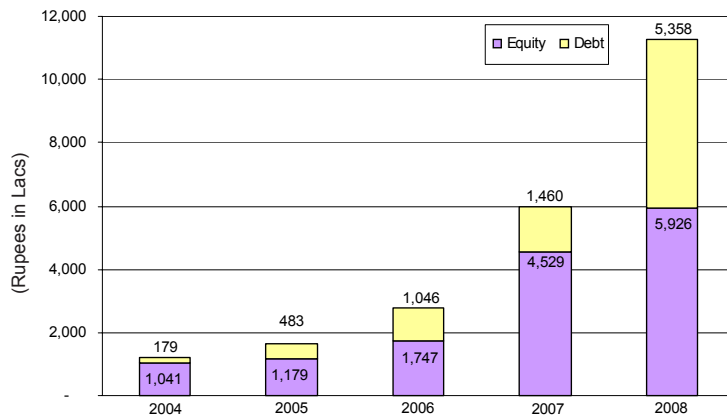


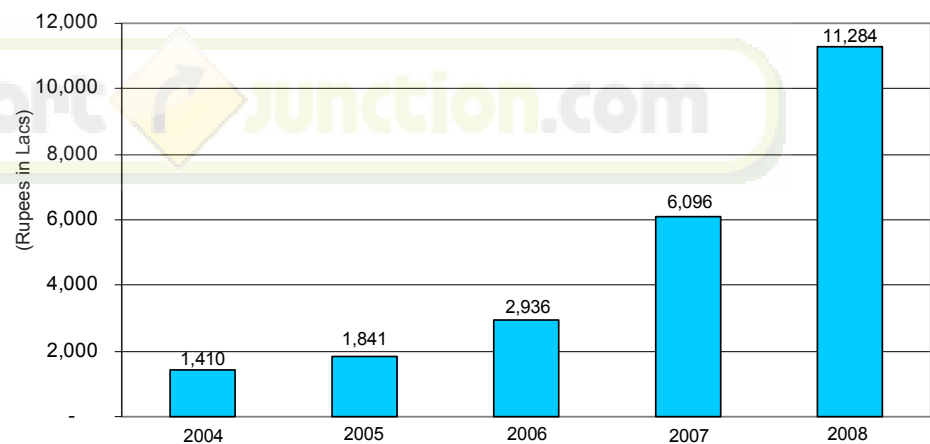
Fortune

With tomorrow's leaders...

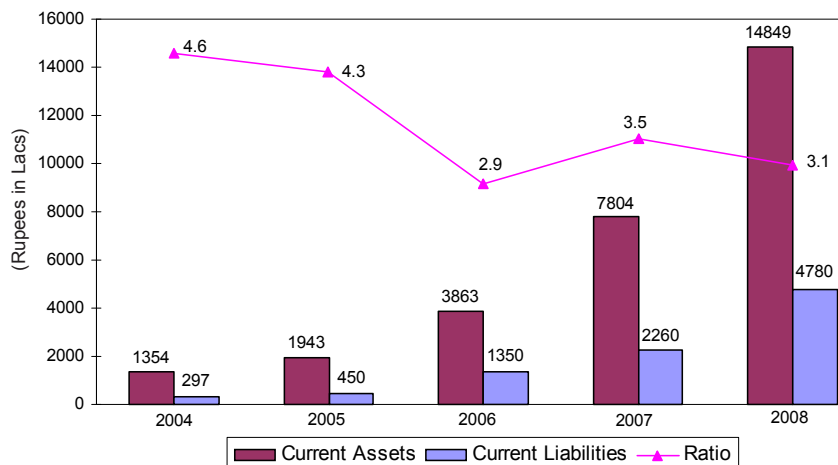
Debt : Equity



Total Assets



Current Ratio





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1. Auditors' Report
2. Financial Statements



CORPORATE INFORMATION

SENIOR MANAGEMENT TEAM

Mr. Vishal Trehan

Country Head – Retail & Broking

Mr. Arun Kumar Bhangadia

Director – Business Development

Mr. Dilip. H. Shinde

Head – Investment Banking

Mr. B.B. Tantri

Head – Operations (Retail & Broking)

Mr. S.G. Muthu Kummar

Head – Corporate Affairs

Mr. Pranav Kumar

Zonal Head – Corporate Sales

Mr. Sanjay Makhija

Zonal Head – Institutional Sales

Mr. Naveen Sharma

Zonal Head – Retail & Broking

COMPANY SECRETARY

Mr. Haroon Mansuri

AUDITORS

M/s. Nipun Sudhir & Associates

Chartered Accountants

LEGAL CONSULTANTS

M/s. Purohit & Co.

