

Fifth Annual Report, 2002-03



Easier Access, Wider Reach

INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

Fifth Annual Report, 2002-03



Easier Access, Wider Reach

INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

BOARD OF DIRECTORS

1. R. Mayya, Chairman
2. Shankar, Managing Director (Officiating)
3. A. Vijayan Menon, SEBI Nominee
4. (Retd.) A. D. Tated, Public Representative
5. V. Narasimham, Public Representative
6. Mala Visvanathan, Public Representative
7. R. Iyer, Public Representative
8. W. Deshmukh, Public Representative
9. M. Joshi, Public Representative Director
10. Ranga Prasad, Trading Member, Nominee of Hyderabad Stock Exchange
11. Ravi B. Patel, Trading Member, Nominee of Saurashtra Stock Exchange
12. Shish M. Parikh, Trading Member, Nominee of Mangalore Stock Exchange
13. Ramal Kumar Nahata, Trading Member, Nominee of Gauhati Stock Exchange
14. Rameshwar Nath Pandey, Trading Member, Nominee of Magadh Stock Exchange

REGISTERED OFFICE

Additional Infotech Part, Tower 7, 5th Floor,
- 30, Vashi, Navi Mumbai - 400 703.

(022) 2781 2056 / 58 / 59 / 62 / 2390, Fax: (022) 2781 2061
isesec@bom3.vsnl.net.in Internet Url: <http://www.iseindia.com>

TUTORIAL AUDITORS

C. Chokshi & Co., Chartered Accountants

LEGAL / COMPANY LAW ADVISORS

1. Ranga & Co., Advocates, Solicitors and Notary
2. Shankar & Associates, Advocates, Solicitors and Notary
3. D. Israni & Co., Company Secretaries

BANKERS

1. Bank Limited
2. Bank Limited
3. Bank Limited
4. Bank Limited
5. Bank Limited

INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING TO BE HELD ON MONDAY, SEPTEMBER 29, 2003 AT 11.00 A.M. AT THE REGISTERED OFFICE OF THE COMPANY.

NOTICE is hereby given that the Fifth Annual General Meeting of the Members of Inter-connected Stock Exchange of India Limited will be held on Monday September 29, 2003 at 11.00 a.m. at the Registered Office of the Company at International Infotech Park, Tower 7, 5th floor, Sector 30, Vashi, Navi Mumbai - 400 703 to transact the following Business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the reports of the Directors and Auditors and the Audited Profit and Loss Account of the Company for the year ended March 31, 2003 and the Balance Sheet as at that date;
2. To consider and approve the nomination of Smt. Asha Manjari Mishra a Nominee of Bhubaneswar Stock Exchange, in place of the Nominee of Madhya Pradesh Stock Exchange, as a Director whose term of office shall be liable to retirement by rotation;
3. To appoint the Auditors and to fix their remuneration.

SPECIAL BUSINESS:

4. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as a "Special Resolution":

"RESOLVED THAT in accordance with the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Securities and Exchange Board of India (SEBI), the existing Articles 27.4 and 27.8 of the Articles of Association of the Company be and are hereby deleted and in its place the following new Articles be and are hereby inserted as Article 27.4 and 27.8 of the Articles of Association of the Company respectively.

- 27.4 The concerned Regional Arbitration Panel, and in case this Panel has not been constituted, the Central Arbitration Panel, will have jurisdiction in respect of all claims and disputes between Traders inter-se where the complainants and respondents are from the same Member Exchange, between Traders and Non-traders (the term Non-traders shall mean clients, remisiers, authorised clerks and employees of the concerned Traders) arising out of or in a relation to any dealings, transactions or contracts made through this Company, which shall be subject to the provisions of the Arbitration and Conciliation Act, 1996 and the Articles of Association, Rules, Bye-Laws and Regulations of the Company.

The Arbitrators appointed for a particular case, called the Arbitral Tribunal, may with the agreement of the parties, use mediation, conciliation or other procedure at any time during the Arbitral proceedings to encourage settlement. In case during the proceedings, parties settle their dispute, then the Arbitral Tribunal shall terminate the proceedings and record the settlement in the form of an Arbitral Award on the substance of the dispute.

Provided further that the Arbitrators chosen or appointed for a particular case in which one of the parties is not a Trader or Dealer, shall be from among the Public Representatives in the Central Arbitration Panel or Regional Arbitration Panel, as the case may be.

RESOLVED THAT Shri V. Shankar, Managing Director (Officiating) or Shri . Shah, Company Secretary be and is hereby authorised to do all such acts, things and to take the necessary actions for obtaining the necessary permissions approvals and to give effect to this Resolution for the above referred amendments in es of Association of the Company."

BY ORDER OF THE BOARD

**DIPAK K. SHAH
COMPANY SECRETARY**

, Navi Mumbai
t 30, 2003

Member is requested to forward to the Company certified copy of the Board n authorising their representatives to attend the Meeting and to exercise such ts along with duly attested signatures of such representative.
natory Statement pursuant to Section 173(2) of the Companies Act, 1956 in
Special Business is annexed hereto.

EXPLANA
ACT, 1956

IN RESPE

Members
SEBI/SMD
to amend t
disputes t
Exchange
purpose sh

The Gover
resolution
the Compa

As per the
of Associat
a General
Company

The Board
by the Men

None of the

Place: Var
Date: Aug

INTER-CONNECTED STOCK EXCHANGE OF INDIA
EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES
ACT, 1956

IN RESPECT OF ITEM NO. 4

Members of the Company are hereby informed that SEBI vide its Circular No. SEBI/SMD/SE/Cir-19/2003/02/06 dated June 02, 2003 has advised all the Stock Exchanges to amend their Bye-Laws, Rules and/or Articles of Association to provide that in the case of disputes between investors (i.e. non-trading members) and trading members of the Exchange the arbitration committees/arbitration councils/arbitration panels constituted for the purpose shall consist of persons other than trading members of the Stock Exchange.

The Governing Board of the Exchange in its Meeting held on July 12, 2003 had passed a resolution to amend the relevant provisions of the Bye-laws and the Articles of Association of the Company, subject to approval of the General Body and SEBI.

As per the provisions of Section 31 of the Companies Act, 1956, amendments in the Articles of Association of a Company are required to be approved by the Members of the Company in a General Meeting. The proposed resolution is therefore placed before the Members of the Company in the General Meeting.

The Board of Directors of the Company recommends the adoption/passing of the resolution by the Members of the Company.

None of the Directors of the Company is interested in the proposed resolution.

BY ORDER OF THE BOARD

**DIPAK K. SHAH
COMPANY SECRETARY**

Place: Vashi, Navi Mumbai
Date: August 30, 2003

INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

DIRECTORS' REPORT

The Board of Directors of Inter-connected Stock Exchange of India Ltd. (ISE) is pleased to present its Fifth Annual Report for the year ended on March 31, 2003, together with the Auditors' Report and Audited Accounts upto that date.

A. MARKET SCENARIO

Market Indices

The year under review was one of the most difficult ones for the stock markets not only in India, but also across the world, with the primary market in a moribund state and the secondary market too remaining depressed. The BSE (Bombay Stock Exchange) Sensex, which was 3500.18 on April 1, 2002, shed 12.9% to close at 3048.72 on March 31, 2003. The NSE (National Stock Exchange) Nifty, likewise, lost 14.11% from the opening value of 1138.95 on April 1, 2002 to the closing value of 978.2 on March 31, 2003. During the same period, all international indices suffered even greater erosion in their values, with the Nasdaq (USA) index losing 28.00%, Dow Jones (NYSE) 22.88%, FTSE (UK) 39.19%, Nikkei (Japan) 27.71%, Hang Seng (Hong Kong) 20.62% and Straits Times (Singapore) also recording a loss of 29.14%.

Many factors contributed to the poor sentiment in the stock market in India, including deployment of battle-ready army along the Indo-Pak border, one of the weakest monsoons leading to drought in many parts of India, violence in Gujarat and delay in disinvestment programme of some large public sector units. International events, such as accounting scandals in the USA, the large number of bankruptcies filed by US corporates, crash in global markets and military conflict between USA/UK and Iraq also contributed to the negative mood overall.

Market Capitalisation

The market capitalisation of securities listed on stock exchanges in India declined during the Financial Year 2002-03. On BSE, which has the largest number of securities listed, the market capitalisation declined from Rs.6,12,200 crores in April 2002 to Rs.5,72,200 crores in March 2003 - a loss of Rs.40,000 crores or 6.5% during the fiscal. The market cap as a percentage of the Gross Domestic Product (GDP) has been showing a steady decline over the last decade, with the only exception being in the year 1999-2000 when there was an increase in this percentage. The table below reflects the trend:

Year	Market Cap (Rs. Crores)	Market Cap (as % of GDP*)
1994-95	4,35,500	43.0
1995-96	5,26,500	44.3
1996-97	4,63,900	33.9
1997-98	5,60,300	36.8
1998-99	5,45,400	31.3
1999-2000	9,12,800	47.3
2000-01	6,25,600	29.7
2001-02	6,12,200	26.7
2002-03 #	5,72,200	25.6

Source CMIE

* GDP at Current Market Prices

Based on advance GDP estimates

This ratio is more than 100% in countries such as US, UK, Singapore and Hong Kong and in countries like Japan, Germany and China, the ratio is significantly higher than in India.

Primary Market

Number of Initial Public Offerings (IPOs) made during this financial year hit an all-time low, only six issues coming to the market, compared to seven in the previous year (2001-02). Six IPOs mobilised just Rs.1,038 crores in 2002-03, as compared to Rs.1,202 crores raised by seven IPOs in the previous year. On the whole, Rs.5732 crores were raised by fourteen issues in the Primary Market in the year under review, as compared to Rs.7,543 crores from fifteen issues in the previous year.

Secondary Market

Secondary Market recorded a turnover of Rs.9,70,000 crores, which represented an increase of 14% over the previous years' turnover.

Depository Operations

Dematerialisation of securities listed on the stock exchanges progressed further in the year 2002-03, which also saw dematerialisation of debt instruments. SEBI directed both the depositories, National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) to also take debt instruments into their fold, so that the marketability and liquidity of the instruments could improve.

SEBI further directed the stock exchanges to abolish the no delivery period by May 1, 2002, as T+1 settlement of transactions did not require such a period. Consequent to certain changes in the systems made by the two depositories, all the stock exchanges, including ISE, moved over to T+2 settlement cycle from April 1, 2003, as advised by SEBI. Further changes being made by the depositories in consultation with the stock exchanges, such as introduction of Straight Through Processing, to facilitate launch of T+1 settlement in 2004.

