



EIGHTH ANNUAL REPORT 2005-06



INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

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Ajay / Himen

BRANCH OFFICES

BOARD OF DIRECTORS

AHMEDABAD

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

DELHI

Northern Regional Office
B-36, 3rd Floor, Opp. CRPF School
Prashant Vihar, Rohini
Delhi - 110085
(Branch Incharge: Shri S. D. Mishra)

Santosh kumar

KOLKATA

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

NAGPUR

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

Amit Chakraborty

COIMBATORE

Southern Regional Office
Coimbatore Stock Exchange Building
684, Stock Exchange Building
Trichy Road, Coimbatore - 641005.
(Branch Incharge: Shri T. Umashankar)

HYDERABAD

Hyderabad Stock Exchange Building
3-6-275, Himayat Nagar
Hyderabad - 500029
(Branch Incharge: Shri Surendra Reddy)

T. Suresh Reddy

MANGALORE

3rd Floor, Rama Bhavan Complex
Kodialbail
Mangalore - 575001
(Branch Incharge: Shri Jayakrishana Padiyar)

PATNA

803, Ashiana Plaza
8th Floor, Budh Marg
Patna - 800001
(Branch Incharge: Shri Himanshu Kumar)

INVESTOR POINTS

BORIVALI

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

TIRUNEVELI

64 - D, Nellai Plaza
2nd Floor, Madurai Road
Tirunelveli - 627001

KARAIKUDI

TIRUPUR

32-A, 2nd Floor
Easwaran Kovil
Tirupur

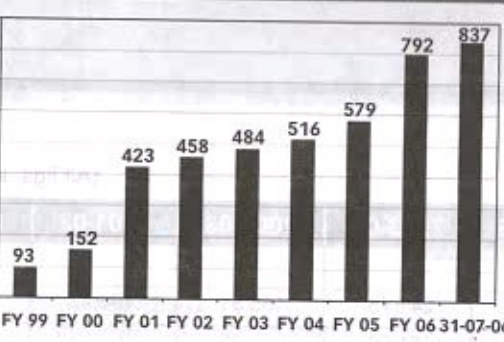
INCOME
Income from Operatic
Other Income
Total Income
EXPENDITURE
Administrative & Oper
Depreciation
Total Expenditure
Profit/(Loss) before
Less : Provision for
PROFIT/(LOSS) AFTI
NETWORTH

FINANCIALS AT A GLANCE

(All figs. in Rs. lakh)

	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
INCOME						
Income from Operations	423.56	307.54	241.75	155.51	193.42	219.57
Other Income	174.46	54.72	51.00	-	-	-
Total Income	598.02	362.26	292.75	155.51	193.42	219.57
EXPENDITURE						
Administrative & Operational Expenses	333.76	213.56	137.75	141.06	404.62	342.37
Depreciation	28.24	142.53	143.59	142.70	180.89	187.09
Total Expenditure	362.00	356.09	281.34	283.76	585.51	529.46
Profit/(Loss) before Taxation	236.02	6.17	11.41	(128.25)	(392.09)	(309.89)
Less : Provision for tax	21.56	-	-	-	-	-
PROFIT/(LOSS) AFTER TAXATION	214.46	6.17	11.41	(128.25)	(392.09)	(309.89)
NETWORTH	1,475.52	1,314.00	1,445.74	1,402.00	1,453.54	1,773.89

No of Registered Trading Members

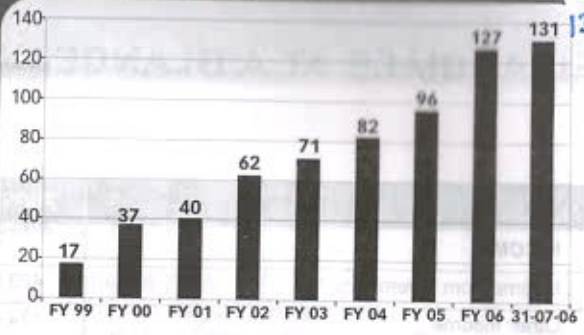


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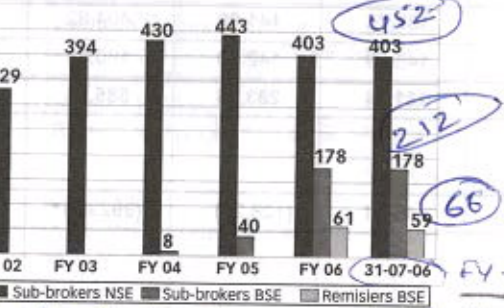
No. of Cities where Trading Members are situated



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No of Registered Intermediaries for NSE and BSE

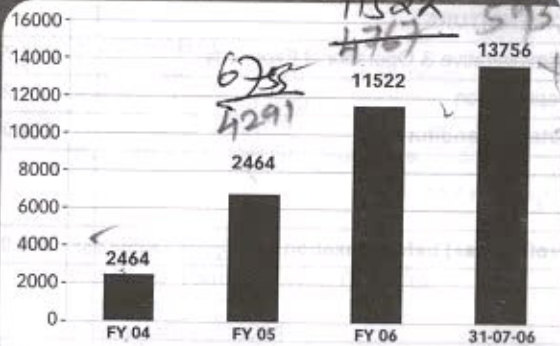


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FY 07

Include Resigned case which is not cancelled by SEBI.

No of DP Beneficiary Accounts

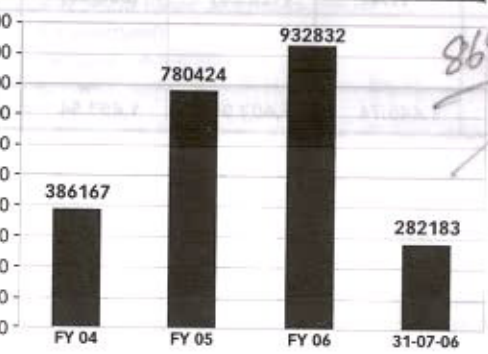


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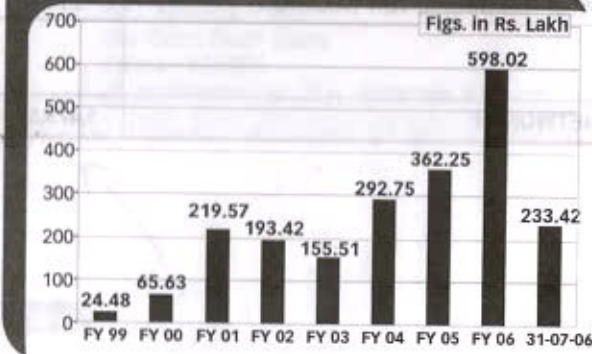
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No of DP Instructions Processed

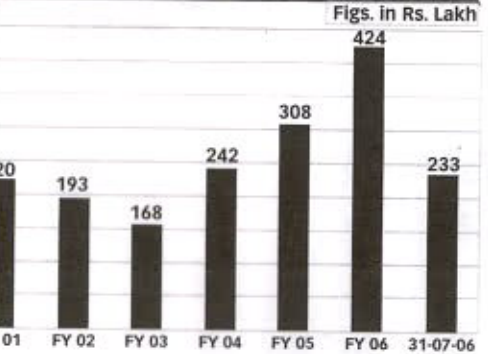


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Total Income

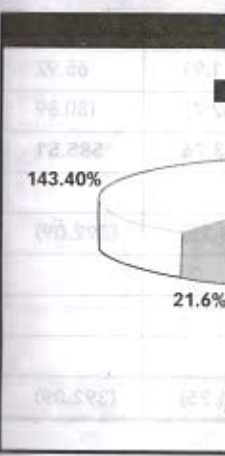
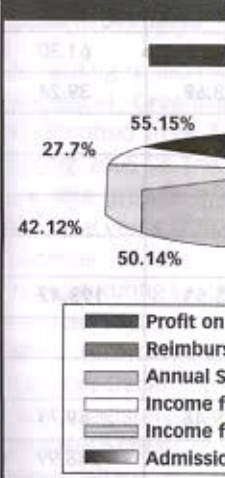
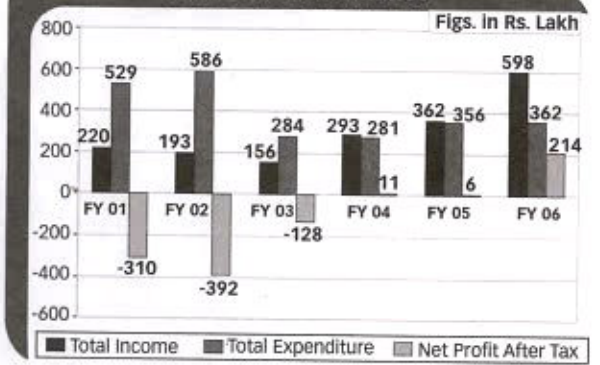


