

**INDEPENDENT AUDITORS' REVIEW REPORT
TO THE BOARD OF DIRECTORS OF
FINANCIAL TECHNOLOGIES (INDIA) LIMITED**

1. We have reviewed the accompanying Statement of Standalone Unaudited Financial Results of FINANCIAL TECHNOLOGIES (INDIA) LIMITED ("the Company") for the Quarter and Nine Months ended 31st December, 2013 ("the Statement"), being submitted by the Company pursuant to Clause 41 of the Listing Agreements with the Stock Exchanges, except for the disclosures in Part II - Select Information referred to in paragraph 9 below. This Statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', issued by the Institute of Chartered Accountants of India (ICAI). This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
3. National Spot Exchange Limited (NSEL) is a subsidiary of the Company in which it holds 99.99% equity share capital. In the light of the investment of the Company in NSEL and the transactions between the Company and NSEL, the financial statements of NSEL for the year ended 31st March, 2013 have a direct and material impact and bearing on the financial statements of the Company for the year ended 31st March, 2013. The financial statements of NSEL for the year ended 31st March, 2013 were audited by other auditors and these were considered and relied upon by us for the purpose of our audit of the financial statements of the Company for the year ended 31st March, 2013.

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Pursuant to the developments relating to NSEL, the management of NSEL, by their letter dated 20th September, 2013, had communicated to its auditors and the Company that it was not possible for NSEL to immediately ascertain the financial implications (with respect to, inter alia, the various irregularities in the operations of NSEL coming to light, agencies looking at the legality of contracts and warehouse receipts and income booked by NSEL therefrom, ongoing investigations and forensic audit) and whether its books and records presented as of 31st March, 2013 are true and fair and what adjustments were needed to be carried out with a view to present a correct financial position. Consequently, the auditors of NSEL and its subsidiary, Indian Bullion Market Association Limited (IBMA), in which NSEL has 60.88% equity ownership, citing various developments, investigations and audits relating to NSEL, had communicated to NSEL and IBMA, by their letters dated 21st September, 2013, that the standalone and consolidated financial statements of NSEL and the standalone financial statements of IBMA for the year ended 31st March, 2013 and their audit reports dated 17th May, 2013 and 16th May, 2013 on the said financial statements of NSEL and IBMA, respectively, are no longer to be relied upon.

4. In view of the aforesaid communications dated 20th September, 2013 and 21st September, 2013 from the management and the auditors of NSEL, respectively, provided to us by the Management of the Company, in accordance with the provisions of Standard on Auditing (SA) 560 – Subsequent Events, issued by the ICAI, we communicated to the Management and those charged with Governance of the Company on 23rd September, 2013 that our audit report dated 30th May, 2013 should no longer be relied upon. Subsequently, by our audit report dated 29th November, 2013, we issued a qualified opinion on the financial statements (as amended) of the Company for the year ended 31st March, 2013 which comprised the Balance Sheet as at 31st March, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information, and the supplementary notes which are an addendum to the accompanying notes 1 to 48 to the financial statements for the year ended 31st March, 2013 and which have been approved by the Board of Directors of the Company at their meeting held on 29th November, 2013 [together “the financial statements (as amended)”].

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5. The following matters stated under the 'Basis for Qualified Opinion' paragraphs in our audit report dated 29th November, 2013, on the aforesaid financial statements (as amended) and stated in our limited review report dated 29th November, 2013 on the Statement of Standalone Unaudited Financial Results for the Quarter and Six Months ended 30th September, 2013, continue to be subject matters of qualification for the purposes of our limited review of the Statement as detailed below:

- a)(i) The Company had recognised income of Rs. 3,452.00 lacs from NSEL during the year ended 31st March, 2013 from rendering of various services to NSEL, which included a variable component of Rs. 2,927.60 lacs. As on 31st March, 2013, the total amount receivable from NSEL on this account was Rs. 2,489.27 lacs, which has been realised subsequently during the current financial year.