Regional Stock Exchanges

In view of the high turnovers in the secondary market gravitating to NSE and BSE from the regional stock exchanges, it was necessary for the regional stock exchanges to re-engineer their role. The regional stock exchanges have initiated a number of measures to ensure that their members, who play an important link in the secondary market distribution chain, continue to perform the role of servicing retail and small investors spread throughout the country. ISE, promoted by regional stock exchanges, witnessed greater interest from members of the promoting exchanges, besides Dealers directly appointed by ISF, for availing services offered by ISE and subsidiary, ISE Securities & Services Ltd. (ISS).

In view of consolidating the regional stock exchanges, SEBI appointed a Committee under the chairmanship of Shri M. R. Mayya, Chairman, ISE, to work out the modalities for setting up a common trading platform on the lines of the Euronext Exchange for trading exclusively in the shares of companies with paid-up capital upto Rs.20 crore.

Derivatives

Forward & Options (F&O) segment reported a turnover of Rs.4,43,385 crore during 2002-03 as compared to Rs.1,04,069 crores during the preceding year. The rise in the turnover in the year under review was a hefty 426% over the previous year.

Stock Futures account for 65% of the total F&O turnover, followed by Stock Options (23%), Index Futures (10%) and Index Options (2%). The trading activity in the F&O segment reveals that near-month contracts (one month tenure) were more popular than the two-month or three-month contracts; that Futures were more popular than Options; that contracts on securities were more popular than those on indices and that Call Options were more popular than Put Options.

Corporatisation and Demutualisation of Stock Exchanges

SEBI appointed a Committee under the Chairmanship of Justice (Retd.) M. H. Kania on Corporatisation and Demutualisation of stock exchanges. This Committee presented a Report to SEBI giving a series of recommendations on the ownership and governance structures required to be followed at all stock exchanges. Essentially, the Committee proposed that the ownership interest, trading interest and management interest in stock exchanges should be segregated.

Taking into consideration these recommendations, SEBI opted for a uniform model of corporatisation and demutualisation of stock exchanges, envisaging conversion of the stock exchanges into companies limited by shares and changing their character from "not-for-profit" entities into "for profit" companies. SEBI has also requested the Government to amend the Income Tax Act for exempting the accumulated profits of the stock exchanges from taxation, as the current "not-for-profit" character of the stock exchanges was, in a large measure, responsible for excluding their profits from the tax net.

B. OPERATIONAL PERFORMANCE

Trading and Settlement

The Online Regional Bourses Interconnected Trading (ORBIT) software and the Automated eXchange Integrated Settlement (AXIS) settlement software, which were implemented towards the later part of the Financial Year 2001-02 were fully stabilised in the Financial Year 2002-03. Continuous enhancements were incorporated in these two software packages to ensure that they remained contemporary and state-of-the-art.

ISE bagged an order from the Madras Stock Exchange Ltd. for sale and commissioning of the ORBIT and AXIS software packages. The feedback received from the Madras Stock Exchange about the performance of the trading and settlement applications has been highly encouraging.

The total turnover recorded on the Exchange during the Financial Year 2002-03 was Rs.26.56 crores, as compared to Rs.69.61 crores in the previous year.

Listing

The total number of companies listed on ISE is 12. Trading on ISE is possible in securities of listed companies and in permitted securities, which at present, is roughly 900.

Membership

Madras Stock Exchange Ltd. was re-admitted as a Member of ISE on September 30, 2002. Consequently, there are 14 Stock Exchanges who are Members of ISE and they are: Bangalore, Bhubaneswar, Cochin, Coimbatore, Gauhati, Hyderabad, Jaipur, Madhya Pradesh, Madras, Magadh, Mangalore, Saurashtra Kutch, Uttar Pradesh and Vadodara Stock Exchanges.

Traders and Dealers

Position relating to registration, resignation and transfer of trading rights by Traders and Dealers during the Financial Year 2002-03 is given below:

	Position as on 1.4.2002	Fresh Registrations	Resignations/ Transfers	Position as on 31.3.2003	Change
Traders	226	9	26	209	(-)17
Dealers	335	9	4	340	(+) 5

Distribution of Traders and Dealers across the different regions is given below:

Region	States covered	Registered Traders	Registered Dealers	Total
West	Goa, Gujarat, Maharashtra	41	189	230
North	Haryana, Jammu & Kashmir, New Delhi, Punjab, Rajasthan, Uttaranchal, Uttar Pradesh	21	65	86
East	Assam, Bihar, Jharkhand, Orissa, West Bengal	60	65	125
South	Andhra Pradesh, Karnataka, Kerala, Tamil Nadu	83	12	95
Central	Chhattisgarh, Madhya Pradesh	4	9	13
Total		209	340	549

Settlement Guarantee Fund

Corpus of the Settlement Guarantee Fund (SGF) set up by ISE in accordance with the SEBI Settlement Guarantee Fund Regulations, 2001 has grown from Rs.17.16 crores as at the end of the Financial Year 2001-02 to Rs.19.07 crores as at the end of the Financial Year 2002-03. The break-up of this Fund in terms of various constituents is given below:

(Rs. Crores)

Sl. No.	Item	As on 1.4.2002	As on 31.3.2003
	Cash contribution from Promoter Stock Exchanges	1.20	1.30
	SGF Admission Fees paid in cash by Traders and Dealers	0.43	0.44
	BMC of Traders and Dealers maintained in the form of cash	5.10	5.07
	BMC of Traders and Dealers maintained in the form of FDRs/BGs/Securities	5.97	6.31
	BMC of Traders maintained in the form of Undertakings from Promoter Stock Exchanges	2.96	3.54
	Interest accrual on cash component of SGF	1.50	2.41
	Total Corpus of SGF	17.16	19.07

Investor Protection Fund and Investor Services Fund

ISE maintains Investor Protection Fund (IPF) and Investor Services Fund (ISF) as per the requirements of SEBI.

Investor Grievances Cell

The Investor Grievances Cell of the Exchange attends to complaints of investors against Traders and Dealers, as well as against companies. ISE follows up on each complaint lodged by the investors and arranges conciliation meetings between the parties and where the conciliation effort does not result in an amicable settlement, the parties are advised to refer the matter to arbitration. During the year under review, no fresh complaint was received by ISE and the solitary complaint pending with the Exchange at the beginning of the year was referred to the Disciplinary Action Committee and the decision of the Committee has been implemented.

Training Programmes

ISE stepped up its efforts in the area of training and education. The ISE Training & Research Centre (ISE-TRC) played an active role in conducting training programmes for stock brokers and other market intermediaries, as well as training/orientation programmes for its staff. Some of the significant programmes arranged by ISE-TRC are listed below:

Date	Programme
December 12-14, 2002	3-day training programme on Capital Market for officers and staff of ISE/ISS and Member Exchanges.
January 6-9, 2003	Personality Development programme and Understanding of the Mission Statement of ISE for the employees of ISE/ISS.
March 2, 2003	Talk on Union Budget - 2003-04 by H. P. Ranina, eminent Supreme Court Advocate, in association with Jankidevi Bajaj Institute of Management Studies of SNDT Women's University
June 21, 2003	Investor Awareness Programme under the auspices of the Securities Market Awareness Campaign of SEBI inaugurated by the Hon'ble Deputy Chief Minister of Maharashtra, Shri Chhagan Bhujbal.

Pending legal cases

During the period under review, there were three legal cases pending against ISE. The Exchange is taking adequate steps to defend these cases through its legal advisors/advocates. There are no arbitration cases pending against ISE.

Defaults and Expulsions

Two Dealers were declared defaulters on ISE during the year under review, consequent to their being declared defaulters on another Stock Exchange, under the Multiple Membership Guidelines. Similarly, a Trader of ISE was expelled consequent to his expulsion on the parent Stock Exchange.

try Operations

urities & Services Ltd. (ISS), the wholly-owned subsidiary of ISE, is one of the largest e Subsidiaries in the country. The operations of ISS are spread across 53 cities.

l turnover recorded on ISS during the year 2002-03 was Rs.12,266.19 crores, consisting ,528.96 crore in the Capital Market segment and Rs.737.23 crores in the Futures & segment of NSE. The total turnover for the previous year, i.e., 2001-02, was Rs.10,558 ll of which was in the Capital Market segment of NSE.

age daily turnover done on ISS at present is roughly Rs.130 crores, with the Cash segment accounting for Rs.90 crores and the Futures & Options segment accounting for re.

FINANCIAL HIGHLIGHTS

oved its financial position in the year 2002-03 and generated operating profit for the : since its inception. The operating profit for the year ended March 31, 2003 was lakhs. Comparative details about the financial performance of ISE in the year under, d three preceding years are given below:

(Rupees in lakhs)

	2002-03	2001-02	2000-01	1999-00
Revenue	155.51	193.42	219.58	65.63
Costs	39.48	49.71	80.11	74.01
Operating & Operative Costs (deferred revenue expenses)	72.95	262.29	210.60	204.45
Depreciation	1.91	65.92	24.96	44.07
Profit (loss)	114.34	377.92	315.67	322.53
	41.17	(184.50)	(96.09)	(256.90)
	142.70	180.90	187.09	168.15
Revenue Expenses (charged to Profit & Loss)	26.71	26.71	26.71	26.71
Contribution	257.04	585.53	529.46	517.39
Expenditure over revenue (added to Balance Sheet)	(101.53)	(392.11)	(309.89)	(451.76)

cial improvement was brought about because of a series of measures taken by ISE in of downsizing the organisation and exercising strict cost control. With the ment of DP operations from the Financial Year 2003-04, a new source of income has for ISE. In addition, the implementation of the common trading platform for having paid-up capital upto Rs.20 crores through a Euronext type of consolidated uld further enhance the revenues of ISE in the future. The Board of Directors is efforts to ensure that the partial turnaround achieved by ISE in the Financial Year. ts further strengthened in the future years, so that ISE recovers even the depreciation posts a net profit.

D. ISE'S STRENGTHS

Network of Intermediaries

As on the date of this Report, a total of 541 intermediaries (200 Traders and 341 Dealers) are registered on ISE. In addition, 262 applications (117 from Traders and 145 from Dealers) have been received by ISE, but these applicants are not registered by SEBI as the required compliances are still awaited from them. A broad base of members forms the bedrock of any Stock Exchange. ISE's large pool of registered intermediaries can be tapped for any new line of business in the future.

Robust Operating Systems

The trading, settlement and funds transfer operations of ISE are completely automated and state-of-the-art systems have been deployed. The communication network of ISE, which has connectivity with over 400 trading members and is spread across 53 cities, is used for supporting the operations of ISS too. The trading software and settlement software, as well as the electronic funds transfer arrangement established with HDFC Bank and ICICI Bank, gives ISE the required operational efficiency and flexibility to not only handle the secondary market functions effectively, but also to leverage them for new ventures.

Skilled and experienced manpower

The staff working for ISE and ISS have wide experience of working in Stock Exchanges/Capital Market institutions. The staff has the skill-set required to perform a wide range of functions, depending upon the requirements from time to time.