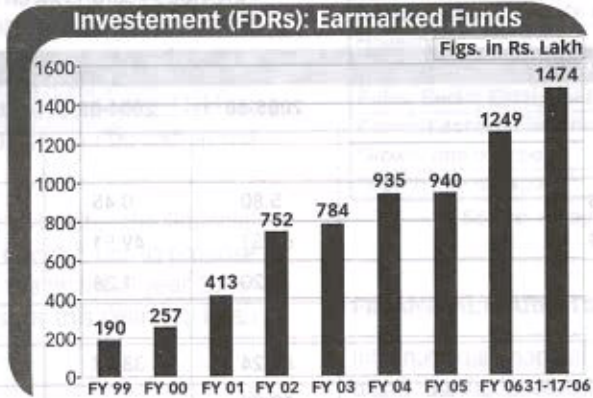
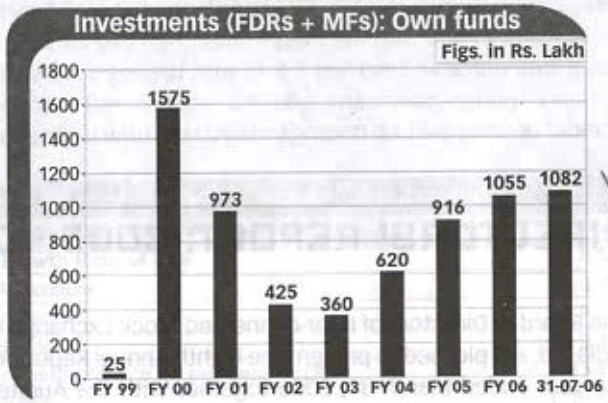
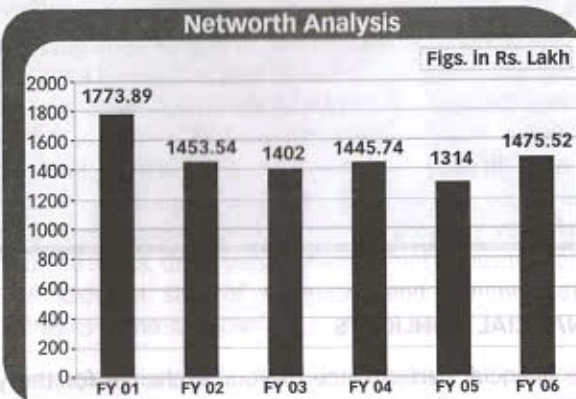
Operational Income



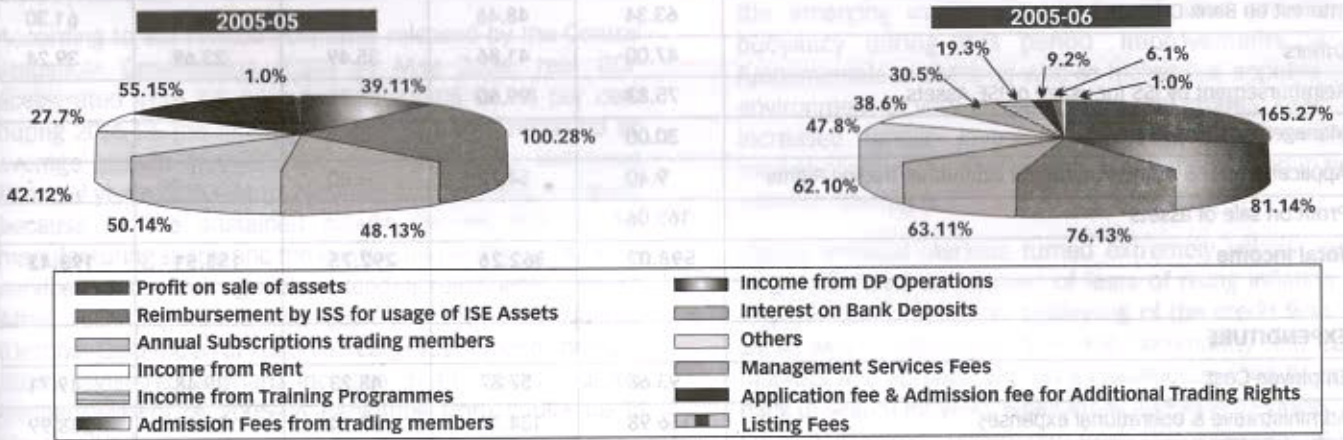
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Financial Performance

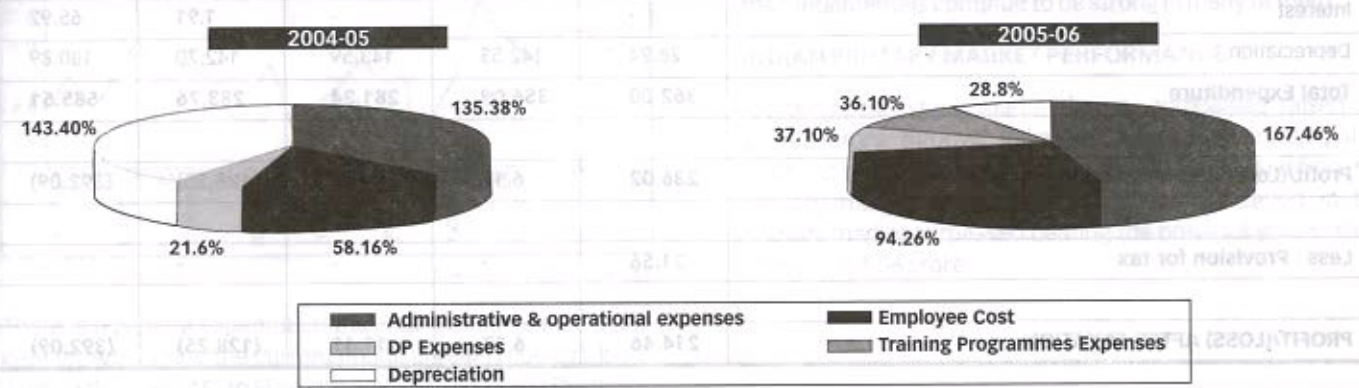




Break-up of income



Break-up of Expenditure



DIRECTORS' REPORT: 2005 - 06

The Board of Directors of Inter-connected Stock Exchange of India Ltd. are pleased to present the Eighth Annual Report for the year ended March 31, 2006 together with the Audited Statement of Accounts for the financial year 2005-06.

FINANCIAL HIGHLIGHTS

The financial performance of your Exchange for the year 2005-06, together with the comparable figures for the four previous years, is given below:

Comparative Financial Performance	(Figs. in Rs. lakh)				
	2005-06	2004-05	2003-04	2002-03	2001-02
INCOME					
Admission Fees from trading members	5.80	0.45	0.50	0.80	0.65
Annual Subscriptions trading members	61.51	49.91	52.18	90.77	89.71
Listing Fees	1.20	1.36	0.89	1.16	1.70
Transaction Charges	-	-	-	0.35	0.82
Income from DP Operations	81.24	38.88	14.80	-	-
Income from Training Programmes	19.30	-	-	-	-
Income from Rent	38.34	27.02	16.19	-	-
Interest on Bank Deposits	63.34	48.46	36.12	38.74	61.30
Others	47.00	41.86	35.49	23.69	39.24
Reimbursement by ISS for usage of ISE Assets	75.83	99.60	85.58	-	-
Management Services Fees	30.00	-	-	-	-
Application fee & Admission fee for Additional Trading Rights	9.40	54.72	51.00	-	-
Profit on sale of assets	165.06	-	-	-	-
Total Income	598.02	362.26	292.75	155.51	193.42
EXPENDITURE					
Employee Cost	93.68	57.87	48.23	39.48	49.71
Administrative & operational expenses	166.98	134.74	77.94	99.67	288.99
DP Expenses	36.94	20.95	11.58	-	-
Training Programmes Expenses	36.16	-	-	-	-
Interest	-	-	-	1.91	65.92
Depreciation	28.24	142.53	143.59	142.70	180.89
Total Expenditure	362.00	356.09	281.34	283.76	585.51
Profit/(Loss) before Taxation	236.02	6.17	11.41	(128.25)	(392.09)
Less : Provision for tax	21.56	-	-	-	-
PROFIT/(LOSS) AFTER TAXATION	214.46	6.17	11.41	(128.25)	(392.09)

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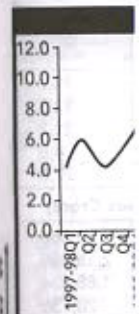
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Approach F

Your Exchange has improved its financial performance with its total income rising to Rs.598.02 lakh, up from Rs. 362.25 lakh earned during the year 2004-05. The main contributors to the additional income were DP income which had gone up to Rs. 81.24 lakh in 2005-06 from Rs. 38.88 lakh in 2004-05 and training income of Rs. 19.30 (previous year: nil). Interest income in 2005-06 was also higher at Rs. 63.34 lakh, compared to Rs.48.46 lakh during the previous year. Apart from these items, there was a one time net realization of Rs. 165.06 lakh on sale of computer and communication equipments to the subsidiary of your exchange.

On the expenditure side, the administrative & operational expenses and employee cost have shown increase commensurate with the larger scale of activities carried out during 2005-06, mainly for supporting the new DP branches and for running the training programmes.

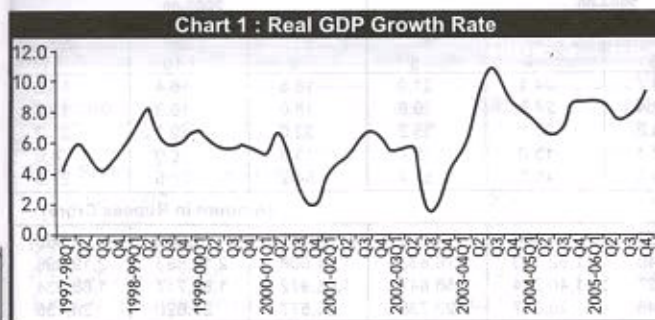
The networth of your Exchange stood at Rs. 1,475.52 lakh at the end of March 2006, compared to Rs. 1,314.00 lakh at the end of March 2005.

