other Income)	Total Expenditure
1,741,319	572,852
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
1,168,466	1,006,123
Earning per Share in Rs (refer note 6 above)	Dividend Rate %
22.48	400%

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

Item Code (ITC Code)	Product Description
85249009.10	Software Product

Jignesh Shah
Chairman and Managing Director

Ravi Sheth
Director

P. Ramanathan
Company Secretary & VP (Legal & Secretarial)

Place : Mumbai
Date: 30th June, 2007

Place : Mumbai
Date: 30th June, 2007

Statement regarding Subsidiary Companies
as required U/s 212

(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.	Global Payment Netwoks Ltd.	Financial Technologies Communications Ltd.	Indian Engery Exchange Ltd.	Financial Technologies Middle East-DMCC	FT Group Investments Pvt. Ltd.	Knowledge Assets Private Ltd.	Global Board of Trade Ltd.	Singapore Mercantile Exchange Pte Ltd.	TickerPlant Infovending Ltd.
Paid up Capital	390,754,140	40,000,000	32,500,000	40,000,000	70,000,000	180,124,200	500,000	500,000	500,000	95,259,675	87	87	1,086,042,630	1,002,298,529	35,000,000
Reserves and surplus	2,523,296,522	(11,327,328)	(25,534,892)	(33,076,606)	(52,291,971)	(16,832,683)	(192,219)	(138,319)	(192,599)	(56,937,283)	(289,669)	(289,669)	9,933,292	3,339,379	(24,957,873)
Total Assets	6,689,433,681	28,976,114	7,980,915	9,187,010	21,359,759	196,820,726	500,000	500,000	500,000	55,644,843	95,224,293	87	1,144,900,834	1,007,934,116	17,038,481
Total Liabilities	6,689,433,679	28,976,114	7,980,915	9,187,010	21,359,759	196,820,727	500,000	500,000	500,000	55,644,843	95,224,293	87	1,144,900,834	1,007,934,116	17,038,481
Details of Investment (except in case of Investment in Subsidiaries)	3,167,346,002	22,496,880	-	-	30,000	25,579,253	-	-	-	-	95,224,206	-	-	-	-
Revenue	2,063,108,449	5,414,634	1,162,939	199,520	72,317	213,599,764	-	-	-	44,400,873	-	-	13,599,122	6,288,747	492,526
Profit before taxation	1,265,717,254	829,885	(20,023,868)	(22,903,663)	(34,642,149)	(8,054,708)	(192,219)	(138,319)	(192,599)	(39,711,727)	(288,562)	(288,562)	13,466,195	3,679,706	(20,963,800)
Provision for taxation	333,360,021	73,610	155,880	218,200	245,500	826,000	-	-	-	-	-	-	3,366,554	319,034	7,450
Profit after taxation	932,357,233	756,275	(20,179,748)	(23,121,863)	(34,887,649)	(8,880,708)	(192,219)	(138,319)	(192,599)	(39,711,727)	(288,562)	(288,562)	10,099,641	3,360,672	(20,971,250)

Glossary:

Algorithmic trading: It refers to use of computer programs for entering trading orders with the use of computer algorithm deciding on certain aspects of the order like time, price or the final quantity.

Arbitrage trading: It is a way of trading where one makes profit by taking advantage of the price differential of two or more markets.

ASP Model: An application service provider (ASP) is a business that provides computer-based services to customers over a network. The application software resides on the vendor's system and is accessed through a web browser using HTML or by special system client software provided by vendor.

Back-office: Administration, custody and settlement of securities

Derivatives: A security or financial instrument the value of which is dependent on the performance of an underlying asset, for example, an equity. The most common examples are futures, options and forwards, but swaps and warrants are usually included in this category.

Domain Expertise: Special Knowledge and skills in a particular subject matter.

FIX Protocol: Financial Information Exchange (FIX) protocol is an electronic communications protocol developed for real-time exchange of information related to securities transactions and markets. It is used by both the buy-side (institutions) as well as the sell-side (brokers/ dealers) of the financial markets.

Integrated Solutions: Technical solutions that bring transaction processes and participants together.

Intellectual Property: It denotes specific legal rights which the inventor or the IP holder, may hold or exercise and not the intellectual work itself.

Liquidity: The name for the level of trading, or the availability of buyers and sellers of a security such as an equity.

MiFID: Markets in Financial Instruments Directive. EU directive replacing the investment service directive. Adopted by the EU on April 21, 2004 and to become law in Sweden in 2007.

Option: A financial instrument that gives the option holder the right, but not the obligation, to purchase (call option) or sell (put option) an underlying asset for a predetermined price at a certain point in time. The writer of an option has the corresponding obligation to sell or buy the asset in question. See Derivatives.

RegNMS: Regulation National Market System. A directive taken by SEC targeted at US equity markets. It will be implemented from July 2007.

Settlement: The name of the series of administrative processes that must be carried out to complete a transaction, such as delivery of securities and payment, as well as documentation.

SOA: Service oriented architecture is a business centric IT architectural approach that supports integrating your business as linked, repeatable, business tasks or services.

STP: Straight Through Processing (“STP”) is a mechanism that automates the end-to-end processing of transactions of the financial instruments.

Trade: When a buyer and a seller agree on a transaction and price and other conditions for the transaction.

Central Counterparty Clearing (CCP): A CCP is an entity that interposes itself between the transacting counterparties- a seller vis-à-vis the original buyer and a buyer vis-à-vis the original seller-to guarantee the execution of the transaction. Clearing includes compiling and offsetting claims and counter-claims between buyers and sellers.

Counterparty Risk: The risk to each party of a contract that the counterparty will not live up to its contractual obligations. This risk is also called default risk.

Futures and Forwards: A financial contract obligating the buyer to purchase an asset or a financial instrument at a predetermined future date and price. While futures contracts are traded on the exchange, forward contracts are traded over-the-counter market.

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