Competitive pricing policy

The philosophy of ISE is to have a competitive pricing policy for the various products and services offered by it. The aim is to penetrate the retail market and establish a strong position in it, so that a wide variety of products and services having appeal for the retail market can be offered using a common distribution channel. The competitive pricing policy also ensures that the intermediaries have sufficient financial incentive for offering these products and services to the end-clients.

Trading, Risk Management and Settlement Software systems

The ORBIT and AXIS trading software packages developed entirely in-house by ISE on the Microsoft NT platform, with consultancy assistance from Microsoft, is the most contemporary of the trading and settlement software packages implemented by any stock exchange in the country. These applications, which have been designed using the principles of open technology architecture, provide low cost of ownership, facilitate simple maintenance and support easy upgradation and enhancement. The software modules are so designed that the transaction processing capacity depends only on the hardware used; capacity can be added by just adding inexpensive hardware, without any additional software work.

E. FOCUS AREAS OF ISE

ISE would be focussing its resources and efforts on specific areas, such as expanding DP business, positioning itself as a primary market channel, implementing a consolidated market for small cap companies on the lines of Euronext Exchange, etc., so that the Exchange strengthens its position in the market. These thrust areas would also take care of the regulatory and statutory functions required to be performed by a Stock Exchange:

Audit and Inspection of ISS and its intermediaries

ISE is required under the SEBI Regulations to conduct half-yearly financial audit of ISS and also to inspect at least 20% of the intermediaries trading on ISS every year. Further, SEBI has stipulated that the Exchange must have an effective complaints redressal system for taking care of complaints between the intermediaries of ISS and their clients.

Expansion of DP operations

The DP business is expected to expand over time, as it would be advantageous for intermediaries and their clients to maintain their demat accounts with ISE, which will enable them to meet the stringent settlement schedule of T+2 at present and the even tighter T+1 in 2004.

Positioning of ISE as a Primary Market Channel

ISE can be positioned as an effective distribution channel for primary market offerings. ISE's large base of more than 500 intermediaries would serve as frontline marketing agents for IPOs and further issues of companies.

Implementation of Euronext-type Trading Platform

Implementation of Euronext-type Trading Platform for companies having paid-up capital upto Rs.20 crores, would immediately rejuvenate the trading operations of Traders and Dealers of ISE. ISE is playing a key role in the deliberations of the Federation of India Stock Exchanges, to ensure that this trading platform is implemented at the earliest. This would ensure that the objectives for which ISE has been set up would be fulfilled.

Emphasis on Training and Education

The ISE-TRC would further intensify its training and educational activities, so that it emerges as a centre of excellence for capital market education and training in the country. ISE-TRC would constantly update its curriculum to meet the changing educational needs of stock brokers, subscribers, investors, staff working in capital market institutions and issuer companies.

INFRASTRUCTURE

The Registered Office of ISE is located at the International Infotech Park, Vashi. All Exchange operations are currently being carried out from this office and also from four Regional Offices established in Delhi, Kolkata, Nagpur and Coimbatore. All the offices of ISE are well connected through computer and communication systems, thereby facilitating instantaneous communication across the various cities ISE serves.

G. INSURANCE

All assets and properties of ISE at Mumbai and Navi Mumbai and at other regional centres are insured adequately.

H. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Director's confirm that in the preparation of the Annual Accounts for the financial year ended on March 31, 2003,

- the applicable accounting standards have been followed and no material departure have been made from the same;
- appropriate accounting policies have been selected and applied consistently and have made judgements 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, 2003 and Profit & Loss Account for the year ended March 31, 2003;
- 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, and ;
- the annual accounts have been prepared on a going concern basis.

I. BOARD OF DIRECTORS

During the period April 1, 2002 till date, twelve Meetings of the Board of Directors were held, as per details given below:

Meeting No.	Date
34	May 11, 2002
35	June 29, 2002
36	August 30, 2002
37	September 30, 2002
38	October 26, 2002
39	November 30, 2002
40	February 8, 2003
41	March 22, 2003
42	May 17, 2003
43	June 14, 2003
44	July 26, 2003
45	August 30, 2003

Consequent to resignation/appointment of Nominees of the Promoting Stock Exchanges and appointment of Public Representative Directors, the following changes have taken place in the composition of the Board of Directors during the period under review:

Name of Director	Particulars	Date of change
Shri Rameshwar Nath Pandey	Appointed as Member Director as Nominee of Magadh Stock Exchange	September 30, 2002
Shri. V. Ramu Sharma	Appointed as Member Director as Nominee of Bangalore Stock Exchange	September 30, 2002
Shri R. M. Joshi	Appointed as Public Representative Director	February 8, 2003
Shri V. R. Iyer	Appointed as Public Representative Director	February 8, 2003
Shri M. W. Deshmukh	Appointed as Public Representative Director	February 8, 2003
Shri Ajay A. Thakkar	Ceased to be a Public Representative Director on the Board of the Company	February 8, 2003
Shri L. M. Bhole	Ceased to be a Public Representative Director	February 8, 2003
Shri Madanlal O. Gupta	Ceased to be the Nominee of Vadodara Stock Exchange	March 12, 2003
Shri Joseph Massey	Resigned as Managing Director	April 2, 2003
Shri V. Ramu Sharma	Ceased to be a Nominee of Bangalore Stock Exchange	May 17, 2003

Shri M. W. Deshmukh, Shri V. R. Iyer, Shri V. H. Pandya, Shri S. S. Pradhan, Shri G. K. Massey, Shri M. U. Kini and Shri R. Krishnamurthy are eligible to nominate their representatives on the Board of the Exchange in place of Shri L. M. Bhole, Shri Madanlal O. Gupta, Shri Joseph Massey and Shri V. Ramu Sharma.

CONSTITUTION OF STATUTORY AND OPERATIONAL COMMITTEES

The Company has constituted various statutory and operational Committees as required by SEBI. Details of these Committees are given below:

Arbitration Panel

The Arbitration Panel for the year 2002-03 was approved by SEBI. In addition to them, the Trading Members are Members of this Panel: Shri Ganesh Shanbhag, Shri Dhiraj Sanjeev Khemani and Shri G. D. Mundra.

Defaults Committee

The Defaults Committee has approved the appointments of Shri M. W. Deshmukh (Chairman of the Committee), Shri V. R. Iyer, Shri V. H. Pandya, Shri S. S. Pradhan, Shri G. K. Massey, Shri M. U. Kini and Shri R. Krishnamurthy as Public Representative Members and Shri Kamal Shri Yatin Shah as Trading Members of the Defaults Committee.

Disciplinary Action Committee

Appointment of Justice (Retd.) A. D. Tated (Chairman of the Committee), Dr. K. U. Mada and Prof. M. D. Limaye as Public Representative Members on the Disciplinary Action Committee were approved SEBI. Shri Jayant Vidwans and Shri P. Bose Babu are the Trading Member representatives on this Committee.

Audit Committee

The Board of Directors of ISE reconstituted the Audit Committee, so as to be in consonance with the Corporate Governance guidelines being followed by many companies. The Audit Committee for the year 2002-03 consisted of the following Public Representatives: Prof. V. R. Iyer (Chairman of the Committee), Justice (Retd.) A. D. Tated, Ms. Vimala Visvanathan and Shri R. M. Joshi.

Ethics Committee

As advised by SEBI, ISE has constituted an Ethics Committee consisting of the following Members: Shri M. W. Deshmukh (Chairman of the Committee), Ms. Vimala Visvanathan, Public Representative Director and Shri Ashish M. Parikh, Trading Member.

K. SCHEME FOR CORPORATISATION AND DEMUTUALISATION OF ISE

In tune with the SEBI directive and in accordance with the recommendations of the Justice M. H. Kania Committee, ISE has submitted its Scheme for Corporatisation and Demutualisation to SEBI within the stipulated time. Approval of SEBI is awaited for the same.

L. PARTICULARS OF SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956, annexed hereto are copies of the Audited Statement of Accounts for the year ended on March 31, 2003, Report of the Board of Directors and Auditors for the year ended on March 31, 2003 of the Subsidiary Company. The Statement of the Holding Company's interest in the Subsidiary Company as specified in Sub-Section (3) of Section 212 of the Companies Act, 1956 also forms part of this Annual Report.

M. AUDITORS

M/s. C. C. Chokshi & Co., Chartered Accountants, were appointed by the Members of the Exchange in the Fourth Annual General Meeting as Statutory Auditors of the Exchange to hold their office till the conclusion of the forthcoming Annual General Meeting. They are eligible for re-appointment and they have confirmed their eligibility and willingness to accept the office, if re-appointed. Members are requested to consider their re-appointment.

The Auditors in their Report have drawn attention to the shrinkage of income of ISE. The Board of Directors is confident that the series of initiatives being undertaken by ISE, such as DP Business, positioning itself as a primary market channel, implementing a consolidated market for all cap companies on the lines of Euronext Exchange, etc., would increase the revenues of the exchange and the future profitability.

The Auditors in their Report have also referred to the fact that the value of the networking equipment lying uninstalled with some Dealers and Traders and which have not been confirmed to them, have been written off, unlike in the past when they were considered as Capital WIP. The Board of Directors has decided to change the treatment given for these networking equipment by writing them off, as the full amount for the said equipment has already been received by ISE from the concerned Dealers and Traders.

PARTICULARS OF EMPLOYEES

In view of enhancement of the monetary limit, the requirements of the Disclosure relating to the Particulars of Employees, in terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, are not required to be stated in the Directors' Report.

ISE has a total staff strength of 60 persons, consisting of those who are on rolls as well as those who are on contract. Out of them, 41 persons have been deputed to ISS on full time basis.

STATUTORY DISCLOSURE OF PARTICULARS

In view of the requirements of Disclosure, in terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1975 regarding Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outflows do not apply to ISE and therefore, no details are required to be given.

CORPORATE GOVERNANCE

ISE is committed to good corporate governance. The Board of Directors, Chairman, Managing Director and the staff working for ISE and ISS are highly conscious that Traders, Dealers, Subscribers, investors and the general public need to be serviced effectively. Accordingly, the functioning of ISE reflects this commitment.

RECOGNITION AS A STOCK EXCHANGE

The recognition granted to ISE by SEBI under Section 4 of the Securities Contracts (Regulation) Act, 1956 is valid until November 18, 2004. The Board of Directors would be applying to SEBI at appropriate time for extension of this recognition.

PUBLIC DEPOSIT

ISE Company has not accepted any deposits from the Public.

ACKNOWLEDGEMENT

On the occasion of presenting this Annual Report, the Board of Directors take pleasure in expressing their gratitude to Shri G. N. Bajpai, Chairman of SEBI for the support extended to ISE. The Board of Directors also thank the other officials of SEBI, Promoting Exchanges, Traders, Dealers, officials of the Ministry of Finance, Government of India and Government of Maharashtra, DoT, MTNL, HCL Comnet, Wipro, Sify, HDFC Bank, ICICI Bank, IndusInd Bank, UTI Bank, consultants, contractors and others for their support and co-operation extended to ISE.