After taking consideration the need to bolster the financial position of the Company, the Board decided not to propose any dividend to the shareholders for the financial year 2005-06 and, therefore, the entire surplus for this year has been transferred to Free Reserves.

MACRO-ECONOMIC REVIEW

Growth Scenario

According to the revised estimates released by the Central Statistical Organization (CSO) in May 2006, real GDP accelerated from 7.5 per cent in 2004-05 to 8.4 per cent during 2005-06. The Indian economy has thus recorded an average growth of over eight per cent in the last three financial years (2003-04 to 2005-06). This has been achieved because of the sustained robust performance of the manufacturing sector and the impressive performance of the services sector, with agriculture lending reasonable support. After recording some slowdown in the third quarter (October-December) of 2005-06, real gross domestic product (GDP) registered a sharp increase in the fourth quarter (January-March) of 2005-06 benefiting from a pick-up in almost all sub-sectors.



There is a general expectation that GDP will sustain an 8 per cent growth during the current financial year (2006-07). In its Approach Paper (AP) to Eleventh Plan (2007-12), the Planning

Commission has drawn up three alternative growth scenarios of 7 per cent, 8 per cent and 9 per cent and has targeted a growth rate of 8.5 per cent over the entire plan period. The values of key macro-economic variables consistent with the targeted growth rate are given in Table 1.

Table 1 : Macroeconomic Targets

For the Eleventh Five Year Plan	
Growth Rate of GDP	8.5
Agriculture	3.9
Industry	9.9
Services	9.4
Investment rate as per cent of GDP	33.6
Public	10.4
Private	23.2
Domestic Savings rate as per cent of GDP	31.0
Household	20.7
Corporate	5.8
Public Sector Enterprises	3.0
Current account balance as per cent of GDP	-2.6
Growth rate of imports	12.1
Growth rate of exports	16.0

Source: An approach to the 11th Five Year Plan, Planning Commission, GOI (June 14, 2006)

FINANCIAL MARKETS OVERVIEW

International financial markets continued to exhibit positive trend during 2005-06, notwithstanding the sharp rise in international crude oil prices and growing global financial imbalances. Equity markets in many economies, especially the emerging market economies, showed phenomenal buoyancy during this period. Improvements in the fundamentals of EMEs as well as higher risk appetite in an environment of very low long-term real interest rates also increased foreign investors' enthusiasm for emerging market equities, pushing up valuations sharply and in many cases to new highs.

Global financial markets turned extremely volatile during May-Jun 2006, on account of fears of rising inflation and expectations of a further tightening of the credit flow. This trend was witnessed in both the commodity and equity markets. Risk spreads, which had declined in 2005-06 on the back of search for yield, widened as investors re-priced risk. Foreign investors pulled out from the emerging market economies in the first quarter of 2006-07, reflecting their perception of heightened risk in these markets, even though the fundamentals continue to be strong in many of them.

INDIAN PRIMARY MARKET PERFORMANCE

Riding on the stock market boom, companies raised Rs. 23,676 crore through follow-on issues and initial public offerings in 2005-06, the biggest amount ever raised from the primary market during a fiscal. The mobilization in the primary market surpassed beating the previous year's figure of Rs 21,431.56 crore.

Table 2 : IPOs & FPOs (EQUITY, HYBRID & DEBT)
RAISED DURING 2005-06

Year	No. of Issues	Cum. No. of Issues	Issue Amount (Rs. Crore)	Cum. Amount (Rs. Crore)
2005	7	7	2,597.16	2,597.16
2005	4	11	53.93	2,651.09
2005	9	20	919.48	3,570.56
2005	5	25	1,826.24	5,396.80
2005	4	29	597.12	5,993.93
2005	6	35	1,627.57	7,621.50
2005	7	42	627.78	8,249.28
2005	9	51	959.10	9,208.38
2005	10	61	6,941.51	16,149.88
2006	12	73	3,834.74	19,984.63
2006	14	87	2,701.75	22,686.38
2006	15	102	989.32	23,675.70

Source : PRIME Database

Another significant feature of the primary market activity during 2005-06 was the dominance of follow-on public issues, in addition to initial public offerings. According to Prime Database, 26 listed companies raised Rs. 12,861 crore through follow-on issues during 2005-06, the second largest mobilized through this route in a fiscal after 2003-04 of Rs. 14,630 crore. This was about 90 per cent more than the previous fiscal's raising of Rs. 6,769 crore. The amount raised by companies through the initial public offerings, however, actually showed a decline of 26.64 per cent during 2005-06 at Rs. 10,755 crore, compared to Rs. 14,662 crore in 2004-05.

The rights issue mobilisation recorded an increase of 14

per cent in 2005-06 at Rs. 4,126 crore, compared with the previous year's figure of Rs. 3,616 crore. But, the rights issue figure was just 33 per cent of the Rs 12,630 crore raised in the boom year of 1992-93.

The total funds mobilized by mutual funds stood at Rs.9,61,750 crore in 2005-06 as against Rs.7,42,179 crore mobilised last fiscal. This represented an impressive rise of 31%. Net inflows were witnessed in the case of both income/debt-oriented schemes and growth/equity-oriented schemes. On a net basis, there was an inflow of Rs. 52,776 crore in 2005-06 as compared to Rs.2,154 crore registered in the previous financial year.

INDIAN SECONDARY MARKET PERFORMANCE

(i) Equities

The stock market witnessed extraordinary bullishness during 2005-06 with the benchmark indices touching all time high levels, driven mainly by support from the foreign institutional investors (FIIs), who were riding on the back of strong macro-economic fundamentals of the Indian economy, congenial investment climate, sound business outlook and robust corporate earning. Profit after tax of non-financial non-Government companies recorded a growth of between 30 and 40 per cent for 11 successive quarters from October-December 2002 to April-June 2005. Subsequently, the growth in profitability has decelerated, but it still remains high given the high base of the previous quarters. Table 4 gives details of corporate financial performance during the last three years.

Table 3: Resource Mobilisation by Mutual Funds

(Frgs. in Rs. Cr.)

Mutual Fund	2004-2005			2005-2006		
	Gross Mobilisation	Net Mobilisation @	Net Assets *	Gross Mobilisation	Net Mobilisation @	Net Assets *
	2	3	4	5	6	7
Equity Sector	6,51,929	9,192	1,21,114	8,00,735	32,756	1,67,021
Debt Sector	50,244	216	11,303	97,019	9,628	23,067
	40,006	-2,899	20,836	63,996	2,589	27,619
	7,42,179	6,509	1,53,253	9,61,750	44,973	2,17,707

* : As at end of February

Source: SEBI

Table 4: Corporate Financial Performance

(Growth rates in percent)

	2003-04	2004-05	2005-06	2004-05				2005-06		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
	2	3	4	5	6	7	8	9	10	11
Revenue	15.4	25.2	15.7	24.8	23.7	24.1	21.0	18.5	16.4	13.2
Operating Profit	12.5	24.0	15.3	23.4	22.4	24.3	19.8	18.0	16.3	12.7
Profit	26.6	38.9	24.1	36.0	35.8	30.5	35.3	32.0	19.1	21.2
Cost	-11.5	-2.0	-6.4	-3.2	2.1	-13.0	-5.4	-13.5	-8.0	4.6
After Tax	57.9	53.8	35.0	51.2	45.3	45.5	51.4	54.2	27.5	27.0

(Amount in Rupees Crore)

	2,201	1,273	2,010	1,255	1,353	1,464	1,301	2,355	2,361	2,366
Companies	4,28,072	5,68,476	5,77,271	1,35,156	1,53,040	1,62,193	1,79,632	1,94,608	2,12,693	2,19,096
Revenue	4,06,838	4,90,204	4,95,121	1,15,656	1,31,227	1,40,574	1,56,647	1,66,972	1,83,717	1,88,934
Operating Profit	48,852	72,406	77,286	17,234	20,448	20,017	23,736	25,577	27,620	28,135
Profit	14,724	12,528	12,140	3,597	3,584	3,273	3,177	4,241	4,467	4,555
Cost	26,281	47,333	51,364	10,396	13,004	13,196	16,798	16,726	18,169	18,790

- Growth rates are percentage change in the level for the period under reference over the corresponding period of the previous year.
- Data are based on the audited / unaudited abridged results of the non-financial non-Government companies except column (2) which are based on audited balance-sheets for 2003-04.

Source: SEBI

Liquidity support from international equity buoyed up the index announced in the US investment limit in debt, treating open schemes on par for of excise duties also helped to boost the factors and the out of companies across Sensex reached an 11, 2006. The NSE 3755.80 on this day

There was, however, nervousness in the secondary markets in the second half of the year. The stock market was a result that the India May 23, 2006. The market authority breaker for only the

Between end-March 2005 to a turnover in the case of 06 and was Rs.8 crore). The market appreciation on account of listing of new securities listed 30,22,189 crore, a corresponding figure previous year.