The above variable component comprised:

- I. revenue of Rs. 2,841.46 lacs towards software maintenance and support services derived on the basis of the underlying revenue recognised by NSEL on account of "transaction fees, delivery charges, warehouse receipt transfer charges for trading, settlement and delivery activities" for the year ended 31st March, 2013, pursuant to agreements/contracts; and
- II. revenue of Rs. 86.14 lacs towards business support services derived on the basis of the underlying gross profits earned on the merchandising activities by NSEL for the year ended 31st March, 2013.

However, as stated in paragraph 3 above, the management of NSEL had communicated that they were not in a position to determine whether its books and records presented as of 31st March, 2013 were true and fair and what adjustments were needed to be carried out with a view to present a correct financial position due to, inter alia, the various irregularities in the operations of NSEL coming to light, agencies looking at the legality of contracts and warehouse receipts and income booked by NSEL therefrom, ongoing investigations and forensic audit. Further, the auditors of NSEL, citing various developments, investigations and audits relating to NSEL, had also communicated that the financial statements of NSEL for the year ended 31st March, 2013 and their audit report thereon were no longer to be relied upon.

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In view of our aforesaid comments and in the absence of sufficient appropriate audit evidence, particularly, in the absence of the audited financial statements of NSEL for the year ended 31st March, 2013, which we could have placed reliance on to validate the underlying elements of revenue and gross profits of NSEL based on which the above mentioned variable component of revenue were derived and accounted for by the Company, significant uncertainty exists regarding the amount of the consideration that could be derived from rendering the service and, hence, we are unable to determine the extent to which the above mentioned revenue aggregating Rs. 2,927.60 lacs, recognised by the Company during the year ended 31st March, 2013, should be de-recognised in the results for the Quarter and Nine Months ended 31st December, 2013 and postponed by the Company, in compliance with the recognition and measurement principles stated in Accounting Standard (AS) 9, 'Revenue Recognition'.

- a)(ii) As stated in Note 8 to the Statement, during the Nine Months ended 31st December, 2013, the Company has recognised income aggregating Rs. 1,515.98 lacs, including variable component revenues of Rs. 1,179.76 lacs (comprising Rs. 1,179.76 lacs for the Quarter ended 30th June, 2013 and Rs. Nil for the Quarters ended 30th September, 2013 and 31st December, 2013). For the reasons stated in 5 (a)(i) above, we are unable to determine the extent to which such variable component of revenue should be de-recognised in the results for the Nine Months ended 31st December, 2013 and postponed by the Company, in compliance with the recognition and measurement principles stated in Accounting Standard (AS) 9, 'Revenue Recognition'.

However, as stated in the said Note, the Company has made a provision of Rs. 1,586.81 lacs during the Nine Months ended 31st December, 2013 (comprising Rs. 1,564.32 lacs and Rs. 22.49 lacs during the Quarters ended 30th September, 2013 and 31st December, 2013, respectively), on a conservative basis, towards the amount receivable for the above said services and the amount due towards reimbursement of expenses from NSEL.

- b) As stated by the Management of the Company in Note 10 to the Statement, Writ Petitions, Public Interest Litigations, Civil Suits have been filed against the Company in relation to the NSEL event, wherein the Company has been made a

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party in the Writ Petitions and Civil Suits, and these matters are pending adjudication. In addition, there is a First Information Report registered, inter alia, against the Company with the Economic Offences Wing. Further, as stated in the said Note 10, based on legal advice, the Management of the Company does not foresee that the parties who have filed the Writ Petitions, Public Interest Litigations, Civil Suits would be able to sustain any claim against the Company. In this regard, the Management and those charged with Governance have represented to us that other than as stated in the said Note 10 to the Statement, there are no claims, litigations, potential settlements involving the Company directly or indirectly which require adjustments to/disclosures in the Statement.