Advocates

COMPANY LAW CONSULTANTS

M/s. Mehta & Mehta

Company Secretaries

BANKERS

Axis Bank Limited, Union Bank of India,

HDFC Bank Limited, Vijaya Bank, Dena Bank

REGISTRAR & SHARE TRANSFER AGENT

Purva Shareregistry (India) Pvt. Ltd.

Unit No.9, Ground Floor, Shivshakti Industrial Estate,

7-B, Sitaram Mill Compound, J.R. Boricha Marg,

Lower Parel, Mumbai – 400 011.

REGISTERED OFFICE

2nd Floor, K.K. Chambers, Sir. P.T. Marg, Fort,

Mumbai – 400 001.

BOARD OF DIRECTORS

Mr. J.T. Poonja

Chairman

Mr. Nimish C Shah

Vice Chairman and Managing Director

Mr. Diptesh Shah

Executive Director

Mr. C.R. Mehta

Director

Mr. Gaurang A Patel

Director

Mr. Ramesh Venkat

Director

Mrs. Sangeeta J Poonja

Director

Mr. Shailesh Haribhakti

Director

Mr. Sohan C Mehta

Director



CHAIRMAN'S MESSAGE

Dear Shareholder,

I take a great pleasure in sharing with you the highlights of another year of great achievements.

The Indian economy recorded a growth of 8.7% during the year 2007-08 with deceleration attributable to global factors such as economic slowdown in the US, high oil prices combined with rising food prices. The Index of Industrial Production (IIP) rose by 8.7% in 2007-08 as against 11.2% a year ago. The industry groups that registered slower growth in 2007-08 were textiles, paper and products, non-metallic mineral products and transport equipments and parts and industry group that registered growth were mining and electricity generation. Despite a moderate growth, the Indian economy's performance was commendable given the sharply lower growth in the rest of the world and turbulent conditions in global financial markets.

Coming to Indian capital market, the equity market witnessed large swings in 2007-08 with the BSE Sensex increasing by 19.7% to 15,644 at end-March 2008 but with the peak at 20,873 during the year 2007-08. Sound macroeconomic fundamentals, increase in profits of corporates and foreign funds inflow through the FIIs could be some of the reasons for the positive sentiments that prevailed in the Indian equity markets.

The company created many milestones during the year 2007-08 and forged ahead in business from strength to strength despite the volatility prevalent in the capital market. Some of the major milestones achieved by the company are

- a) Formation of Fortune Credit Capital Ltd., as a 100% subsidiary for carrying out NBFC and other financial activities;
- b) Formation of Fortune Insurance Advisory Services (India) Ltd., as a 100% subsidiary for carrying out Insurance Distribution Activities;
- c) Conversion of Fortune Equity Brokers (India) Ltd., into 100% subsidiary;
- d) Transfer of Capital Market Undertaking business of Fortune Financial Services (India) Ltd., to its wholly owned subsidiary has been completed through Slump Sale;
- e) Launching of new services like Portfolio Management Services, On-line services for various distribution activities;
- f) Expansion of business activities on Pan-India basis by commencing business operations 51 locations as on March 2008;

Apart from above, the Company has been focusing on professional and experienced manpower to take care of expanding operations as the Company is of the view that the people have been the single most important asset and the Company continues to place high importance to align human resources with the evolving profile of the business. The total manpower in the Company has increased by 173 employees to 243 during the year 2007-08. In order to improve efficiency and resultantly productivity, the Company has incurred sizable expenditure to improve infrastructure facilities with the latest state-of-the-art office automation and other infrastructural requirements.