Amongst the major registered the hi Consumer Durables Goods (FMCG) (10

Indicators

1
BSE Sensex/S&P
End-period
Average
Volatility (CV)
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CV: Coefficient c
*: For 30 scrips i

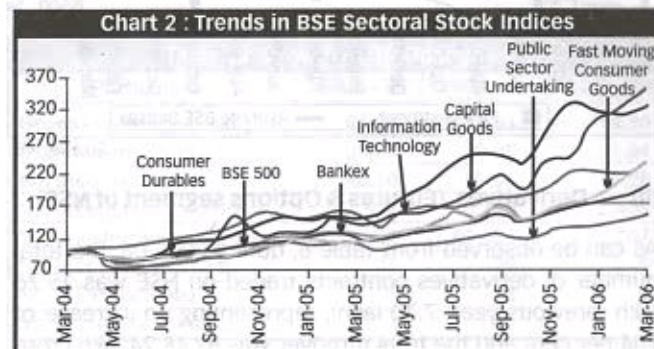
Liquidity support from mutual funds, firm trends in the major international equity markets and surge in ADR prices also buoyed up the Indian stock market. Positive measures announced in the Union Budget 2006-07, such as raising FII investment limit in government securities and corporate debt, treating open-ended and close-ended equity-oriented schemes on par for dividend distribution tax, rationalization of excise duties and relaxation in fringe benefit tax also helped to boost the market sentiment. Reflecting all these factors and the outstanding performance of a large number of companies across a wide spectrum of industries, the BSE Sensex reached an all time high level of 12671.11 on May 11, 2006. The NSE Nifty too touched the historic high of 3755.80 on this day.

There was, however, a sharp correction in the global stock markets in the second half of May 2006 due to heightened nervousness on account of spiralling oil prices, meltdown in metal prices and apprehension of higher inflation. Indian stock market was not insulated from this sentiment, with the result that the Indian stock market crashed by 10 per cent on May 23, 2006. The BSE Sensex lost over 1100 points, forcing the market authorities to apply the market-wide circuit breaker for only the second time in history.

Between end-March 2005 and end-March 2006, the BSE Sensex soared by a whopping 73.7 per cent while the S&P CNX Nifty increased by 67.2 per cent. The price-earnings (P/E) ratios surged during the year; the P/E ratio for the 30 scrips in the BSE Sensex increased from 15.6 around end-March 2005 to around 20.9 end-March 2006. The total turnover in the cash segment increased sharply during 2005-06 and was Rs.8,16,074 crore (previous year Rs.5,18,716 crore). The market capitalization witnessed a similar appreciation on account of increase in stock prices as well as listing of new securities. The market capitalisation of all securities listed on BSE as on March 31, 2006 was Rs. 30,22,189 crore, up by staggering 77.94 per cent, over the corresponding figure of Rs.16,98,429 crore recorded in the previous year.

Amongst the major sectors, the BSE Capital Goods index registered the highest gain (156.0 per cent), followed by Consumer Durables (115.4 per cent), Fast Moving Consumer Goods (FMCG) (109.9 per cent), IT sector (49.2 per cent),

Public Sector undertakings (PSUs) (44.0 per cent) and Banking Sector (36.8 per cent). Gains in stocks of capital goods companies reflected the pick-up in investment activity and the Government's emphasis on infrastructure projects, as outlined in the Union Budget 2006-07.



The consumer durables stocks were also buoyant on the back of strong growth in sales, good financial results of many of the companies and mergers and acquisitions in the sector. The FMCG stocks benefited from the positive effect of a good monsoon, abolition of excise duty on branded foods and reduction in excise duty from 16 per cent to 8 per cent on select fast food items, which were announced in the Union Budget 2006-07. Banking sector scrips gained due to several factors such as pick up in non-food credit of the banks and permission to banks to issue perpetual bonds and other hybrid instruments. Favorable proposals in the Union Budget 2006-07 such as conversion of non-tradable special securities into tradable SLR Government of India dated securities and inclusion of fixed deposits of scheduled banks having maturity of not less than 5 years under Section 80C of the Income Tax Act have also boosted the banking sector scrips.

According to the Securities and Exchange Board of India (SEBI) data, foreign institutional investors (FIIs) made a net investment of Rs.46,675.60 crore during 2005-06 (gross purchases:Rs.3,27,004 crore and gross sales :Rs.2,80,329 crore) compared to Rs.44,123 crore for the previous year (gross purchases : Rs. 2,20,240 crore and gross sales : Rs.1,58,879 crore)

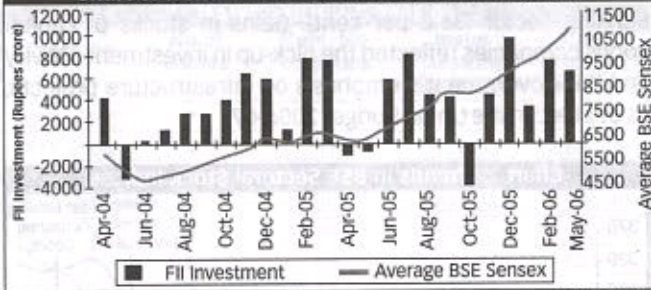
Table 5: Stock Market Indicators

Indicators	BSE			NSE		
	2003-04	2004-05	2005-06	2003-04	2004-05	2005-06
1	2	3	4	5	6	7
BSE Sensex/S&P CNX Nifty						
End-period	5591	6493	11280	1772	2036	3403
Average	4492	5741	8280	1428	1805	2517
Volatility (CV)	22.95	11.16	16.68	23.30	11.28	15.59
P/E Ratio (End-period)*	18.57	15.61	20.92	20.70	14.60	20.26
Turnover (Rupees crore)	5,03,053	5,18,716	8,16,074	10,99,535	11,40,071	15,69,555
Market Capitalization (Rs. crore)						
(End-period)	12,01,207	16,98,429	30,22,189	11,20,976	15,85,585	28,13,201
CV: Coefficient of Variation.						

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

Source: Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd.

Chart 3: Trend in FII Investment and BSE Sensex



Source: RBI

(ii) Derivatives (Futures & Options segment of NSE)

As can be observed from Table 6, during 2005-06, the total number of derivatives contracts traded on NSE was 15.76 lakh (previous year: 7.70 lakh), representing an increase of 104 per cent and the total turnover was Rs.48.24 lakh crore (previous year: Rs. 25.47 crore), an increase of 89 per cent.

At the current levels of market activity, Derivatives segment is approximately 6 times the size of the Equities segment by turnover while the turnover on the Futures and Options segment of NSE respectively accounts for 84.24 and 10.75 % of the aggregate Derivatives turnover.

PROGRESS OF DEMATERIALISATION

As on March 31, 2006, NSDL had 75,60,299 investor accounts, while CDSL had 17,34,150 investor accounts on the same day.

A total of 17,472 securities worth Rs. 24,78,941 crore were dematerialized by NSDL as on March 31, 2006, whereas 13,554 securities worth Rs.2,09,464 crore were dematerialized by CDSL as on the same date.

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

SEBI had approved and notified the corporatization and demutualization scheme of your Exchange on September 15, 2005. In terms of this scheme, your Exchange was required to convert itself from a guarantee company to a share capital company, allot shares to the promoter stock exchanges who had subscribed to the share capital and restructure its Board of Directors as per the stipulated norms before the Due Date, which was December 14, 2005.

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

Equity shares of your Exchange were allotted to the above subscribers. Thereafter, Hyderabad, Madhya Pradesh and Bhubaneswar stock exchanges applied for allotment before the Due Date and the appropriate number of equity shares was allotted to them as well.

As on date, thirteen stock exchanges are the shareholders of your Exchange.

(ii) Trading Membership

In terms of the corporatisation and demutualization scheme approved by SEBI, a trader or dealer who was registered as a stock broker on the day preceding the Due Date would become a trading member of your Exchange on and from the Due Date. A trader or dealer who was not registered as a stock broker on the day preceding the Due Date would become a trading member of your Exchange on and from the

Table 6 : Business Growth of Futures & Options Segment of NSE

Year	Turnover (Rs. Cr)				Total Futures	Total Turnover	Total No. of contracts	Total Turnover (Rs. cr.)
	Index Futures	Stock Futures	Index Options	Stock Options				
					(per cent)			
2002-03	43952	286533	9246	100131	75.13	24.87	16768909	439863
2003-04	554446	1305939	52816	217207	87.32	12.67	56886776	2130612
2004-05	772147	1484056	121943	168836	88.58	11.42	77016465	2546986
2005-06	1513755	2791697	338468	180253	84.24	15.75	157619271	4824175

Source: NSE's website (www.nseindia.com)

Table 7: Subscribers to the Memorandum and Articles of Association of the Company

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

date he gets registered as a stock broker under the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992, provided his application for registration is submitted to SEBI within one month of the Due Date, i.e. by January 14, 2006.

As a result of the concerted efforts made by your Exchange to complete its part of the registration formalities before the cut-off date of January 14, 2006, a good number of applications were processed by the Screening Committee and the Board of Directors during the period October 2005 to January 2006.

The status of registration of trading members on the Exchange is as given in Table 8.

Position as on 31.03.2005	579
Fresh Registration	214
Resignation	Nil
Transfer	Nil
Default	Nil
Expulsion	1
Position as on 31.03.2006	792
Change (+/-)	213

The distribution of the trading members across the different geographical regions of the country as on March 31, 2006 is as given in Table 9.

Sr. No.	Region	States	Trading Members
1	West	Goa, Gujarat, Maharashtra	327
2	North	Haryana, Jammu & Kashmir, New Delhi, Punjab, Rajasthan, Uttaranchal and Uttar Pradesh	122
3	East	Assam, Bihar, Jharkhand, Orissa and West Bengal	234
4	South	Andhra Pradesh, Karnataka, Kerala and Tamil Nadu	87
5	Central	Jharkhand, Chattisgarh and Madhya Pradesh	22
		Total	792

(iii) Listing

During the financial year 2005-06, no new company was listed on your Exchange. One company, viz. Micro Technologies (India) Ltd. had applied for voluntary delisting of its securities in accordance with the provisions of the SEBI (Delisting of Securities) Guidelines, 2003. The securities of Micro Technologies (India) Ltd. were delisted with effect from October 31st 2005. As at the end of March 2006, there were 11 companies listed on your Exchange, having a total market capitalization of Rs.663 crore (previous year: Rs.749 crore). In addition to these companies, your Exchange has permitted trading in an additional 168 securities under the category of permitted securities.