In the light of the above representations regarding the ongoing investigations and matters, the outcome of which is not known and is uncertain at this stage, we are unable to comment on the consequential impact in respect of the same on the results for the Quarter and Nine Months ended 31st December, 2013.

- c) No provision was considered necessary by the Management of the Company for diminution in the value of the Company's long – term investment in NSEL of Rs. 4,499.99 lacs as at 31st March, 2013.

In view of the aforesaid developments relating to NSEL, which represented a subsequent discovery of facts existing on the date of the Balance Sheet as at 31st March, 2013, in our opinion, there were indications of 'other than temporary' diminution in the carrying amount of the Company's investment in NSEL as at 31st March, 2013. However, in the absence of the audited financial statements of NSEL for the year ended 31st March, 2013 (refer paragraph 3 above), non-availability of estimation of future cash flows and earning capacity of NSEL and suspension of NSEL's operations, we were not able to obtain sufficient appropriate audit evidence to determine the amount of provision that would have been needed to be made for diminution in the carrying amount of the Company's investment in NSEL of Rs. 4,499.99 lacs as at 31st March, 2013, in accordance with Accounting Standard (AS) 13, 'Accounting for Investments'.

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However, as stated in Note 5 to the Statement, during the Nine Months ended 31st December, 2013, on a conservative basis, the Company has made a provision, towards diminution, other than temporary, in the value of the entire amount of its long term investment of Rs. 4,499.99 lacs in NSEL and has charged the same to the results for the Quarter ended 30th September, 2013.

6. As stated in Note 9 to the Statement, the Company has outstanding loans and interest thereon aggregating Rs. 21,668.32 lacs as at 31st December, 2013 receivable from NSEL, comprising Rs. 3,143.25 lacs on account of invocation by a bank of additional corporate guarantee given on behalf of NSEL, Rs.17,939.81 lacs on account of bridge loan given to NSEL and Rs. 585.26 lacs on account of interest accrued on the aforesaid loans. Further, as stated in the said Note, no provision has been made by the Management of the Company for the aforesaid outstanding amounts aggregating Rs. 21,668.32 lacs, the realisability of which is dependent significantly on the recovery by NSEL of its dues from its defaulting members.

In view of the developments relating to NSEL and the allegations made/being made and the ongoing investigations by various authorities in this regard, and the matters described in paragraph 3 above, we are unable to determine the provision that may be required to be made in respect of the aforesaid outstanding amount of Rs. 21,668.32 lacs recoverable from NSEL.

7. Except for the possible effects of the matters described in paragraphs 3 to 6 above, and based on our review conducted as stated in paragraphs 1 and 2 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the Accounting Standards notified under the Companies Act, 1956 (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and other recognised accounting practices and policies, has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreements with the Stock Exchanges, including the manner in which it is to be disclosed, or that it contains any material misstatement.

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8. We draw attention to Note 4(c) to the Statement regarding investments made in certain subsidiaries (which exclude NSEL and its subsidiaries, and Financial Technologies Singapore Pte. Ltd. and its subsidiaries) and a joint venture which have accumulated losses and the loans and advances to / receivables from these entities, where the provision made for diminution, other than temporary, in the value of investments is considered to be adequate by the Management of the Company for the reasons stated in the said Note.

Our review report is not qualified in respect of this matter.

9. Further, we also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding and the number of shares as well as the percentage of shares pledged/encumbered and non-encumbered in respect of the aggregate amount of promoters and promoter group shareholding in terms of Clause 35 of the Listing Agreements and the particulars relating to investor complaints disclosed in Part II - Select Information for the Quarter and Nine Months ended 31st December, 2013 of the Statement, from the details furnished by the Registrars.

For Deloitte Haskins & Sells LLP
Chartered Accountants
(Firm Registration No. 117366W/W-100018)



Rajesh K Hiranandani
Partner
(Membership No. 36920)

Mumbai: 14th February, 2014

