



NINTH ANNUAL REPORT 2007-08



ISE Securities & Services Limited

(Wholly-owned subsidiary of ISE)

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BUY

SELL

CORPORATE INFORMATION

BOARD OF DIRECTORS

PUBLIC REPRESENTATIVE DIRECTORS

Shri R. M. Joshi
Shri R. Sadanandam

SHAREHOLDER REPRESENTATIVE DIRECTOR

Shri Vivekananda Pattanayak

DIRECTOR

Shri P. J. Mathew
(Nominee of ISE)

CHIEF EXECUTIVE OFFICER / DIRECTOR

Shri Vinay Vaidya

SECRETARIAL AND LEGAL

Smt. Manisha Thakur
Company Secretary & Compliance Officer

AUDIT COMMITTEE

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

Shri R. M. Joshi,
Public Representative Director

Shri Vivekananda Pattanayak,
Shareholder Representative Director

STATUTORY AUDITORS

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

INTERNAL AUDITORS

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

BANKERS

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

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

REGISTERED OFFICE

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

PERFORMANCE AT A GLANCE

(all figures in Rs. lakh)

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

DIRECTORS' REPORT: 2007 - 08

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

FINANCIAL PERFORMANCE

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

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

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

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

DIVIDEND

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

BACKGROUND

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

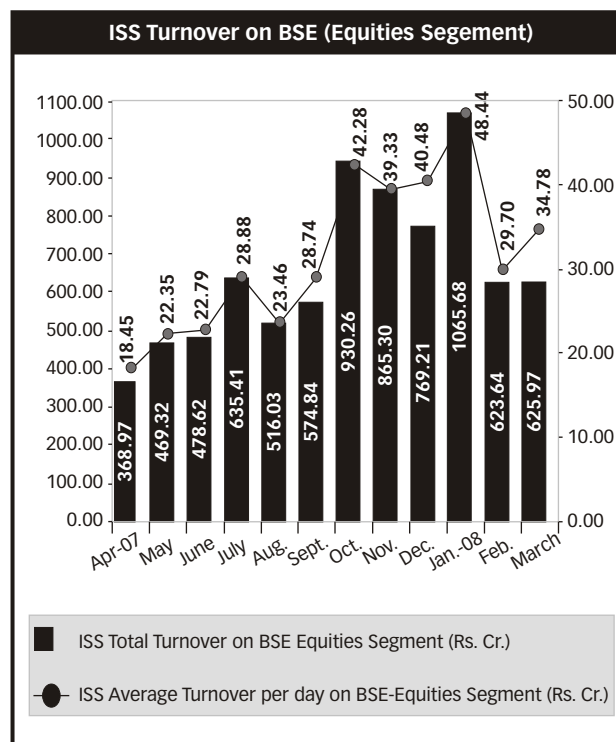
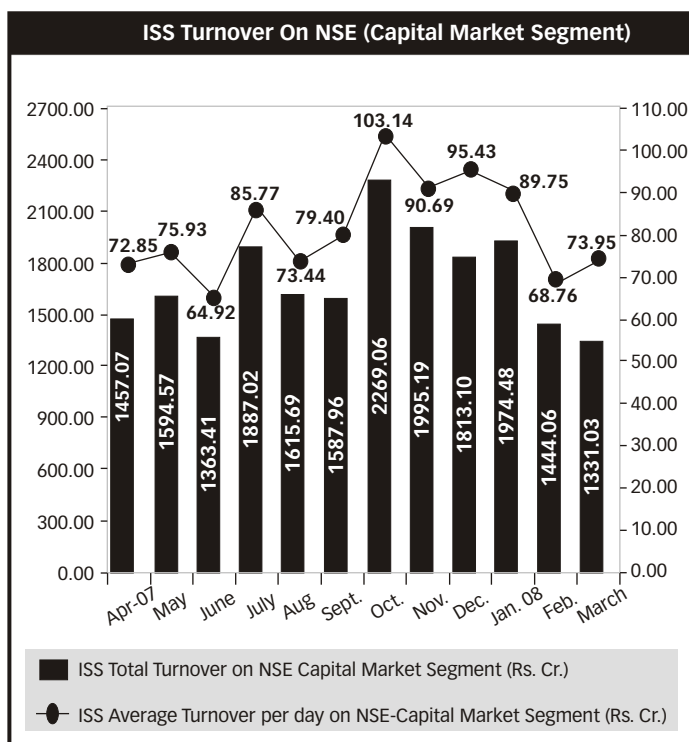
OPERATIONAL HIGHLIGHTS