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

(iv) DP Operations

The growth in DP Operations during the last three years of operations of your Exchange in terms of the number of demat accounts opened and number of instructions processed are shown in Table 10.

Particulars	2005 - 06	2004 - 05	2003 - 04
Gross Income (Rs. lakh)	81.24	38.88	14.80
Expenditure (Rs. lakh)	36.94	20.95	11.54
Net Income (Rs. lakh)	44.30	17.93	3.26
No. of beneficiary accounts	11,522	6,755	2,464
No. of instructions processed	9,32,832	7,80,424	3,86,167
No. of collection centres	44	28	9
No. of DP branches	8	4	2
No. of investor points	3	2	0

The gross income from the DP business has increased from Rs.38.88 lakh in 2004-05 to Rs.81.24 lakh in 2005-06, which represents an increase of 109 per cent. Likewise, there was a 147 per cent rise in the net income from DP operations in the year under review compared to the previous year (2005-06: Rs.44.30 lakh; 2004-05: Rs.17.93 lakh). The number of DP accounts opened with your Exchange grew from 6,755 in 2004-05 to 11,522 in 2005-06.

Your Exchange is registered as a clearing house DP with National Securities Depository Ltd. (NSDL) and a commercial DP with Central Depository Services (India) Ltd. (CDSL).

New DP branches were opened at Hyderabad, Ahmedabad, Nagpur and Mangalore during the financial year under review. Investor Points were opened at Tirupur and Karaikudi during this period.

(v) Training & Research Centre

Your Exchange has initially launched certificate courses of different durations (1-day, 2-day, 5-day and 15-day) in Mumbai to begin with, which will be followed later at Chennai, Delhi, Kolkata and other important cities, on a wide range of subjects related to financial markets, with special focus on the capital market. These programmes are targeted at (i) professionals having some experience in the field and are interested in upgrading their knowledge/skills, (ii) graduate/post graduate students wanting to gain in-depth knowledge of these subjects so as to make a career in the financial services industry and (iii) researchers / academia desirous of keeping themselves abreast of the developments in the rapidly changing environment.

Details of such programmes conducted during 2005-06 as well as in the first quarter of the current financial year are given in Table Nos. 11(i) and (ii).

Table No. 11(i): Details of training programmes conducted in 2005-06

No.	Programme	Duration	No. of Participants
	Compliance Requirements for Brokers & Sub-brokers	Apr. 23, 2005	17
	Derivatives - Futures & Options	April 30, 2005	07
	Equities, Derivatives & Portfolio Management	Jun. 4 - 8, 2005	33
	Capital Market	Jun. 25 - 26, 2005	27
	Derivatives - Futures & Options	Jul. 2 - 3, 2005	37
	NEAT & BOLT Operations	Jul. 17, 2005	29
	Commodity Derivatives	Aug. 6 - 7, 2005	26
	Fundamental & Technical Analysis	Aug. 20 - 21, 2005	20
	Equities, Derivatives & Portfolio Management	Aug. 26 - Sept 4, 2005	15
	Mutual Funds	Aug. 27 - 28, 2005	44
	Commodity Derivatives	Sep. 10 - 11, 2005	14
	Derivatives - Futures & Options	Sept. 24 - 25, 2005	33
	Capital Market	Sept. 19 - Oct. 3, 2005	23
	Fundamental & Technical Analysis	Oct. 8 - 9, 2005	7
	Mutual Funds	Oct. 15 - 16, 2005	8
	Commodity Derivatives	Oct. 22 - 23, 2005	21
	Equities, Derivatives & Portfolio Management	Oct. 15 - 29, 2005	7
	Capital Market (Part time)	Nov. 14 - Dec. 2, 2005	15
	Derivatives - Futures & Options	Nov. 26 - 27, 2005	17
	Equities, Derivatives & Portfolio Management	Dec. 3 - 17, 2005	13
	Capital Market (Full time)	Dec. 10 - 12, 2005	14
	Derivatives - Futures & Options	Dec. 17 - 18, 2005	19
	Commodity Derivatives	Dec. 24 - 25, 2005	18
	Fundamental & Technical Analysis	Jan. 7 - 8, 2006	21
	Capital Market (Part time)	Jan. 9 - 30, 2006	15
	Mutual Funds	Jan. 14 - 15, 2006	12
	Derivatives - Futures & Options	Jan. 21 - 22, 2006	21
	Capital Market	Jan. 20 - 21, 2006	20
	BOLT & NEAT operations	Jan. 24, 2006	8
	Equities, Derivatives & Portfolio Management	Feb. 4 - 18, 2006	20
	Capital Market (Full time)	Feb. 11 - 13, 2006	9
	Derivatives - Futures & Options	Feb. 18 - 19, 2005	23
	Fundamental & Technical Analysis	Feb. 25 - 26, 2006	16
	Capital Market (Part time)	Mar. 7 - 29, 2006	30
	IPO Processes & Regulations	Mar. 11 - 12, 2006	18
	Derivatives - Futures & Options	Mar. 25 - 26, 2006	19
	Compliance Requirements for Brokers & Sub-brokers	Mar. 26, 2006	15
	TOTAL		711

Table No. 11(ii): Details of training programmes conducted from April 2006 till June 30, 2006

No.	Programme	Duration	No. of Participants
	Commodity Derivatives	Apr. 8 - 9, 2006	20
	Depository Operations	Apr. 22 - 30, 2006	16
	Equities, Derivatives & Portfolio Management	Apr. 22 - May 7, 2006	11
	Capital Market (Part time)	May 8 - 31, 2006	40
	Capital Market	May 13, 2006	30
	Derivatives	May 20 - 21, 2006	17
	Depository Operations	May 23 - 24, 2006	29
	Fundamental & Technical Analysis	May 27 - 28, 2006	20
	Compliance Requirements for Brokers & Sub-brokers	May 28, 2006	14
	Depository Operations	May 29 - 30, 2006	37
	Equities, Derivatives & Portfolio Management	Jun. 3 - 18, 2006	18
	Capital Market (Part time)	Jun. 10 - 12, 2006	14
	Commodity Derivatives	Jun. 17 - 18, 2006	18
	Derivatives	Jun. 24 - 25, 2006	14
	TOTAL		298

The training course is aimed at improving the industry. These courses are pure commercial in nature, increasing the level of the securities market, essential for all participants in the industry to be fully related to day-to-day framework governing and their clients. by your Exchange risks and improve

SEBI has been conducting training programmes on the same lines as those conducted by the Your Exchange would give a contribution to much greater

Recognizing the importance of proper assessment of companies, your This Cell has started first issues of V S publications are particular industries are part of this statistical update large cap, medium Your Exchange Research Cell in

(vi) Settlement

Your Exchange has grown from Rs.24.70 crore as are given in Table

Sr. No.	Description
1	Cash contributions of Exchanges
2	SGF admitted by trading
3	BMC of trading maintained
4	BMC of trading maintained FDRs/ BGs/
5	BMC of trading in the form of the promotion
6	Interest accrued component
	Total corpus

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

SEBI has been requested to accord accreditation to the training programmes conducted by your Exchange on the same lines as the approvals granted for the courses conducted by the BSE and the certifications awarded by NSE. Your Exchange sincerely believes that accreditation by SEBI would give a considerable fillip to this activity and would lead to much greater enrollment in the future.

Recognizing the importance of sound research for carrying out proper assessment of the different industries and companies, your Exchange has established a Research Cell. This Cell has started functioning from April 2006, when the first issues of V Share and ISE500 were launched. Both these publications are fortnightly. While V Share analyses a particular industry along with the major companies which are part of this industry every fortnight, ISE 500 offers a statistical update of important financial parameters of 500 large cap, medium cap, small cap and micro cap companies. Your Exchange would be intensifying the activities of the Research Cell in the current year.

(vi) Settlement Guarantee Fund

Your Exchange maintains a Settlement Guarantee Fund (SGF) as per the norms stipulated by SEBI. The corpus of the SGF has grown from Rs.21.02 crore as at March 31, 2005 to Rs.24.70 crore as at March 31, 2006. The details of the SGF are given in Table 12.

Sr. No.	Item	As on 31.3.2006	As on 31.3.2005
1	Cash contribution from promoter Exchanges	1.30	1.30
2	SGF admission fees paid in cash by trading members	5.17	3.89
3	BMC of trading members maintained in the form of cash	6.38	4.93
4	BMC of trading members maintained in the form of FDRs/ BGS/ securities	4.04	3.85
5	BMC of trading members maintained in the form of undertakings from the promoter Exchanges	3.07	3.23
6	Interest accrued on the cash component of SGF	4.74	3.82
	Total corpus	24.70	21.02

(vii) Investor Protection Fund and Investor Services Fund

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

Investors Protection Fund (IPF)		
Particulars	2005-06	2004-05
Opening balance	94,669	93,369
Accretion during the year	3,919	1,300
Closing balance as on March 31st	98,588	94,669
Services Fund (ISF)		
Particulars	2005-06	2004-05
Opening balance	6,85,707	43,277
Accretion during the year	16,31,311	6,98,317
(Less) Expenses incurred on Investor Awareness Programmes	-	55,887
Closing balance as on March 31st	23,17,018	6,85,707

(viii) Investors' Grievance Cell

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

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

(ix) Defaults And Expulsions

One trading member was expelled by your Exchange during the period under review, consequent to his expulsion by his parent stock exchange, in accordance with the Multiple Membership Guidelines issued by the Ministry of Finance, Government of India.