The Board of Directors also place on record their deep sense of appreciation for the valuable contribution made by Shri K. Pandian, Shri Ajay Thakkar, Dr. L. M. Bhole, Shri Rajive Kumar Kedia, Shri Madanlal O. Gupta, Shri V. Ramu Sharma, Shri D. Balasundaram and Dr. Subhash Gangwal, Smt. Nirmala Banka and Shri Joseph Massey who, with their guidance and stewardship in the Board, have helped ISE become stronger.

Sincere thanks are also due to the officers and staff members of ISE and ISS, who have displayed dedication and commitment on a sustained basis.

The Board of Directors look forward to the same level of co-operation from each and everyone associated with the Exchange and its Subsidiary, so that these institutions can grow at a faster pace in the years to come.

By order of the Board of Directors

Sd/-

M. R. MAYYA
Chairman

Place: Vashi
Date: August 30, 2003

DETAILS OF ATTENDANCE OF THE DIRECTORS IN THE BOARD MEETINGS

Period: April 1, 2002 till August 31, 2003

No. of Board Meetings held during the period under review: 12

Sr. No.	Name of Director and status	No. of Board Meetings held	No. of Board Meetings attended	Status at 4 th AGM
1.	Shri M. R. Mayya Public Representative & Chairman	12	8	Absent
2.	Shri K. Pandian SEBI Nominee	4	2	Not applicable
3.	Shri. Vijayan Menon SEBI Nominee	8	6	Not applicable
4.	Justice (Retd.) A. D. Tated Public Representative	12	11	Present
5.	Prof. P. V. Narasimham Public Representative	12	10	Absent
6.	Ms. Vimala Visvanathan Public Representative	12	12	Absent
7.	Prof. V. R. Iyer Public Representative	6	6	Not Applicable
8.	Shri M. W. Deshmukh Public Representative	6	4	Not Applicable
9.	Shri R. M. Joshi Public Representative	6	6	Absent
10.	Shri Ajay A. Thakkar Public Representative	6	4	Absent
11.	Dr. L. M. Bhole Public Representative	6	1	Not Applicable
12.	Shri Arvind B. Patel Trading Member, Nominee of Saurashtra Kutch Stock Exchange	12	0	Absent
13.	Shri N. Ranga Prasad Trading Member, Nominee of Hyderabad Stock Exchange	12	3	Absent
14.	Shri Bimal K. Nahata Trading Member, Nominee of Gauhati Stock Exchange	10	3	Absent
15.	Shri Rajive Kumar Kedia Trading Member, Nominee of Gauhati Stock Exchange	1	0	Present
16.	Shri Ashish M. Parikh Trading Member, Nominee of Mangalore Stock Exchange	12	10	Present
17.	Shri Madanlal O. Gupta Trading Member, Nominee of Vadodara Stock Exchange	7	1	Absent

Sr. No.	Name of Director and status	No. of Board Meetings held	No. of Board Meetings attended	Status at 4 th AGM
18.	Shri V. Ramu Sharma Trading Member, Nominee of Bangalore Stock Exchange	4	4	Present
19.	Shri Rameshwar Nath Pandey Trading Member, Nominee of Madadh Stock Exchange	8	1	Absent
20.	Shri. D. Balasundaram Trading Member, Nominee of Coimabtoe Stock Exchange	4	2	Absent
21.	Ms. Nirmala Banka Trading Member, Nominee of Bhubaneshwar Stock Exchange	2	1	Absent
22.	Shri Joseph Massey Managing Director	7	7	Present
23.	Shri V. Shankar Managing Director (Officiating)	12	12	Present

GENERAL BODY MEETINGS

Location and time where the last three Annual General Meetings (AGMs) were held

The last three Annual General Meetings i.e. 2nd, 3rd and 4th Annual General Meeting of the Company were held on the following dates at the Registered Office the Company:

2nd AGM: September 23, 2000

3rd AGM: September 22, 2001

4th AGM: September 30, 2002

Extra-Ordinary General Meetings (EOGMs)

Two Extra-Ordinary General Meetings of the Members of the Company were held on June 14, 2003 and Saturday, August 30, 2003 at the Registered Office of the Company.

In the Extra-Ordinary General Meeting held on June 14, 2003, Special Business relating to implementation of the Indonext Trading Platform, approval of the Scheme of Corporatisation and Demutualisation of ISE and strengthening of the Management of ISE were transacted.

In the Extra-Ordinary General Meeting held on August 30, 2003, Special Business relating to approval of the amendments in the Memorandum and Articles of Association, Rules and Bye-laws of the Exchange to give effect to the Scheme of Corporatisation and Demutualisation of the Exchange which has been approved by the Members of ISE in the earlier EOGM, were transacted.

**THE STATEMENT OF THE HOLDING COMPANY'S INTEREST IN THE
SUBSIDIARY COMPANY AS SPECIFIED IN SUB-SECTION (3) OF SECTION 212 OF
THE COMPANIES ACT, 1956**

<i>Sr. No.</i>	<i>Particulars</i>	<i>Remarks</i>
1.	Name of the Subsidiary Company	ISE Securities & Services Limited
2.	Financial Year of the Subsidiary Company	April to March i.e., April 1, 2002 to March 31, 2003
3.	Number of Shares of the Subsidiary Company held by Inter-connected Stock Exchange of India Limited (ISE)	54,97,900 Equity Shares of Rs.10/- each fully paid-up, held in the name of Inter-connected Stock Exchange of India Limited. 2,100 Equity Shares of Rs.10/- each fully paid-up, in the name of seven nominees of ISE (Shri M. R. Mayya, Shri Ajay A. Thakkar, Dr. K. Sabapathy, Shri Ashish M. Parikh, Shri V. Shankar, Shri Hasmukh B. Baldev and Shri Yogendra Surana). 55,00,000 Equity Shares of Rs. 10/- each fully paid-up
4.	Extent of Shareholding	100%. On March 31, 2003, ISE held the entire Share Capital consisting of 55,00,000 Equity Shares of Rs. 10/- each fully paid-up.
5.	Net aggregate amount of Profit / Loss of the Subsidiary Company, so far as it concerns the Members of the Company	
	(a) not dealt with in the accounts of Inter-connected Stock Exchange of India Limited for the Financial Year ended March 31, 2003:	
	I. For the Financial Year mentioned in 2 above.	Rs.5,39,945
	II. For the previous Financial Year.	(Rs.46,26,260)
	(b) dealt with in the accounts of Inter-connected Stock Exchange of India Limited for the Financial Year ended on 31 st March, 2003:	NIL
	I. For the Financial Year mentioned in 2 above.	
	II. For the previous Financial Year.	

Inter-Connected Stock Exchange of India Limited
Balance Sheet as at 31st March, 2003

	Schedule	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
Sources of funds			
Shareholders' funds		Nil	Nil
Share Capital (Company Limited by Guarantee)			
Admission fees/ Contribution towards Infrastructure Development	1	9,17,50,000	8,91,00,000
Reserves and Surplus	2	21,46,14,484	4,13,85,687
Secured Loan	3		23,52,122
Total		30,63,64,484	29,23,37,809
Application of funds			
Fixed assets	4	16,40,55,241	15,82,00,387
Gross block		7,10,46,312	5,06,97,614
Less: Depreciation		9,30,08,929	10,75,02,773
Net block		47,15,053	1,04,41,755
Capital work-in-progress		9,77,23,982	11,79,44,528
Investments	5	5,50,00,000	4,50,00,000
Current assets, loans and advances			
Current Assets	6	12,96,37,146	12,70,98,376
Cash and Bank Balances	7	62,08,179	39,18,057
Sundry Debtors	8	1,45,44,691	1,39,79,429
Loans and advances		15,03,90,016	14,49,95,862
Less: Current liabilities and provisions	9	13,41,29,944	14,32,66,318
Current liabilities	10	15,06,123	10,67,698
Deferred Payment Liabilities			
		13,56,36,066	14,43,34,016
Net Current Assets		1,47,53,950	6,61,846
Miscellaneous Expenditure (To the extent not written off or adjusted)	11		26,70,530
Profit and Loss Account		13,88,86,552	12,60,60,905
Total		30,63,64,484	29,23,37,809
Significant Accounting Policies and Notes forming part of the Accounts	16		

As per our attached Report of even date
For C. C. Chokshi & Co.,
Chartered Accountants

For and on behalf of the Board of Directors

P. R. Barpande
Partner
Mumbai
Date: August 30, 2003

M. R. Mayya
Chairman
Mumbai
Date: August 30, 2003

V. Shankar
Managing Director (Officiating)

Dipak K. Shah
Company Secretary

ected Stock Exchange of India Limited

Account for the year ended 31st March, 2003

	Schedule	Year ended March 31, 2003 Rupees	Year ended March 31, 2002 Rupees
Total	12	1,55,51,021	1,93,41,453
		1,55,51,021	1,93,41,453
id Operational Expenses	13	39,48,133	49,71,435
	14	99,67,462	2,88,99,495
	15	1,90,779	65,92,310
		2,03,48,698	2,30,30,990
gainst Capital Reserve (note 10 of Schedule 16)		60,78,404	49,42,103
		1,42,70,294	1,80,88,887
Total		2,83,76,668	5,85,52,127
		(1,28,25,647)	(3,92,10,674)
Forward from Previous Year		(12,60,60,905)	(8,68,50,231)
o Balance sheet		(13,88,86,552)	(12,60,60,905)
unting Policies and Notes ie Accounts	16		

Report of even date

& Co.,
ants

For and on behalf of the Board of Directors

M. R. Mayya

Chairman

Mumbai

Date: August 30, 2003

V. Shankar

Managing Director (Officiating)

Dipak K. Shah

Company Secretary

003

Inter-Connected Stock Exchange of India Limited
Schedules forming part of the accounts

Schedule 1 : Admission Fees/ Contribution towards Infrastructure development- from Members		As At	As at
		March 31, 2003 Rupees	March 31, 2002 Rupees
Members Admission Fees		76,50,000	75,00,000
<u>Contribution towards infrastructure development :</u>			
Balance as per last year	8,16,00,000		8,16,00,000
Add : Contributions during the year	25,00,000		-
Less : Repaid during the year	-		-
(Refer note 5 of Schedule 16)		8,41,00,000	8,16,00,000
Total		9,17,50,000	8,91,00,000

Sur-Connected Stock Exchange of India Limited
Schedules forming part of the accounts