In the Investment Banking activities, the Company has managed 4 transactions for raising FCCBs worth US\$ 100.2 million for Indian corporates and also managed initial public offerings/ rights issues worth Rs.560.15 millions for Indian Corporates as a Book Running Lead Manager/Lead Manager. Further, the Company has syndicated Term Loan/ECB of US\$ 165 million and raised Private Equity of US\$ 70 million for Indian corporates during the year under review.

During the year, the Company on consolidated basis achieved highest ever income of Rs. 5,144.19 Lacs with highest ever profit after tax of Rs.1,655.36 Lacs recording a growth of 142% and 118% respectively against that of year 2006-07. The networth of the Company increased to Rs.5,926.25 Lacs as on March 31, 2008 from Rs.4,528.85 Lacs. While the year 2007-08 ended well, I foresee several challenges ahead such as rising costs, wage inflation, depressed capital market conditions, severe competition coupled with global pressure. However, in spite of all these challenges, I can assure you that the Company will strive hard to deliver healthy financial performance to meet your expectations.

I believe that over the years, our strength has been identifying business opportunities early and creating value by growing niche segment. In the year 2007-08, the Company expanded its capital market, retail and investment banking activities to various locations which I believe fits well in the Company's positioning in all spheres of its business categories.

My vision for the Company is to continue to excel and target high standards of organizational and operational efficiency thereby achieving the continuous growth in business. I firmly believe that this will be achieved by the Company with your continued faith, trust and support. I express my sincere gratitude to you with the trust that the encouragement and patronage shown by you will continue in days to come so that the Company can scale greater heights.

June 26, 2008

J.T. Poonja
Chairman



MD'S MESSAGE

Dear Shareholders,

I take great pleasure in sharing with you the highlights of the performance of "Fortune" Group for the year ended March 31, 2008.

The year 2007-08 has seen the achievement of a major milestone in the growth path of the group. The group for the first time in its corporate history has crossed a revenue mark of Rs.50 crores during the year. The Company not only achieved significant improvements across parameters such as revenues, profits, earning per share and return on capital employed but also laid the foundations for rapid expansions in all its business activities.

The group's performance for the year 2007-08 reflects evidence of its intent and effectiveness to perform better and better in years to come:

- Rs.5,144 Lacs revenues, up 142% over the year 2006-07
- Rs.1,655 Lacs PAT, up 118% over the year 2006-07
- Earning Per Share at Rs. 16.55, up 69% over the year 2006-07

These financials show only one aspect of the Company's performance. Many successful initiatives that catalyzed the growth were taken during the year 2007-08 that are:

- Expanded to 51 business locations across seven states on pan-India basis.
- Launching of new services like Portfolio Management Services, On-line Distribution of application, distribution of insurance, NBFC activities.
- Improving the infrastructural facilities including technology upgradation to improve the efficiency and attain zero defect operations.
- Strengthening of Investment banking Division to cater to increased demand in all segments of capital market.

One of the heartening features of our growth is that it has always been broad based, reinforcing our belief that our business-mix is prudent and do not end up in dilution of our core competence. During the year 2007-08, Stock Broking accounted for 64 percent while Investment Banking accounted for 31 percent of Revenues and other activities contributed 5 percent to the Revenues. Here are some highlights of developments in each business segment:

Investment Banking:

During the year the Investment Banking Division successfully undertaken 4 FCCB Issues, 1 Initial Public Offering, 1 Rights Issue, 2 Syndicated Foreign Currency Term Loans, 1 ECB syndication and 1 Private Equity Placement aggregating Rs.1,396.80 crores equivalent to US\$ 349.20.

Broking and Retail:

On account of expansion of broking and retail business, launching new product mix supported by buoyant capital market conditions, research, sales and marketing team created on pan-India basis during the year under review the segmented results have improved substantially during the year 2007-08.

Others:

The Company is one of the leading distributors of financial products including IPOs and Mutual Funds. The Company is now focusing more on the distribution of Mutual Fund, Insurance Products. Further, the group has also commenced insurance operations during the year and has started marketing various insurance products of renowned companies.

Capital raised during March 2008 infused into the business during the year successfully. The group, as a corporate strategy, completed restructuring of business module by creating independent business verticals for broking and retail, commodities, insurance and NBFC operations. The parent company continues to concentrate on investment banking and PMS activities.