(x) Pending Legal Cases

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

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

Out of the six cases pending against your Exchange at the beginning of the year 2005-06, one case was disposed off in favor of your Exchange by the concerned court during the

year. Adequate legal measures to defend your Exchange are being taken in respect of remaining five cases.

There are no arbitration cases pending against your Exchange.

FUTURE PROSPECTS

Your Exchange is making assiduous efforts to consolidate its financial position and increase its revenue streams. The present activities of DP operations and training courses would be further intensified during the year 2006-07. These two business segments are expected to double their revenues in the current year.

Your Exchange would also be making all efforts to broad base its product line, so that there are additional revenue streams. This is essential to withstand the vicissitudes of business, especially in a highly fluctuating one like the securities industry.

In this regard, your Exchange is awaiting the final report of the Committee headed by Shri G. Anantharaman, Whole-time Member, SEBI, on the future of smaller stock exchanges, post-demutualization. All possible measures will be taken to strengthen the activities, both in the primary market and secondary market segments, so that your Exchange can play an even more significant role in the securities industry in the future.

OFFICE INFRASTRUCTURE

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

Your Exchange has initiated the activity of setting up a regional centre at Hyderabad, for which around 4,000 square feet of office premises have been leased on long-term basis from the Hyderabad Stock Exchange. This centre would be used for a number of purposes: (i) as a disaster recovery site, (ii) DP branch, (iii) training institute and (iv) administrative and marketing office. The first phase of the Hyderabad regional centre involving the DP branch and training institute would be commissioned in the current year.

INSURANCE

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

PARTICULARS OF THE SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956, annexed hereto are copies of the Audited Statement of Accounts for the year ended March 31, 2006, Report of the Board of Directors and the Report of the Auditors for the year

ended March 31, 2006 for ISE Securities & Services Ltd., the wholly-owned subsidiary of your Exchange. The statement of the holding company's interest in the subsidiary company as specified under sub-section (3) of Section 212 of the Companies Act, 1956 also forms part of this Annual Report.

ISE Securities & Services Ltd. has registered a total income of Rs.684.62 lakh for the year 2005-06, which is a 10.8 per cent increase over the figure of Rs.617.90 achieved in 2004-05. After providing for accelerated depreciation in respect of computer and networking equipments which have been in use for more than three years, the profit after tax for the year under review stands at Rs.75.96 lakh (previous year: Rs.109.03 lakh). Your Exchange has received a 5 per cent dividend from the subsidiary.

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

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of the annual accounts for the financial year ended March 31, 2006:

- the applicable accounting standards have been followed and no material departures have been made from the same;
- appropriate accounting policies have been formulated and applied consistently and have made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of your Exchange as at March 31, 2006 and Profit & Loss Account for the year ended March 31, 2006;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of your Exchange and for preventing and detecting frauds and other irregularities, and;
- the annual accounts have been prepared on a going-concern basis.

BOARD OF DIRECTORS

From April 1, 2005 till date, seven meetings of the Board of Directors were held, as detailed in Table 15.

Meeting No.	Date	Venue
57	April 2, 2005	Registered office of the Exchange
58	June 25, 2005	- do -
59	September 24, 2005	- do -
60	November 29, 2005	- do -
61	January 28, 2006	- do -
62	May 27, 2006	- do -
63	June 3, 2006	- do -

The changes which have taken place in the Board of Directors during 2005-06 are presented in Table 16

Sr. No.	
1	
2	
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11	
12	
13	

Sr. No.	
1	J
2	D
3	D
4	S
5	S
6	S
7	S
8	S
9	S
10	S

Sr. No.	
1	S
2	[
3	S
4	S
5	S
6	S

Sr. No.	
1	,
2	S
3	[
4	S
5	S

14. CONSTITUTION OF THE STATUTORY AND OPERATIONAL COMMITTEES

composition of these Committees for the year 2005-06, as well as for the previous year, are given in Table 17.

Your Exchange has constituted the various Statutory and Operational Committees, as required by SEBI. Details of the

Table 16: Changes in Directors during 2005- 06

Sr. No.	Name of Director	Particulars	Date of appointment / resignation/ retirement
1	Shri P. V. Narasimham	Re-appointed as Public Interest Director	Nov. 18, 2005
2	Dr. S. D. Israni	Re-appointed as Public Interest Director	Nov. 18, 2005
3	Shri Sandeep H. Junnarkar	Ceased to be Public Representative Director	Nov. 18, 2005
4	Shri V. A. Vijayan Menon	Ceased to be SEBI Nominee Director	Nov. 18, 2005
5	Smt. Asha Manjari Mishra	Ceased to be Member Director	Nov. 18, 2005
6	Shri R. M. Joshi	Ceased to be Public Representative Director	Nov. 18, 2005
7	Shri R. H. Sarma	Ceased to be Public Representative Director	Nov. 18, 2005
8	Dr. M. Y. Khan	Re-appointed as Public Interest Director	Nov. 18, 2005
9	Shri S. Anantharaman	Re-appointed as Trading Member Director	Nov. 18, 2005
10	Shri R. N. Pandey	Re-appointed as Trading Member Director	Nov. 18, 2005
11	Shri P. J. Mathews	Appointed as Shareholder Director	Nov. 18, 2005
12	Shri R. M. C. Rodrigues	Appointed as Shareholder Director	Nov. 18, 2005
13	Shri. M. K. Anandakumar	Appointed as Shareholder Director	Nov. 18, 2005

Table 17: Details of Committees

Central Arbitration Panel

Sr. No.	2005 - 06		2004 - 05	
	Name	Category	Name	Category
1	Justice (Retd.) A. D. Tated	Non-trading member, Chairman	Shri J. J. Bhatt	Non-trading member
2	Dr. D. K. Bhatia	Non-trading member	Dr. P. Asthana	Non-trading member
3	Dr. P. Asthana	Non-trading member	Shri Kirit P. Mehta	Non-trading member
4	Shri V. H. Pandya	Non-trading member	Dr. Shailendra Narain	Non-trading member
5	Shri J. J. Bhatt	Non-trading member	Shri Suraj Bajaj	Trading member
6	Shri Kirit P. Mehta	Non-trading member	Shri K. Sriram	Trading member
7	Shri Sunil Dalal	Non-trading member	Shri Ganesh Shanbhag	Trading member
8	Shri Subash Chhajad	Non-trading member	Shri Dhiraj Gala	Trading member
9	Shri Sanjeev Khemani	Trading member		
10	Shri Ganesh Shanbhag	Trading member		

Defaults Committee

Sr. No.	2005 - 06		2004 - 05	
	Name	Category	Name	Category
1	Shri R. M. Joshi	Non-trading member, Chairman	Dr. P. Asthana	Non-trading member
2	Dr. Sailendra Narain	Non-trading member	Dr. Sailendra Narain	Non-trading member
3	Shri Subash Chhajad	Non-trading member	Shri G. D. Mundra	Trading member
4	Shri R. H. Sarma	Non Trading member	Shri Yatin Shah	Trading member
5	Shri G. D. Mundra	Trading member	Shri V. Shankar	Managing Director
6	Shri V. Shankar	Managing Director		

Disciplinary Action Committee

Sr. No.	2005 - 06		2004 - 05	
	Name	Category	Name	Category
1	Justice (Retd.) A. D. Tated	Non-trading member, Chairman	Shri J. J. Bhatt	Non-trading member
2	Shri J. J. Bhatt	Non-trading member	Dr. Bindi Mehta	Non-trading member
3	Dr. Shailendra Narain	Non-trading member	Shri Jayant Vidwans	Trading member
4	Shri Jayant Vidwans	Trading member	Shri Sanjeev Khemani	Trading member
5	Shri V. Shankar	Managing Director	Shri V. Shankar	Managing Director

Screening (i.e. Membership Selection) Committee

2005 - 06		2004 - 05	
Name	Category	Name	Category
Shri R. M. Joshi	Non-trading member, Chairman	Shri R. M. Joshi	Public Representative Director, Chairman
Prof. P. V. Narasimham	Public Interest Director	Prof. V. R. Iyer	Public Representative (ceased to be a Committee Member w.e.f. June 25, 2005)
Shri S. D. Israni	Public Interest Director	Prof. P. V. Narasimham	Public Representative Director (Co-opted as a Committee Member w.e.f. June 25, 2005)
Prof. R. H. Sarma	Non-trading member	Shri V. Shankar	Managing Director
Shri V. Shankar	Managing Director		

Audit Committee

2005 - 06		2004 - 05	
Name	Category	Name	Category
Shri R. M. C. Rodrigues	Shareholder Director, Chairman	Prof. V. R. Iyer	Public Representative Director, Chairman (ceased to be a Committee Member w.e.f. June 25, 2005)
Dr. M. Y. Khan	Public Interest Director	Shri R. M. Joshi	Public Representative Director
Dr. S. D. Israni	Public Interest Director	Dr. S. D. Israni	Public Representative Director
		Dr. M. Y. Khan	Public Representative Director

Ethics Committee

2005 - 06		2004 - 05	
Name	Category	Name	Category
Prof. P. V. Narasimham	Public Interest Director, Chairman	Prof. P. V. Narasimham	Public Representative Director, Chairman
Dr. M. Y. Khan	Public Interest Director	Shri Sandeep H. Junnarkar	Public Representative Director
Dr. S. D. Israni	Public Interest Director	Shri V. Shankar	Managing Director
Shri V. Shankar	Managing Director		

Investors Services Committee

2005 - 06		2004 - 05	
Name	Category	Name	Category
Dr. M. Y. Khan	Public Representative, Chairman	Dr. M. Y. Khan	Public Representative, Chairman
Prof. P. V. Narasimham	Public Representative	Prof. P. V. Narasimham	Public Representative
Dr. S. D. Israni	Public Representative	Dr. S. D. Israni	Public Representative
Shri V. Shankar	Managing Director	Shri V. Shankar	Managing Director

AUDITORS

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

The Auditors' Report relating to the accounts for the year ended March 31, 2006 does not contain any qualification.