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
Schedule 2 : Reserves and Surplus		
Capital Reserve		
Networking Equipment Contributions		
Balance as per last balance sheet	2,28,14,281	2,66,37,634
Less: Received during the year	72,91,025	11,18,750
Less: Adjustment towards Networking Equipments written off (Refer note 16 of schedule 16)	4,51,361	
Less: Appropriation towards depreciation (Refer note 10 of Schedule 16)	60,78,404	49,42,103
	2,35,75,541	2,28,14,281
Dealer Admission Fees		
Balance as per last year	15,95,00,000	14,85,00,000
Less: Received during the year (Refer note 11 of Schedule 16)	62,61,111	1,10,00,000
Less: Repaid during the year	20,00,000	
	16,37,61,111	15,95,00,000
Other Reserves		
Settlement Guarantee Fund		
Initial contribution from traders and dealers		
Accretions by way of levy of charges on transactions during the year		
Amounting Rs.85,94,033/- (Previous year Rs..82,25,519 /-)		
Less: Accretions arising by way of interest for the year on deposits, etc; made out of such funds in accordance with the provisions of the laws of the company]		
Balance as per last Balance Sheet	1,83,80,527	99,81,040
Less: Additions during the year	86,64,979	83,99,487
	2,70,64,990	1,83,80,527
Investor Protection Fund		
Accretions by way of levy of charges and on transactions during the year		
Balance as per last Balance Sheet	92,783	91,324
Less: Additions during the year	584	1,459
	93,367	92,783
Investor Service Fund		
Accretions by way of levy of charges and on transactions from listing fees income during the year		
Balance as per last Balance Sheet	98,096	52,837
Less: Additions during the year	21,379	45,259
	1,19,475	98,096
Total	21,46,14,484	20,08,85,687

Inter-Connected Stock Exchange of India Limited
Schedules forming part of the accounts

Schedule 3 : Secured Loan	As At March 31, 2003 Rupees	As At March 31, 2002 Rupees
Bank Overdraft (Secured by way of pledge of Fixed Deposit Receipts of Rs. 2,00,00,000/- since released).	-	23,52,122
Total	-	23,52,122

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01-04-2002	Additions	Deductions	As at 31-03-2003	Upto 31-03-2002	For the Year	Deductions	Upto 31-03-2003	As at 31-03-2003	As at 31-03-2002
	Leasehold Land	7,96,950	-	-	7,96,950	143,954	12,990	-	56,944	7,40,006
Leasehold Premises	3,25,85,962	-	-	3,25,85,962	23,40,484	5,31,151	-	28,71,635	2,97,14,327	3,02,45,478
Machinery and Electrical Equipments	41,99,643	15,269	-	42,14,912	6,24,066	1,99,916	-	8,23,982	33,90,930	35,75,577
Furniture and Fixtures	46,83,685	2,14,018	-	48,97,703	10,62,336	3,03,192	-	13,65,528	35,32,175	36,21,349
Vehicles	8,41,619	-	-	8,41,619	2,67,957	79,954	-	3,47,911	4,93,708	5,73,662
Office Equipments	23,02,903	9,269	-	23,12,172	3,83,447	1,11,449	-	4,94,896	18,17,276	19,19,456
Networking Equipment	3,65,20,334	55,43,398	-	4,20,63,732	95,56,865	67,39,448	-	1,62,96,313	2,53,89,526	2,69,63,469
Computers	7,62,69,291	72,900	-	7,63,42,191	3,64,18,505	1,23,70,598	-	4,87,89,103	2,75,53,088	3,98,50,786
Total	15,82,00,387	58,54,854	-	16,40,55,241	5,06,97,614	2,03,48,698	-	7,10,46,312	9,26,31,036	10,75,02,773
Previous Year	18,25,18,310	37,15,149	2,80,32,891	15,82,00,387	4,12,22,555	2,30,30,990	1,32,39,883	5,06,97,614	10,75,02,773	1,04,41,755
Capital Work in Progress (Networking equipments pending installation)										
									47,15,053	

Notes:

- 1)
- 2)

In respect of Leasehold Land, Lease deed is pending execution.
 Leasehold Premises represents cost of Office Premises including improvements to premises taken from CIDCO under lease for a period of 60 years in respect of which Lease Deed has been executed.

Inter-Connected Stock Exchange of India Limited
Schedules forming part of the accounts

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
Schedule 5 : Investments		
Long Term Investments (unquoted, at cost)		
Investments in the Shares of Wholly Owned Subsidiary Company		
- ISE Securities & Services Limited	5,50,00,000	4,50,00,000
65,00,000 (Previous Year 45,00,000) Equity Shares of Rs.10/- each, fully paid up	5,50,00,000	4,50,00,000
Total		

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
Schedule 6 : Cash and bank balances		
Cash-on-hand		
Bank balances:		
with Scheduled Banks	22,44,485	21,37,924
- in Current Account		
(including Rs.2,32,583/- (Previous year Rs.1,76,544/-) in earmarked funds accounts)	12,73,92,661	12,49,60,452
- in Deposit Account		
(including Rs.9,10,15,481/- (Previous year Rs.8,20,19,958/-) in earmarked funds accounts)		
(including interest accrued Rs.1,26,45,989/- (Previous year Rs.68,63,465/-))		
Total	12,96,37,146	12,70,98,376

Inter-Connected Stock Exchange of India Limited
Schedules forming part of the accounts

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
Schedule 9 : Current Liabilities		
Sundry Creditors*		
Total Outstandings dues of Small Scale Industrial undertakings		
Total Outstanding dues of creditors other than small scale industrial undertakings	32,13,266	30,02,870
	32,13,266	30,02,870
Deposits**		
Contribution towards Base Minimum Capital - Traders and Dealers	4,67,89,860	4,68,53,001
Contribution towards Settlement Stabilisation Fund	1,30,00,000	1,20,00,000
Contributions received in Advance ***	7,11,26,818	8,14,10,447
Total	13,41,29,944	14,32,66,318
<p>* The above information as provided in respect of small scale industrial undertakings is arrived at on the basis of information available with the company.</p> <p>** Refundable in accordance with the bye-laws of the company</p> <p>*** Advance contribution represents amounts received from the Traders/ dealers towards admission fees, annual fees, insurance premium, etc pending registration / approval.</p>		

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
Schedule 10 : Deferred Payment Liabilities		
Due to Suppliers towards Capital Goods	15,06,123	10,67,698
Total	15,06,123	10,67,698

	As at March 31, 2003 Rupees	As at March 31, 2002 Rupees
Schedule 11 : Miscellaneous Expenditure (To the extent not written off or adjusted)		
Preliminary expenses	-	7,206
Deferred Revenue Expenditure	-	26,63,324
Total	-	26,70,530

Inter-Connected Stock Exchange of India Limited
Schedules forming part of the accounts

	For the year ended March 31, 2003 Rupees	For the year ended March 31, 2002 Rupees
Schedule 12 : Income		
Admission Fees from Traders	80,000	65,000
Annual Subscription received		
- From Members	650,000	6,50,000
- From Traders	177,000	2,71,000
- From Dealers	8,250,000	80,50,000
	90,77,000	89,71,000
Interest on Bank Deposits, etc. (TDS Rs.25,09,489/- previous year Rs.30,92,806/-)	12,468,476	1,43,55,372
Less : Interest earned on Reserve Fund Deposits	8,594,033	82,25,619
	38,74,443	61,29,753
Sale of Software	13,00,000	-
Listing Fees	1,15,500	1,70,200
Transaction Charges	34,626	81,658
Interest on advances given to subsidiary company (TDS Rs.47,483/-; previous year Rs.1,57,695/-)	2,26,110	7,73,013
Interest on income Tax refund	2,43,853	-
Excess provision for earlier years written back	1,02,364	15,00,000
Employee Bonus/Ex-gratia written back	-	57,266
Provision of Doubtful Debts Written Back	-	2,00,000
Miscellaneous Income	4,97,125	-13,93,563
Total	1,55,51,021	1,93,41,453

	For the year ended March 31, 2003 Rupees	For the year ended March 31, 2002 Rupees
Schedule 13 : Employee Cost		
Salaries (Net of recovery Rs.61,62,589/- [Previous year Rs. 47,02,929/-])	34,55,656	43,55,975
Contribution to Provident and Other Funds (Net of recovery of Rs.5,61,886/- [Previous year Rs.4,07,563/-])	3,33,896	4,01,165
Gratuity (Net of recovery of Rs.50,507/- [Previous year Rs.16,092/-])	26,829	54,478
Staff Welfare (Net of recovery of Rs.51,461/- [Previous year Rs.1,59,817/-])	1,31,752	1,59,817
Total	39,48,133	49,71,435

Inter Connected Stock Exchange of India Limited
Schedules forming part of the accounts

Schedule 14 : Administration and Operational Expenses	For the year ended March 31, 2003 Rupees	For the year ended March 31, 2002 Rupees
Networking Expenses [Net of recovery of Rs.Nil (Previous year Rs.17,01,007/-)]	5,93,765	10,81,656
Telephone & Fax Expenses (Net of recovery of Rs.Nil-[Previous year Rs.3,09,852/-])	1,90,862	6,21,132
On-line Subscription (net of recovery of Rs.27,102/- [Previous year Rs.13,773/-])	27,102	13,773
Printing & Stationery (Net of recovery Rs.Nil [Previous year Rs.42,478/-])	3,68,794	5,68,047
Legal & Professional Charges	13,19,103	12,99,493
Electricity Expenses (Net of recovery of Rs.10,69,307/- [Previous year Rs.6,21,103/-])	2,97,799	6,22,991
Water Consumption Charges (Net of recovery of Rs.37,629/- [Previous year Rs.28,545/-])	36,846	28,544
Rates & Taxes (Net of recovery of Rs.2,460/- [Previous year Rs.Nil])	3,31,240	3,03,100
Repairs & Maintenance - Leasehold Premises (Net of recovery of Rs.3,41,436/-[Previous year Rs.3,41,436/-])	2,70,712	4,14,732
Repairs & Maintenance - Others (Net of recovery Rs.82,674/-[Previous year Rs.80,852/-])	8,43,866	31,65,517
Conveyance	2,74,223	2,40,831
Postage & Courier Expenses (net of recovery of Rs.Nil [Previous year Rs.10,061/-])	1,44,967	2,35,492
Security Expenses	2,44,229	3,25,733
Insurance (Net of recovery of Rs.5,021/- [Previous year Rs.5,667/-])	1,55,015	78,795
Hiring Charges (net of recovery of Rs.Nil [Previous year Rs.3,500/-])	1,078	16,052
Bank Charges (net of recovery Rs.Nil [previous year Rs.274/-])	27,137	20,597
Publicity Expenses	1,46,015	5,80,107
Newspapers & Periodicals	26,737	27,225
Books & References	35,582	33,085
Rent (Net of recovery of Rs.3,25,751/-[Previous year Rs. 3,26,270/-])	3,26,250	3,09,575
Travelling Expenses [net of recovery of Rs.1,00,864/- (Previous year Rs.1,619/-)]	1,89,514	2,25,107
Motor Car Expense (net of recovery of Rs.Nil [Previous year Rs.1,01,072/-])	2,66,469	2,32,015
Membership & Subscription	1,66,411	1,94,867
NSDL Connectivity Charges	1,77,215	1,75,672
Miscellaneous Expenses (net of recovery Rs.4,79,645/- [previous year Rs.38,235/-])	2,89,273	4,21,818
Fixed Assets (Software) Written off	-	1,47,93,008
Bad Debts / Advances written off	3,95,730	2,00,000
Provision for Doubtful Debts / Advance	1,51,000	-
Preliminary Expenses Written off	7,206	7,206
Deferred revenue Expenditure Written off	26,63,324	26,63,325
Total	99,67,462	2,88,99,495

Note: Miscellaneous Expenses include training expenses, brokerage, dmat charges, recruitment expenses, etc.