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

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

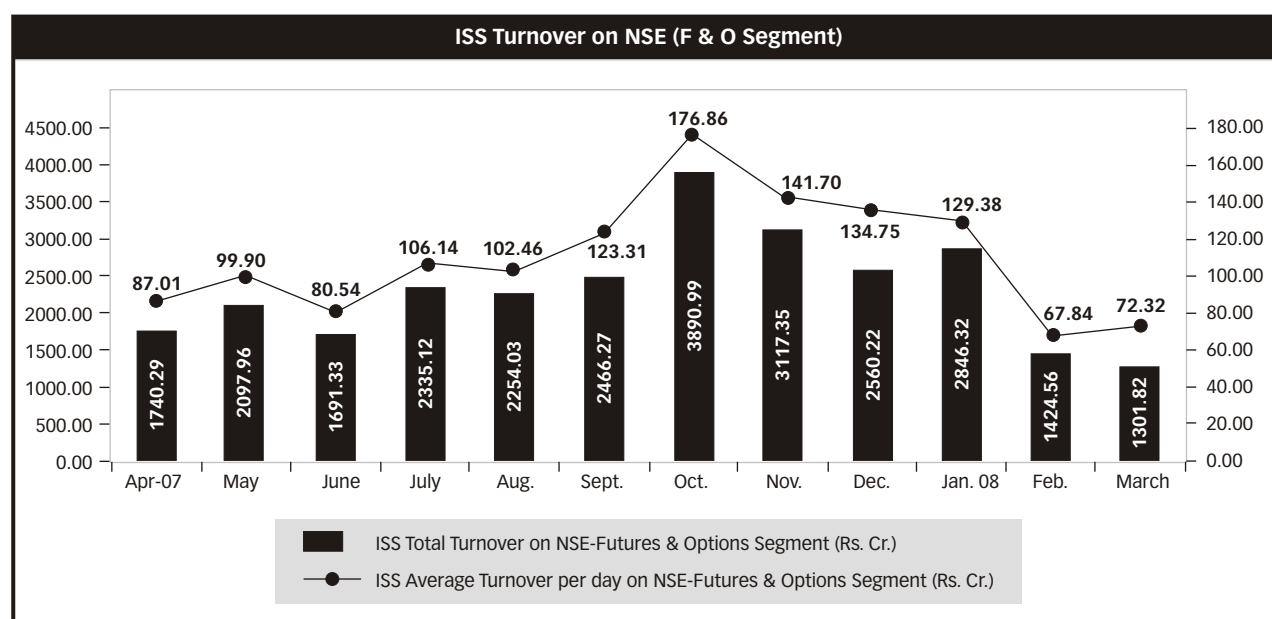
The month-wise statistics of your Company for the financial year in the Capital Market / Equities Segment of NSE and BSE are given below and the same are also represented below diagrammatically:

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



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

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



TECHNOLOGY AND SYSTEMS

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

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

center have been decentralized.

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

NEW LAUNCHES IN 2007-08

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

OPERATIONS OF THE COMPANY

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

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

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

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

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

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

OUTLOOK FOR THE YEAR 2007-08

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

OFFICE INFRASTRUCTURE

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

COMPLAINTS REDRESSAL, ARBITRATION AND LEGAL CASES

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

SHARE CAPITAL

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

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

CHANGES IN THE BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

BOARD PROCEDURES

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

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

DETAILS OF ATTENDANCE OF THE DIRECTORS IN THE BOARD MEETINGS

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

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

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

GENERAL BODY MEETINGS

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

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

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

2. Extra-ordinary General Meetings (EGMs):

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

AUDIT COMMITTEE

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

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

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

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

Auditors

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

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

INTERNAL CONTROL SYSTEMS AND ADEQUACIES

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

HUMAN RESOURCES AND PARTICULARS OF EMPLOYEES

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

STATUTORY DISCLOSURE OF PARTICULARS

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

CORPORATE GOVERNANCE

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

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

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

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

ACKNOWLEDGEMENTS

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

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

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

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

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

By order of the Board of Directors

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

Sd/-
P.J. MATHEW
Director

AUDITORS' REPORT

The Members,
ISE Securities And Services Limited.
Mumbai.