PARTICULARS OF EMPLOYEES

Your Exchange had total staff strength of 48 on its rolls as on March 31, 2006. In addition, 26 contractual / outsourced staff

are working for your Exchange. However, none of the employees was in receipt of remuneration in excess of the limits specified in Section 217(2A) of the Companies Act, 1956, and as such no disclosure is required to be made in the Directors Report.

STATUTORY DISCLOSURE OF PARTICULARS

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

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PUBLIC DEPO

Your Exchange shareholders

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Your Exchange

Details of Attendance of the Directors at the Board Meetings

The details of attendance of Directors in meetings held since April 1, 2005 are given below:

Name of the Director and status	No. of meetings held	No. of meetings present	Status at 7th Annual General Meeting held on September 24, 2005
Prof. P. V. Narasimham Public Interest Director Chairman (w.e.f. May 11, 2002)	8	8	Present
Prof. V. R. Iyer Public Director (upto June 25, 2005)	1	1	Not Applicable
Shri R. M. Joshi Public Director (upto November 18, 2005)	3	2	Present
Shri Sandeep H. Junnarkar Public Representative Director (upto November 18, 2005)	3	2	Present
Shri V. A. Vijayan Menon SEBI Nominee Director (upto November 18, 2005)	3	1	Absent
Smt. Asha Manjari Mishra Nominee, Bhubaneswar Stock Exchange (upto November 18, 2005)	3	0	Absent
Dr. K. Sabapathy Trading Member Nominee, Coimbatore Stock Exchange (Upto April 2, 2005)	1	0	Not Applicable
Shri R. H. Sarma Public Representative Director (upto November 18, 2005)	3	2	Present
Dr. S. D. Israni Public Interest Director (w.e.f. April 17, 2004)	7	6	Present
Dr. M. Y. Khan Public Interest Director (w.e.f. April 17, 2004)	7	7	Present
Shri Rameshwar Nath Pandey Trading Member Director (w.e.f. September 30, 2002)	8	5	Absent
Shri S. Anantharaman Trading Member Director (w.e.f. June 25, 2005)	7	7	Present
Shri P. J. Mathews Shareholder Director (w.e.f. November 18, 2005)	6	6	Not Applicable
Shri R. M. C. Rodrigues Shareholder Director (w.e.f. November 18, 2005)	6	4	Not Applicable
Shri M. K. Anandakumar Shareholder Director (w.e.f. November 18, 2005)	6	6	Not Applicable
Shri V. Shankar Managing Director	8	8	Present

Sr. No.

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**Statement of the Holding Company's interest in the Subsidiary Company as specified in Sub-section (3)
of Section 212 of the Companies Act, 1956**

Sr. No.	Particulars	Remarks								
1.	Name of the subsidiary company	ISE Securities & Services Limited								
2.	Financial year of the subsidiary company	April 1, 2005 to March 31, 2006								
3.	Number of shares of the subsidiary company held by Inter-connected Stock Exchange of India Ltd.	<table border="0"> <tr> <td>54,97,900</td> <td>Equity shares of Rs. 10/- each fully paid up, held in the name of Inter-connected Stock Exchange of India Ltd.</td> </tr> <tr> <td>2100</td> <td>Equity shares of Rs. 10/- each fully paid-up, in the name of seven nominees of ISE</td> </tr> <tr> <td>=====</td> <td></td> </tr> <tr> <td>55,00,000</td> <td>Equity shares of Rs. 10/- each fully paid-up</td> </tr> </table>	54,97,900	Equity shares of Rs. 10/- each fully paid up, held in the name of Inter-connected Stock Exchange of India Ltd.	2100	Equity shares of Rs. 10/- each fully paid-up, in the name of seven nominees of ISE	=====		55,00,000	Equity shares of Rs. 10/- each fully paid-up
54,97,900	Equity shares of Rs. 10/- each fully paid up, held in the name of Inter-connected Stock Exchange of India Ltd.									
2100	Equity shares of Rs. 10/- each fully paid-up, in the name of seven nominees of ISE									
=====										
55,00,000	Equity shares of Rs. 10/- each fully paid-up									
4.	Extent of shareholding	As on March 31, 2006, the holding company held the entire share capital consisting of 55,00,000 equity shares of Rs. 10/- each fully paid-up in the subsidiary company.								
5.	Net aggregate amount of profit of the subsidiary company, so far as it concerns the Members of the Company									
	(a) not dealt with in the accounts of Inter-connected Stock Exchange of India Ltd. for the financial year ended March 31, 2006:									
	(i) For the financial year mentioned in 2 above.	Rs. 75,95,889								
	(ii) For the previous financial year.	Rs. 1,09,03,257								
	(b) dealt with in the accounts of Inter-connected Stock Exchange of India Ltd. for the financial year ended March 31, 2006:									
	(i) For the financial year mentioned in 2 above.									
	(ii) For the previous financial year.									

By order of the Board of Directors

sd/-
P. V. Narasimham
Chairman

August 5, 2006
Vashi, Navi Mumbai

GENERAL BODY MEETINGS**Location and time where the last three Annual General Meetings (AGMs) were held:**

The last three Annual General Meetings, i.e. 5th, 6th and 7th annual general meetings, of the Company were held as per details given below:

No. of the Annual General Meeting	Date on which the meeting was held	Place of the Meeting
5 th	September 29, 2003	Registered Office the Company
6 th	September 28, 2004	Indian Merchants' Chamber Opp. Churchgate Station, Mumbai - 400020.
7 th	September 24, 2005	Registered Office the Company

Extra-ordinary General Meetings (EGMs):

There has been no extra-ordinary general meeting of the Company since the 7th annual general meeting held on September 24, 2005.

By order of the Board of Directors

Sd/-
P. V. Narasimham
Chairman

August 5, 2006
Vashi, Navi Mumbai

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DATE: 24

AUDITORS' REPORT

K. J. Shah

The Members,

Inter-connected Stock Exchange Of India Limited.

1. We have audited the attached Balance Sheet of **Inter-connected Stock Exchange of India Limited** as at 23rd November, 2005 and also the Profit and Loss Account for the period April 01, 2005 to November 23, 2005. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 5 and 6 of the said Order.
4. We draw attention to Note No 2.1 of Schedule 15 "Significant Accounting Policies and Notes to Account" in the financial statements. The Company is required to register itself as a Company limited by shares under section 12 of The Companies Act 1956, in accordance with the section 32 of The Companies Act, 1956, as per the ISE Scheme of Corporatisation and Demutualisation approved by SEBI, and accordingly the financial statements are prepared.
5. Further we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - iii. The Balance Sheet, Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - iv. In our opinion the Balance Sheet, Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable to the company;
 - v. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies and the Notes forming parts of accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. In the case of Balance Sheet of the state of affairs of company as at 23rd November, 2005.

and

- b. In the case of Profit and Loss Account of the profit for the period April 1, 2005 to November 23, 2005;

FOR A. J. SHAH & COMPANY,
Chartered Accountants

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

PLACE: MUMBAI
DATE: 24th June 2006

Annexure to the Auditor's Report

reference to the Annexure referred to in paragraph 3 of the report of the Auditors' to the Members of **Inter-connected Stock Exchange of India Limited** on the accounts for the period 1st April to 23rd November 2005, we report that:

The nature of the Company's business/activities during the period have been such that clauses (ii), (viii), (xiii) and (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) All the fixed assets have been physically verified by the management during the year. According to the information and explanations given to us no material discrepancies were noticed on such verification.
- (c) The company has not disposed off substantial part of fixed assets during the year.

The Company has not granted or taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly the sub-clauses (a), (b), (c), (d), (e), (f) and (g) of clause (iii) are not applicable to the company.

In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase of fixed assets and for the sale of services. The activities of the Company do not involve Purchase of inventory and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

According to the information and explanations given to us, there were no contract or arrangements during the year that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly sub-clause (b) of clause (v) is not applicable to the company.

According to the information and explanations given to us, the Company has not accepted any deposit during the year from public within the meaning of the provisions of Section 58A and Section 58AA of the Companies Act, 1956 and the rules framed there under. Hence, clause 4(vi) of the Order is not applicable.

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

According to the information and explanations given to us and on the basis of our examination of the books of account,

- (a) The Company has generally been regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Custom Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities during the period.
- (b) According to the information and explanation given to us, there are no dues of sales tax/ income tax/ customs duty/ wealth tax/service tax/ excise duty and cess, which have not been deposited on account of disputes.

The Company does not have any accumulated losses. The company has not incurred any cash losses during the period under audit & also not incurred any cash losses immediately preceding year.