Inter-Connected Stock Exchange of India Limited
Schedules forming part of the accounts

	For the year ended March 31, 2003 Rupees	For the year ended March 31, 2002 Rupees
Schedule 15 : Interest		
Interest on Deferred Payment Liabilities :		
Interest on Suppliers Credit	-	7,506
Interest to CIDCO	-	61,76,452
Interest on Others		
On Bank Overdraft	1,90,779	4,08,352
Total	1,90,779	65,92,310
<i>Including Rs. 3,733,192/- paid on pre-payment of EMIs</i>		

1. Significant Accounting Policies

Basis of preparation of Financial Statements

The accompanying financial statements have been prepared using the historical cost convention in consonance with generally accepted accounting principles and the provisions of the Companies Act 1956.

Use of Estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The differences between actual results and estimates are recognised in the period in which the results are known / materialised.

Fixed Assets

Fixed Assets are valued at cost. They are stated at historical cost (including incidental expenses). The improvements to leased premises have been capitalised along with leasehold premises.

Depreciation and Amortisation

- i. Depreciation is provided on straight-line basis at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- ii. Depreciation on assets acquired / purchased during the year is provided on pro-rata basis.
- iii. Leasehold land and Premises including improvements are amortised over the period of the lease.
- iv. Depreciation on Networking Equipment is charged to the Networking Equipment Contributions in proportion to the total capital cost incurred and the amounts recovered from dealers/traders. (Refer Note No. 10).

Retirement Benefits

Company's contribution to the provident fund of the employees is charged to revenue. The company's liability for gratuity is funded through Life Insurance Corporation of India (LIC) and is charged to revenue on the basis of LIC's demand, which specifies the contribution to be made on the basis of actuarial valuation carried out by LIC.

Miscellaneous Expenditure

a) Preliminary Expenditure

Preliminary expenses are being amortised over a period of five years from the year the company commenced the operations.

b) Deferred Revenue Expenditure

Indirect expenses considered as pre-operational and pertaining to the project, incurred before the commencement of operations are considered as deferred revenue expenditure to be amortised over a period of five years from the year the company commenced its operations.

Revenue Recognition

In appropriate circumstances, revenue (income) is recognised when no significant uncertainty as to determination and realisation exists.

The revenue in respect of a settlement is accounted on the funds pay-in date of the settlement.

The Interest income on investments of the funds being accretions to the said funds, in accordance with the Byelaws of the company, is credited to the funds.

Settlement Transactions

The transactions pertaining to the Settlement, which are conducted in fiduciary capacity, do not form part of the accounts of the Exchange.

Dealer Admission fees

Dealers Admission Fees, which is one-time admission fees towards transferable right to trade on Exchange, is considered as capital contribution and classified accordingly. (Refer note no.11)

Networking Equipment Contributions

Networking Cost Recovery from Dealers/Traders represent a one time charge collected towards the capital cost of the Networking Equipment installed to connect the dealers/traders with the Central Computer and is considered as a Capital Reserve. (Refer note 10)

2. Estimated amounts of contracts remaining to be executed on capital account and not provided for (Net of advances) - Rs. 28,80,037/- (Previous year Rs. 37,46,360/-)

3. Managerial Remuneration (Gross)

	31 st March 2003	31 st March 2002
	Rupees	Rupees
Salaries	14,90,000	17,93,658
Contribution to PF & other Funds	1,97,448	2,07,678
Perquisites in cash or in kind	Nil	Nil
Total	16,87,448	20,01,336

4. Payments to Auditors

	31 st March 2003	31 st March 2002
	Rupees	Rupees
As Auditors		
-For Statutory Audit	50,000	50,000
-For Tax Audit	25,000	25,000
As Adviser or in capacity in respect of		
-Taxation matters	75,000	-
-Other services such as Financial Advice etc.	1,20,000	1,00,000
In any other manner		
-As expenses	8,140	4,837
-For Service Tax	18,000	8,750
Total	2,96,140	1,88,587

5. Contributions towards Infrastructure Development represent contributions received from members at the rate of Rs.70,00,000/- per member for cost of the project of the Company. During the year, the Company has received such contributions (including re-admission fees of Rs.1,50,000/-) aggregating to Rs. 26,50,000/- (Previous year Rs. Nil). The amount of contribution receivable as at March 31, 2003 aggregates to Rs. 71,50,000/- [previous year Rs.31,50,000/-], which will be accounted in the year of receipt.
6. Since SEBI is the final authority for registration of trader/dealer, the admission fees, annual fees and contribution towards Settlement Guarantee Fund are accounted on the basis of date of approval from SEBI, being the conclusive point of entry of the trader/dealer into the Exchange.
7. Shares and Fixed Deposits received from Traders and Dealers in connection with the compliance of Base Minimum Capital contribution (Capital Adequacy Norms) in accordance with the Byelaws have been held as Securities and accordingly have not been accounted in the books.
8. Sundry Debtors include an amount of Rs.1,00,000/- (Previous year Rs.1,00,000) recoverable from Traders/Dealers towards contribution to Settlement Guarantee Fund for which steps are being taken to recover the said amount. The amount has been accounted and earmarked.
9. As per the bye laws of the Company and Securities and Exchange Board of India (SEBI) requirements, traders and dealers are required to maintain with the company a Base Minimum Capital (BMC) of Rs.4,00,000/- in the form of guarantee of the respective exchange of the trader, cash, bank fixed deposits or approved investments; with a minimum cash component of Rs. 1,00,000/-.
10. During the year the Company has received an amount aggregating to Rs.72,91,025/- (Previous year Rs. 11,18,750/-) from Dealers/Traders towards Networking Equipment contribution. The amount so collected is considered as a capital reserve and classified in the Balance Sheet accordingly. During the year an amount of Rs. 60,78,404/- (previous year Rs. 49,42,103/-) being the proportionate amount of depreciation for the said equipments has been withdrawn from the reserves and also disclosed as deduction from the depreciation for the year.

16: Significant Accounting Policies and Notes forming part of the Accounts

During the year the Company has received an amount aggregating to Rs.62,61,111/- (Previous Year Rs.10,00,000/-) as one time admission fees from the dealers towards the transferable right to trade in the Exchange. The amount so collected is considered as capital reserve and classified in the Balance Sheet accordingly.

Balance with Bank Current Accounts and Deposit Accounts (refer schedule 6) includes an amount aggregating to Rs. 9,12,48,063/- (Previous year Rs. 8,21,96,502/-) [Including accrued interest of Rs. 26,45,989 (Previous Year Rs. 68,63,465/-)] which is earmarked against the funds received as per schedule 3 and 10 except an amount of Rs 6,39,369/- (previous year Rs. 4,62,842/-) which has been transferred to earmarked accounts subsequently.

Trade debtors (Schedule 7) include Rs. 65,14,379/- (Previous year Rs.36,31,290/-) on account of which charges recoverable from dealers/traders, which are long outstanding. The said debts are considered good of recovery by the management in view of various amounts deposited by the dealers/traders with the Exchange, which are available for adjustment against the dues of the dealers as per applicable Bye-laws. However, excess of such receivables over available deposits of certain dealers/traders has been considered doubtful and a provision in respect thereof aggregating to Rs. 1,51,000/- has been made in the accounts.

Details of the ear-marked funds are shown in the following table:

Details of Funds

(Cash Component including accretions)

Balance of Funds/Contributions received	As on 31.03.2003 (Rs.)	As on 31.03.2002 (Rs.)
Settlement Guarantee Fund (including accretions from various transactions)	35,15,325	34,23,379
Settlement Stabilisation Contribution from Member changes	1,30,00,000	1,20,00,000
Contributions towards Base Minimum Capital (Cash Component)	4,67,89,860	4,68,53,001
Contributions towards SGF/BMC received in advance	48,00,000	49,35,000
Interest receipts *	5,14,729	-
Interest Accrued on above	2,35,50,665	1,49,57,147
Total	9,21,70,579	8,21,68,527

* Represents interest earned on Earmarked funds and withheld as tax deducted at source, which has been brought back in the Earmarked funds consequent to receipt of income tax refund and interest on.

Earmarked

Fixed Deposit and Current Bank Accounts	9,10,15,481	8,20,19,958
Amount yet to be transferred as at year end	11,55,098 *	1,48,569 *
Amount subsequently transferred		

The balances as on 31.3.2003 in the various fund accounts and contributions received are earmarked in accordance with the Bye-laws of the Company as under:

Non-cash Component (Not accounted in the books, refer Note no.7)	As on 31.03.2003 (Rs.)	As on 31.03.2002 (Rs.)
Bank Guarantees from traders and dealers	91,56,000	96,00,000
Fixed Deposits under lien**	2,39,87,383	2,25,30,000
Securities Pledged (market value)***	2,99,55,226	2,75,60,181
Undertakings given by Member Exchanges on behalf of Traders of those Exchanges	3,54,00,000	2,96,00,000
Total Non-Cash Component	9,84,92,639	8,92,90,181

** In respect of some of the fixed deposits, though handed over, the procedure in respect of creation of lien is in progress

*** As confirmed by the custodian bank – ABN AMRO Bank N.V

Investor Protection Fund	As on 31.03.2003 (Rs.)	As on 31.03.2002 (Rs.)
Received as Levy on transactions etc.	93,367	92,783
Earmarked in Fixed and Current Bank Accounts	1,01,281	91,324
Amount yet to be transferred as at year end *subsequently transferred	Nil	1,459 *

Investor Service Fund	As on 31.03.2003 (Rs.)	As on 31.03.2002 (Rs.)
Received as Levy on transactions etc	1,19,475	98,096
Earmarked in Fixed and Current Bank Accounts	1,20,971	85,220
Amount yet to be transferred as at year end *subsequently transferred	Nil	12,876 *

15. During the year, income earned by the Exchange decreased in absolute terms, which further eroded the net worth of the Exchange. Management is taking steps to expand the operations by utilising its state-of-the-art Trading, Settlement and Fund Transfer Systems and by adopting an aggressive pricing policy for the various products and services offered by the Exchange. Management is hopeful of generating sustainable revenue from Depository Participant (DP) business with the support of large pool of registered intermediaries of the Exchange. In the context of the above, the Exchange expects increased revenue resulting in improved profitability. Accordingly, the accounts have been prepared on a going concern basis, which is dependent upon increase in earnings as expected, future profitability and availability of finance.