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

For A. J. SHAH & COMPANY,
Chartered Accountants

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

Place: Mumbai
Date: July 21, 2008

Annexure to the Auditors' Report

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

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

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

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

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

For A. J. SHAH & COMPANY,
Chartered Accountants

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

Place: Mumbai
Date: July 21, 2008

ISE Securities & Services Limited

Balance Sheet as At March 31, 2008

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

As per our attached Report of even date

For and on behalf of the Board of Directors

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

Sd/-
R. Sadanandam
Public Representative Director

Sd/-
P J Mathew
Director

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

Sd/-
Manisha Thakur
Company Secretary

Place: Mumbai
Date: July 21, 2008

Place: Vashi, Mumbai
Date: July 21, 2008

ISE Securities & Services Limited

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

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

As per our attached Report of even date

For and on behalf of the Board of Directors

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

Sd/-
R. Sadanandam
Public Representative Director

Sd/-
P J Mathew
Director

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

Sd/-
Manisha Thakur
Company Secretary

Place: Mumbai
Date: July 21, 2008

Place: Vashi, Mumbai
Date: July 21, 2008

ISE Securities & Services Limited

Schedules forming part of the Balance Sheet

SCHEDULE 1 : SHARE CAPITAL

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

SCHEDULE 2 : RESERVES & SURPLUS

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

SCHEDULE 3 : UNSECURED LOANS

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

SCHEDULE 4 : DEFERRED TAX LIABILITY

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

SCHEDULE 5 : FIXED ASSETS

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

SCHEDULE 6 : INVESTMENTS

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

SCHEDULE 7 : SUNDRY DEBTORS

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

SCHEDULE 8 : CASH AND BANK BALANCES

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

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

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

SCHEDULE 10 : CURRENT LIABILITIES & PROVISIONS

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

SCHEDULE 11 : OTHER INCOME

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

SCHEDULE 12 : EMPLOYEE COST

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

SCHEDULE 13 : COMMUNICATION & NETWORKING EXPENSES

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

SCHEDULE 14 : ADMINISTRATION AND OPERATIONAL EXPENSES

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

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

SCHEDULE 15 : FINANCE COSTS

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

SCHEDULE 16

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

A. Background

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

Significant Accounting Policies and Notes to Accounts

B. Significant Accounting Policies.

a) **Fundamental Accounting Assumptions**

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

b) **Method of Accounting**

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

c) **Use of Estimates**

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

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

d) Revenue recognition

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

e) Fixed/Intangible Assets and Depreciation/Amortisation

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

f) Investments

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

g) Securities in hand

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

h) Taxes on Income

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

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

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

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

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

j) Employees Benefits :

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

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

C. Notes to Accounts

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

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

ii) Remuneration to Auditors:

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

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

5. Long Term Investments

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

6. Sundry Debtors

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

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

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

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

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

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

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

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

Amount in Rupees

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

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

Amount in Rupees

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

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

Amount in Rupees

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

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

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

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

14. Deferred Taxation :

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

(Amount in Rs.)

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

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

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

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

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

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

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

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

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

21. Related party transactions:

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

The Company has entered into transactions with the following related parties

Sr. No.	Name of the Related Parties	Relationship	Country
1	Inter-Connected Stock Exchange of India Ltd.	Holding Company	India
2	Mr. Govind Chavan - Officiating Chief Executive Officer	Key Managerial Personnel	

Transactions with related parties during the period:

(Amount in Rupees)

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

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

Signature to Schedules 1 to 16

As per our attached Report of even date

For and on behalf of the Board of Directors

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

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

Place: Mumbai
Date: July 21, 2008

Sd/-
R. Sadanandam
Public Representative Director

Sd/-
P J Mathew
Director

Sd/-
Manisha Thakur
Company Secretary

Place: Vashi, Mumbai
Date: July 21, 2008

ISE Securities & Services Limited

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

(Amount in Rs.)

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

Notes:

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

As per our attached Report of even date

For and on behalf of the Board of Directors

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

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

Place: Mumbai
Date: July 21, 2008

Sd/-
R. Sadanandam
Public Representative Director

Sd/-
P J Mathew
Director

Place: Vashi, Mumbai
Date: July 21, 2008

Sd/-
Manisha Thakur
Company Secretary

ISE Securities & Services Limited

Balance Sheet abstract and Company's general business profile

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

I. Registration Details

Registration No.

State Code

Balance Sheet Date:

II. Capital Raised during the year

Public Issue

Rights Issue

Bonus Issue

Private Placements

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

Total Liabilities

Total Assets

Sources of Funds

Paid up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Deferred Tax

Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Misc. Expenditure

Accumulated Losses

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

Turnover

Total expenditure

Profit before Tax

Profit after Tax

Earnings per share

Dividend Rate

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

Item Code No.

Product Description