In our opinion and according to the information and explanation given to us, during the year the Company has not defaulted in repayment of dues to banks. The company did not have any repayments due to financial institutions or debenture holders during year.

According to the information and explanation given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.

According to the information and explanation given to us, the company has not given any guarantees for loans taken by others from banks and financial institutions.

According to the information and explanation given to us, there are no term loans obtained by the Company.

According to the information and explanations given to us and on an overall examination of the balance sheet of the company, funds raised on short-term basis have, prima facie, not been used during the period for long-term investment (fixed assets, etc.,)

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.

Inter-connected Stock Exchange of India Ltd.**Balance Sheet as at November 23, 2005**

Schedule	As at Nov. 23, 2005 (Rupees)	As at March 31, 2005 (Rupees)
Sources of funds		
Shareholders' funds		
Share Capital 1	-	-
Reserves and Surplus 2	203,177,336	312,017,890
Total	203,177,336	312,017,890
Application of funds		
Fixed assets 3		
Gross block (at cost)	99,735,887	139,458,493
Less: Depreciation	62,541,141	94,053,754
Net block	37,194,746	45,404,739
Capital work-in-progress	100,000	3,039,182
	37,294,746	48,443,921
Investments 4	55,000,000	55,000,000
Current Assets, Loans and Advances		
Current Assets		
Cash and Bank Balances 5	232,207,275	198,796,418
Sundry Debtors 6	1,623,300	2,714,003
Loans and Advances 7	35,958,899	12,036,666
	269,789,476	213,547,088
Less: Current Liabilities and Provisions		
Current liabilities 8	153,516,351	139,128,661
Provisions 9	5,390,532	2,973,587
	158,906,883	142,102,248
Net Current Assets	110,882,592	71,444,839
Profit and Loss Account		
	-	137,129,131
Total	203,177,336	312,017,890
Significant Accounting Policies and Notes forming part of the Accounts 14		

For and on behalf of the Board of Directors

As per our attached Report of even date
For A. J. Shah & Co.,
Chartered Accountants

Sd/-
HIREN C. SHAH
Partner
Membership No 100052

Mumbai
Date: June 24, 2006

Sd/-
P. V. Narasimham
Chairman

Navi Mumbai
Date: June 24, 2006

Sd/-
V. Shankar
Managing Director

Inter-connected Stock Exchange of India Ltd.

Profit and Loss Account for the period ended November 23, 2005

Particulars	Schedule	Period ended November 23, 2005 (Rupees)	Year ended March 31, 2005 (Rupees)
Income			
Income from Operations	10	17,589,854	23,426,685
Other Income	11	25,891,942	11,978,978
Total		43,481,796	35,405,664
Expenditure			
Employee Costs	12	7,445,646	6,418,888
Administration and Operational Expenses	13	13,015,950	14,606,496
Depreciation/Amortisation		3,898,525	20,795,259
Less: Adjusted against Capital Reserve (Refer Note 10 of Schedule 14)		(1,828,852)	(6,542,161)
		2,069,673	14,253,098
Total		22,531,269	35,278,482
Profit for the period		20,950,526	127,181
Add: Provision of Earlier Years Written Back		-	489,393
Add: Prior Year Adjustment		216,811	-
Profit available for Appropriation		21,167,337	616,574
Balance brought forward from previous year		(137,129,131)	(137,745,704)
Less: Intangible Assets adjustment on initial adoption (Refer Note No 16 of Schedule 14)		(553,123)	-
Add: Transfer from Dealer Admission Fees (Refer Note No 9 of Schedule 14)		137,682,254	-
Balance carried to the Balance sheet		21,167,337	(137,129,131)
Significant Accounting Policies and Notes forming part of the Accounts	14		

As per our attached Report of even date
For A. J. Shah & Co.,
Chartered Accountants

Sd/-
HIREN C. SHAH
Partner
Membership No 100052

Mumbai
Date: June 24, 2006

For and on behalf of the Board of Directors

Sd/-
P. V. Narasimham
Chairman

Sd/-
V. Shankar
Managing Director

Navi Mumbai
Date: June 24, 2006

Inter-connected Stock Exchange of India Ltd.

Schedules forming part of the Accounts

SCHEDULE 1: SHARE CAPITAL

Particulars	As at Nov. 23, 2005 (Rupees)	As at Mar 31, 2005 (Rupees)
	Nil	Nil
Authorised Capital (Company Limited By Guarantee)		
Issued, Subscribed And Paid Up (Company Limited By Guarantee)	-	-
Total	-	-

SCHEDULE 2 : RESERVES & SURPLUS

Particulars	As at Nov. 23, 2005 (Rupees)	As at Mar 31, 2005 (Rupees)
Free Reserves		
Profit & Loss Account Balance	21,167,337	-
Total Free Reserves	21,167,337	-
Capital Reserves		
Infrastructure Development Contribution (Refer Note 6 of Schedule 14)	91,850,000	91,800,000
Networking Equipment Contributions Balance as per last Balance Sheet Add : Received during the period	3,405,444	18,557,167 429,764
Less : Adjustment towards Equipments trf to Dealers/Traders Less : Adjustment towards Depreciation (Refer Note 10 of Schedule 14)	1,828,852 1,576,591	9,039,326 6,542,161 3,405,444
Dealer Admission Fees Balance as per Balance Sheet Add: Received during the period (Refer Note 11.1 of Schedule 14)	173,011,111 3,500,000	172,011,111 2,500,000
Less : Repaid during the period Less : Transferred to Profit & Loss A/c (Refer Note 9 of Schedule 14)	(500,000) (137,682,254)	(1,500,000)
	38,328,857	173,011,111
Total Capital Reserves	131,755,448	268,216,555
Earmarked Reserves		
Settlement Guarantee Fund Balance as per last Balance Sheet Add: Additions during the period (including Rs. Nil, (Previous year Rs. 916,471/-) on transfer of credit balance of defaulter dealers/traders, initial contribution from trading members and accretion by way of gross interest of Rs. 4,672,800/-, (Previous year Rs. 6,464,324/-) for the period on deposits etc made out of such funds in accordance with the Rules and Bye-laws of the Company)	43,020,959	35,300,164
	5,407,403	7,720,795
	48,428,363	43,020,959
Investor Protection Fund Balance as per last Balance Sheet Add: Additions during the period (accretion by way of appropriation from the listing fee income during the period)	94,669	93,369
	3,669	1,300
	98,338	94,669
Investor Services Fund Balance as per last Balance Sheet Add : Additions during the period (including Rs. 998,393/-, (Previous year Rs. 661767/-) on transfer of credit balances of expelled dealers/traders and accretion by way of gross interest of Rs.29,750/- for the period on deposits, etc made out of such funds in accordance with the Rules and Bye-laws of the Company and appropriation from listing fee income during the period) (Refer Note 14 of Schedule 14)	685,707	43,277
	1,042,143	698,317
Less : Expenses incurred on Investor Awareness Programme	-	55,887
	1,727,850	685,707
Total Earmarked Reserves	50,254,551	43,801,335
Total Reserves and Surplus	203,177,336	312,017,890

Inter-connected Stock Exchange of India Ltd.

Schedules forming part of the Accounts

Inter-connected Stock Exchange of India Ltd.

Schedules forming part of the Accounts

Schedule 3 : Fixed Assets

PARTICULARS	GROSS BLOCK (At cost)				DEPRECIATION				NET BLOCK		
	As at 01-04-2005	Additions	Deductions	As at 23-11-2005	As On 31-03-2005	For the period	Deductions / Adjustments	As At 23-11-2005	As at 23-11-2005	As at 31-03-2005	
Tangible Assets											
Leasehold Land	870,626	-	-	870,626	90,554	9,215	-	99,769	770,857	780,072	
Leasehold Premises	32,585,962	-	-	32,585,962	3,933,937	344,885	-	4,278,822	28,307,140	28,652,025	
Machinery and Electrical Equipments	4,214,912	35,214	2,509,305	1,740,821	1,224,400	108,173	771,348	561,225	1,179,596	2,990,512	
Furniture and Fixtures	5,073,428	-	-	5,073,428	2,131,888	202,743	-	2,334,631	2,738,797	2,941,540	
Vehicles	420,809	725,000	-	1,145,809	253,909	56,908	(32)	310,849	834,960	166,900	
Office Equipments	2,416,913	101,004	993,330	1,524,587	690,394	66,410	289,255	467,549	1,057,038	1,726,519	
Computer Equipments including networking equipments	91,250,705	752,100	38,017,907	53,984,898	84,248,484	2,650,036	34,308,560	52,589,960	1,394,938	7,002,221	
Intangible Assets											
Computer Software (Refer Note 16 of Schedule 14)	2,625,138	779,750	595,132	2,809,756	1,480,189	460,155	42,009	1,898,336	911,420	1,144,949	
Total	139,458,493	2,393,068	42,115,674	99,735,887	94,053,755	3,898,525	35,411,139	62,541,141	37,194,746	45,404,738	
Previous Year	164,920,418	1,900,177	27,362,102	139,458,493	91,276,451	20,795,259	18,017,956	94,053,754	100,000	3,039,182	
									Total	37,294,746	48,443,920

Capital Work in Progress (Networking equipment pending installation)

(Refer Note 18 of Schedule 14)

Notes :

1. Leasehold Premises represent cost of office premises, including improvements to premises, taken from CIDCO under lease for a period of 60 years, in respect of which a Lease Deed has been executed.
2. Refer Note 17 of Schedule 14 with respect to sale of fixed assets.