16. During the year, the Exchange, in order to have appropriate presentation of financial statements has written off the cost of networking equipments lying uninstalled with certain dealers/traders and which were not confirmed by them. Accordingly, an amount of Rs. 6,92,779/- (Previous year Rs. Nil) has been reduced from capital work in progress and withdrawn from Networking Equipment Contributions Reserve/adjusted from current liabilities, which represent amounts recovered/received in advance from the said dealers/traders on account of such equipments.

Related Party Transactions:

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

a) List of related parties and relationships

No.	Names of Related party	Nature of Relationship
	Shri Joseph Massey	Key Management Personnel
	Shri V. Shankar	
	ISE Securities & Services Ltd.	Subsidiary Company

b) Transactions during the year with related parties

(in Rupees)

Particulars	Subsidiary Company	Key Management Personnel	Total
Loans and Advances			
Opening Balance as at 1 st April 2002	27,67,054	-	27,67,054
Advances given (including expenses, etc.) during the year	3,86,47,376	-	3,86,47,376
Advances (including expenses, etc.) recovered / adjusted during the year	4,03,79,205	-	4,03,79,205
Closing Balance as at 31 st March 2003	10,35,225	-	10,35,225
Investments			
Opening Balance as at 1 st April 2002	4,50,00,000	-	4,50,00,000
Purchased during the year	1,00,00,000	-	1,00,00,000
Sold during the year	-	-	-
Closing Balance as at 31 st March 2003	5,50,00,000	-	5,50,00,000
Expenditure			
Managerial remuneration	-	16,87,448	16,87,448
	(-)	(20,01,336)	(20,01,336)
Income			
Interest on loan	2,26,110	-	2,26,110
	(7,73,013)	-	(7,73,013)

Figures in bracket pertain to previous year.

Related party relationship is as identified by the Company and relied upon by the auditors.

16. Balance Sheet Abstract And Company's General Business Profile

I. Registration details

Registration no.

1 1 3 1 4 7

Balance sheet date

3 1 0 3 0 3

State code

1 1

II. Capital raised during the year (amount in Rupees thousands)

Public issue

N I L

Bonus issue

N I L

Rights issue

N I L

Private placement

N I L

III. Position of mobilisation and deployment of funds (amount in Rupees thousands)

Total liabilities

4 4 2 0 0 1

Sources of funds

Paid-up capital

N I L

Secured loans

N I L

Application of funds

Net fixed assets

9 7 7 2 4

Net current assets

1 4 7 5 4

Accumulated losses

1 3 8 8 8 6

Total assets

4 4 2 0 0 1

Reserves and Surplus

2 1 4 6 1 4

Unsecured loans

N I L

Investments

5 5 0 0 0

Miscellaneous expenditure

N I L

IV. Performance of the Company (amount in Rupees thousands)

Turnover (including other income)

1 5 5 5 1

(-) Profit/ (loss) before tax

(1 2 8 2 5)

Earnings per share (Rupees)

N A

Total expenditure

2 8 3 7 6

+ (-) Profit/ (loss) after tax

(1 2 8 2 5)

Dividend Rate

N A

Generic names of three principal products/ services of the Company (as per monetary terms)

Item code no. (ITC code)

						N	I	L
--	--	--	--	--	--	---	---	---

						N	A	
--	--	--	--	--	--	---	---	--

Figures of the previous year have been regrouped/reclassified to make them correspond with the current year's figures, wherever necessary.

The amounts in the Balance Sheet and the Profit and Loss Account are rounded off to the nearest rupee.

Signatures to schedules I to 16

As per our attached Report of even date

*For C. C. Chokshi & Co.,
Chartered Accountants*

For and on behalf of the Board of Directors,

*(P. R. Barpande)
Partner*

*(M.R.Mayya)
Chairman*

*(V.Shankar)
Managing Director
(Officiating)*

*(Dipak K. Shah)
Company Secretary*

*Mumbai
Date: August 30, 2003*

*Mumbai
Date: August 30, 2003*

Inter-connected Stock Exchange of India Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2003				
Particulars	31.03.2003		31.03.2002	
	(Rupees)		(Rupees)	
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net loss for the year	(12,825,647)		(39,210,674)	
Adjustments for :				
Depreciation (Net)	14,270,294		18,088,887	
Fixed assets written off	-		14,793,008	
Preliminary / deferred revenue expenditure written off	2,670,530		2,670,531	
Interest received on bank deposits	(3,937,756)		(6,626,293)	
Interest on advances given to subsidiary	(226,110)		(773,013)	
Interest on income tax refund	(243,853)		-	
Interest paid	190,779		6,584,804	
Operating (loss) before working capital changes	(101,763)		(4,472,750)	
Adjustments for :				
(Increase) / Decrease in Trade and other receivables	(1,661,124)		26,047,341	
Decrease in Trade payables	(9,994,250)		(32,927,395)	
Cash (used in) / generated from Operations	(11,757,137)		(11,352,803)	
Direct Tax paid (net of refunds and interest)	(950,407)		(3,092,806)	
Net cash (used in) operating activities		(12,707,544)		(14,445,609)
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Additions to fixed assets	(524,631)		(9,150,679)	
Capital work-in-progress written off	692,779		-	
Networking Equipment Contribution received (net)	6,839,664		1,118,750	
Purchase of investments	(10,000,000)		(20,000,000)	
Interest received	3,937,756		6,626,293	
Net cash from / (used in) investing activities		945,568		(21,405,636)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Change in Funds				
Settlement Guarantee Fund	8,684,463		8,399,487	
Investor Protection Fund	584		1,459	
Investor Service Fund	21,379		45,259	
Settlement Stabilisation Fund	1,000,000		-	
Contribution by Dealers towards Admission Fee (net)	9,706,426		8,446,205	
Advances given to subsidiary company	4,261,111		11,000,000	
Amounts received from subsidiary company	(21,500,000)		(89,000,000)	
Contribution by members towards infrastructure development	21,500,000		89,000,000	
(Repayment) / Proceeds of long term and other borrowings	2,650,000		-	
Interest received	(2,352,122)		2,352,122	
Interest paid	226,110		773,013	
Interest received	(190,779)		(6,584,804)	
Net cash from financing activities		14,300,746		15,986,536
Net increase / (decrease) in cash & cash equivalents		2,538,770		(19,864,709)
Cash and cash equivalents at beginning of the year		127,098,376		146,963,085
Cash and cash equivalents at end of the year		129,637,146		127,098,376

Inter-connected Stock Exchange of India Limited

Notes to Cash Flow Statement:

Components of cash and cash equivalents include cash and bank balances in current accounts (refer Schedule 5 forming part of the Balance Sheet and the Profit and Loss Account).

Purchase of fixed assets is stated inclusive of movements during the year in capital work in progress and balances of suppliers for capital goods and is considered as part of investing activities.

Contribution by Members to Settlement Stabilisation Fund which forms part of Current Liabilities (refer Schedule 9 forming part of the balance Sheet and the Profit and Loss Account) has been considered as part of financing activities.

The amount written off from capital work-in-progress is on account of cost of networking equipments lying uninstalled with certain dealers/traders and which were not confirmed by them (refer note 16 of Schedule 15).

The Cash Flow Statement has been prepared in accordance with the requirements of Accounting Standard 3 "Cash Flow Statement" issued by The Institute of Chartered Accountants of India.

For and on behalf of the Board of Directors

M.R.Mayya
Chairman

V.Shankar
Managing Director (Officiating)

Dipak K. Shah
Company Secretary

Mumbai
Date: August 30, 2003

Auditors' Report

To,
The Members of
Inter-Connected Stock Exchange of India Limited.

1. We have audited the attached Balance Sheet of Inter-Connected Stock Exchange of India Limited, as at 31st March, 2003 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) 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 the books of account;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e) On the basis of the written representations received from the directors as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the accounts read along with Note no. 15 of Schedule 16 regarding accounts of the Company being prepared on a going concern basis, Significant Accounting Policies and other notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003;
 - ii) in the case of the Profit and Loss account, of the loss for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For C.C.Chokshi & Co.
Chartered Accountants

P. R. Barpande
Partner

Mumbai, Dated: August 30, 2003

Annexure to the Auditors' Report

Re: Inter-Connected Stock Exchange of India Limited

(Referred to in paragraph 3 of our report of even date)

1. The nature of the Company's activities is such that requirements of items (iii), (iv), (v), (vi), (xii), (xiv), (xvi) of clause A and items (ii), (iii) and (iv) of clause B of paragraph 4 of the Order are not applicable to the Company.
2. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. All the fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification (Refer Note no.16 of Schedule 16 of the accounts).
3. None of the fixed assets has been revalued during the year.
4. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956 or from the companies under the same management within the meaning of section 370 (1B) of the Companies Act, 1956.
5. In our opinion, the rate of interest and other terms and conditions on which loan has been granted to the subsidiary company listed in the Register maintained under section 301 of the Companies Act, 1956 which is also a company under the same management within the meaning of section 370 (1B) of the Companies Act, 1956 are not, prima facie, prejudicial to the interests of the Company.
6. In respect of loans and advances in the nature of loans given by the Company, parties have repaid the principal amount as stipulated and have also been regular in the payment of interest, if any.
7. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures with regards to purchase of machinery, equipment and other assets and sale of services commensurate with the size of the Company and nature of its business.

8. According to the information and explanations given to us, there are no transactions of purchase of goods and materials and sale of services, made in pursuance of contracts or arrangements entered in the Register maintained under section 301 of the Companies Act, 1956 as aggregating during the year to Rs. 50,000/- or more in respect of each party.
9. The Company has not accepted any deposits from the public.
10. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
11. According to the records of the Company, Provident Fund and Employee State Insurance dues have been regularly deposited during the year with the appropriate authorities.
12. According to the information and explanations given to us, no undisputed amounts payable in respect of income-tax, wealth-tax, sales-tax, customs duty and excise duty were outstanding as at March 31, 2003; for a period of more than six months from the date they became payable.
13. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
14. The provisions of Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company.

For C.G.Chokshi & Co.,
Chartered Accountants

P. R. Barpande
Partner

Mumbai, Dated: August 30, 2003

Fourth Annual Report, 2002-03



Easier Access, Wider Reach

ISE SECURITIES & SERVICES LTD.

BOARD OF DIRECTORS

Shri M. R. Mayya, Chairman
Shri V. Shankar, Director
Dr. D. K. Bhatia, Public Representative
Shri Ajay A. Thakkar, Public Representative
Shri Ashish M. Parikh, Trading Member
Shri V. Ramu Sharma, Trading Member
Shri G. D. Mundra, Trading Member

REGISTERED OFFICE

International Infotech Part, Tower 7, 5th Floor,
Sector - 30, Vashi, Navi Mumbai - 400 703.