The capital market conditions have changed significantly since January 2008. Market volumes, which had reached record levels in the year 2007-08, have dropped almost 20-25%. The only solution for growth in the business in this challenging period is to increase market share profitably. The Company plan to achieve this through higher productivity and business per employee on one hand and reduction of cost through optimum utilization of resources.

I would like to express my gratitude to our Board of Directors for their continued support and guidance. I am also grateful to all our stakeholders, our customers, business associates, bankers, regulatory authorities, employees and shareholders for reposing their trust and constant support.

June 26, 2008

Nimish C. Shah
Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS

Macroeconomic Overview

The economy has moved decisively to a higher growth phase. Till a few years ago, there was still a debate among informed observers about whether the economy had moved above the 5 to 6 per cent average growth seen since the 1980s. There is now no doubt that the economy has moved to a higher growth plane, with growth in GDP at market prices exceeding 8 per cent in every year since 2003-04. The projected economic growth of 8.7 per cent for 2007-08 is fully in line with this trend. There was acceleration in domestic investment and saving rates to drive growth and provide the resources for meeting the 9 per cent (average) growth target of the Eleventh Five-Year Plan.

Macroeconomic fundamentals continue to inspire confidence and the investment climate is full of optimism. Buoyant growth of government revenues made it possible to maintain fiscal consolidation as mandated under the Fiscal Responsibility and Budget Management Act (FRBMA). The decisive change in growth trend also means that the economy was, perhaps, not fully prepared for the different set of challenges that accompany fast growth. Inflation flared up in the last half of 2006-07 and was successfully contained during the current year, despite a global hardening of commodity prices and an upsurge in capital inflows. An appreciation of the rupee, a slowdown in the consumer goods segment of industry and infrastructure (both physical and social) constraints, remained of concern. Raising growth to double digit will therefore require additional reforms.

Investment Banking

The primary capital market grew in 2006 and 2007 after the set back of 2005. The amounts raised and the number of new issues which entered the market increased in 2007. The total amount of capital raised through different market instruments during 2007 was 31.5 per cent higher than during 2006, which itself had seen a rebound of 30.6 per cent over the lows of 2005. Component-wise, private placement at Rs.1,11,838 crores (up to November 2007) accounted for the major share during 2007. The total equity issues mobilized was Rs. 58,722 crores, of which Rs.33,912 crores was accounted for by the Initial Public Offerings (IPOs).

During 2007, the total number of IPOs issued was 100 as compared to 75 in the previous year. In line with the rising trend in resources raised in the primary market, the net inflow of savings into mutual funds increased by over 30 per cent in 2007 to Rs.1,38,270 crores. The sharp increase in funds flowing into mutual funds during 2007 was partly due to buoyant equity markets and partly to efforts made by the Indian mutual funds to introduce innovative schemes. Income/debt-oriented schemes fared relatively better during the year compared to other schemes.

Capital Market

In the secondary market segment, the market activity expanded further during 2007-08 with BSE and NSE indices scaling new peaks of 21,000 and 6,300, respectively, in January 2008. Although the indices showed some intermittent fluctuations, reflecting change in the market sentiments, the indices maintained their north-bound trend during the year. This could be attributed to the larger inflows from Foreign Institutional Investors (FIIs) and wider participation of domestic investors, particularly the institutional investors. During 2007, on a point-to-point basis, Sensex and Nifty Indices rose by 47.1 and 54.8 percent, respectively.

The buoyant conditions in the Indian bourses were aided by, among other things, India posting a relatively higher GDP growth amongst the emerging economies, continued uptrend in the profitability of Indian corporates, persistence of difference in domestic and international levels of interest rates, impressive returns on equities and a strong Indian rupee on the back of larger capital inflows. Amongst the NSE indices, both Nifty and Nifty Junior delivered record annual equity returns (current year-end index divided by previous yearend index multiplied by 100) of 54.8 per cent and 75.7 per cent, respectively, during the calendar year 2007. While Nifty gave compounded returns of 34.4 per cent, Nifty Junior recorded compounded returns of 38.4 per cent per year between 2003 and 2007. In terms of month-to-month movement, the NSE indices (Nifty and Nifty Junior) were subdued during February and August 2007, while they showed a rising trend during the rest of the year.