Tel. : (022) 2781 2056 / 58 / 59 / 62 / 2390, Fax: (022) 2781 2061
E-mail: isesc@bom3.vsnl.net.in Internet Url: <http://www.iseindia.com>

STATUTORY AUDITORS

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

INTERNAL AUDITORS

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

LEGAL / COMPANY LAW ADVISORS

M/s. Kanga & Co., Advocates, Solicitors and Notary
M/s. S. D. Israni & Co., Company Secretaries

BANKERS

HDFC Bank Limited
Indusind Bank Limited
ICICI Bank Limited
Corporation Bank Limited

ISE SECURITIES & SERVICES LIMITED

DIRECTORS' REPORT

The Board of Directors of ISE Securities & Services Limited (ISS) is pleased to present its Fourth Annual Report for the year ended on March 31, 2003, together with the Auditors' Report and Audited Accounts upto that date.

BACKGROUND

The year under review was one of the most difficult ones for the Indian securities industry, with the primary market remaining depressed and the secondary market too reflecting the same sentiment. In spite of the extremely negative sentiment in the stock markets in the year 2002-03 not just in India, but all across the globe, ISS has emerged stronger and its financial performance reflects this strength. On the development side, the most significant achievements have been the introduction of the Futures & Options (F&O) segment of the National Stock Exchange of India Ltd. (NSE) and the acquisition of membership of the BSE's Equities segment towards the end of the financial year, for which only SEBI registration is pending. Stringent cost control measures across the board have resulted in ISS posting a reasonable net profit.

OPERATIONAL HIGHLIGHTS

The financial year 2002-03 witnessed a further consolidation of ISS's position in the industry, as a result of all-round improvements on a number of fronts. The total turnover recorded by ISS during the year 2002-03 was Rs.12,266.19 crore, consisting of Rs.11,528.96 crore in the Capital Market segment and Rs.737.23 crore in the F&O segment of NSE, which was launched on May 6, 2002. The corresponding figures of the total turnover for the previous year (i.e., 2001-02) was Rs.10,558 crore, all of which was in the Capital Market segment of NSE.

The month-wise statistics for ISS are given below:

(Turnover in Rs.Cr)

		Cash segment				F&O segment			
		Total Turnover	Average Turnover per day	No. of days	Active Intermediaries	Total Turnover	Average Turnover per day	No. of days	Active Intermediaries
1.	April 2002	1188.21	54.01	22	208	not operational			
2.	May	1160.95	52.77	22	205	10.65	0.53	20	12
3.	June	980.61	49.03	20	210	20.41	1.07	19	21
4.	July	1057.58	45.98	23	208	31.36	1.49	21	30
5.	August	980.62	46.17	21	208	37.50	1.79	21	29
6.	September	906.21	45.31	20	205	45.20	2.51	18	31
7.	October	899.91	45.00	20	201	62.97	3.00	21	27
8.	November	750.69	39.51	19	200	78.20	4.89	16	29
9.	December	945.03	45.00	21	200	95.72	4.56	21	31
10.	January 2003	1079.03	46.91	23	201	77.79	3.89	20	31
11.	February	862.31	45.38	19	201	131.04	6.90	19	39
12.	March 2003	717.82	35.89	20	201	146.38	7.32	20	43
	Total 2002-03	11528.96	46.12	250		737.52	3.16	216	
	Total 2001-02	10557.86	43.27	254		-	-	-	-

The peak daily turnover recorded in the Capital Market segment during the year was Rs.69.57 crore, which was on February 28, 2003. For the F&O segment, the highest daily turnover recorded was Rs.14.47 crore, achieved on the same day.

ISS added seven more centres within its network during the year under review and it now provides trading services in 53 cities. These cities are: Agra, Ahmedabad, Ahmednagar, Aurangabad, Bahadurgarh, Belgaum, Betul, Bhandara, Bhopal, Bhubhaneshwar, Burhanpur, Chennai, Coimbatore, Cuttack, Dhanbad, Faridabad, Ghaziabad, Guwahati, Gwalior, Haibargaon, Hisar, Hyderabad, Indore, Jabalpur, Jaipur, Jamnagar, Jamshedpur, Kanpur, Karnal, Khandwa, Kolkata, Mangalore, Margao, Mumbai, Nagpur, Navi Mumbai, New Delhi, Noida, Ongole, Patiala, Patna, Raipur (Chhattisgarh), Rajkot, Ranchi (Jharkhand), Salem, Sangli, Shahad, Surat, Thane, Uttaraanchal, Varanasi, Vadodara and Vishakapatnam.

FINANCIAL PERFORMANCE

In spite of the fact that the year 2002-03 was one of the worst years in the annals of the stock exchanges, ISS's financial performance has shown remarkable improvement. For the first time since its inception, ISS posted a net profit, which was due to greater operational efficiency and stringent cost control measures initiated by ISS.

ISS earned a total income of Rs.366.83 lakhs in the year 2002-03 (previous year: Rs.341.26 lakhs). Expenditure before depreciation, interest and tax for the year under review stood at Rs.260.31 lakhs, compared to Rs.301.67 lakhs for the previous year. After taking into account interest, finance charges and depreciation, the excess of income over expenditure for the year 2002-03 was Rs.17.44 lakhs [previous year: (-) Rs.44.26 lakhs]. The net profit after taxation for the year 2002-03 stood at Rs.5.40 lakhs, as compared to (-) Rs.46.26 lakhs for the previous year.

The comparative position of the financials of the Company for the last three years is given below:

	2002-03	2001-02	2000-01
Income	366.83	341.26	148.73
Expenditure before Depreciation, Interest and Tax	260.31	301.67	140.11
Profit before Depreciation, Interest and Tax	106.52	39.59	8.62
Interest and Finance Charges	43.53	50.07	16.02
Depreciation	45.55	33.78	29.82
Profit/(Loss) before Tax	17.44	(44.26)	(37.22)
Provision for Taxation and Prior Period adjustments	12.04	2.00	-
Profit/(Loss) after Tax	5.40	(46.26)	(37.22)

ISS has adopted the Accounting Standard AS22 relating to deferred tax with effect from the financial year 2002-03.

TECHNOLOGY AND SYSTEMS

ISS's communication network, comprising VSATs, leased lines, ISDN lines and VPN facility, was utilised further during the year 2002-03, as a result of concerted efforts put in by the Networking Department of ISS, in association with the concerned networking vendors. 23 new leased ISDN links and 8 new TDMA VSATs were added to the network during the financial year. Negotiations with the VSAT service provider, HCL Comnet, resulted in substantial reductions in capital cost and recovering cost of the TDMA VSAT equipment, benefits of which were passed on to the Sub-brokers of ISS entirely.

The new ODIN software of Financial Technologies India Ltd., incorporating the features of the Capital Markets segment and F&O segment of NSE on a single screen was commissioned on May 6, 2003. The new software took about two months for full stabilisation, and thereafter, the operations have been smoother. The integrated ODIN software optimises the networking and computer resources required to support the two trading segments, which translates to lower recurring cost to ISS and its Sub-brokers.

Continuous efforts were also made by the Systems Department to identify an appropriate internet trading solution, consequent to the expiry of the agreement between ISS and DotEx International Ltd. ISS expects the internet trading option to emerge as a sound alternate trading mechanism in the year 2003-04, which will also achieve the goal of balancing the technology risks.

FUTURE PROSPECTS

ISS expects to further strengthen its position in the market, by making judicious investments in technology, optimising process efficiencies and carrying out administrative improvements. The stock broking industry is witnessing consolidation/shake-out and ISS believes that in the future, institutional set-ups possessing high financial and technological muscle would only be able to meet the requirements of the increasingly complex and dynamic marketplace. ISS would also be strengthening its administrative machinery to meet the growing requirements for compliance with the regulatory and statutory provisions.

ISS expects to post a net profit after providing for taxes in the financial year 2003-04.

AUDITORS

M/s. A. J. Shah & Co., Chartered Accountants, were appointed by the Members in the Third Annual General Meeting as Statutory Auditors to hold office from the conclusion of the Third Annual General Meeting till the conclusion of the forthcoming (Fourth) Annual General Meeting.

The Auditors' Report has not pointed out any deficiency in the functioning of the Company.

ISS appointed the auditing firm of M/s. M. P. Chitale & Co., as its Internal Auditors. Internal Audit for the entire Financial Year 2002-03 has been carried out and the recommendations/suggestions of the Internal Auditors have been implemented to further tone up the administrative processes.

COMPLAINTS REDRESSAL, ARBITRATION AND LEGAL CASES

The Legal, Arbitration and Investor Grievances Department of ISS attends to complaints filed by clients of Sub-brokers and also handles arbitration and legal matters. As at the beginning of the Financial Year 2002-03, there were three complaints pending resolution by the Company. During the year, nine fresh complaints were received. Out of these, 10 complaints were resolved amicably through the intermediation/conciliation efforts of the Company or were closed due to absence of response from the complainants, in spite of rigorous follow up by ISS. Efforts are underway to resolve the two pending cases too.

The two arbitration references filed by ISS with NSE against two of its Sub-brokers to recover outstanding settlement dues have both been adjudicated in favour of the Company. ISS has initiated action to get the Awards executed.

OFFICE INFRASTRUCTURE

functions from the same premises as that of its promoter, Inter-connected Stock Exchange of India Ltd. Apart from the central office, which is situated at International Infotech Park, Vashi, Mumbai, decentralized support is provided to the intermediaries through the Co-ordination System Officers located at Delhi, Kolkata, Nagpur, Coimbatore and the Participating Exchange members.

BOARD OF DIRECTORS

Board of Directors of ISS has been expanded during the Financial Year 2002-03 by inducting Public Representatives and Trading Member Representatives. The present Board of Directors consists of:

No.	Name	Status
	Shri M. R. Mayya	Chairman
	Shri V. Shankar	Managing Director (upto April 1, 2003) Director (since April 2, 2003)
	Shri Joseph Massey	Director (resigned with effect from April 2, 2003)
	Dr. D. K. Bhatia	Public Representative Director
	Shri Ajay Thakkar	Public Representative Director
	Shri Ramu Sharma	Trading Member Director
	Shri Ashish Parikh	Trading Member Director
	Shri G. D. Mundra	Trading Member Director

Shri Joseph Massey, who was Managing Director of the Holding Company, Inter-connected Stock Exchange of India Ltd. (ISE), and its Nominee on the Board of ISS, resigned as Director from both organisations with effect from April 2, 2003. The Directors place on record its appreciation for valuable service rendered by him in the establishment and management of ISE and ISS.

Shri M. R. Mayya, Chairman of the Company and Nominee of ISE, is a Director liable to retire by rotation.

Dr. D. K. Bhatia, Shri Ajay Thakkar, Shri Ramu Sharma, Shri Ashish Parikh and Shri G. D. Mundra were appointed as additional Directors during the year under review and they will cease to hold office as Directors in the forthcoming Annual General Meeting of the Company.

Following Board Meetings were held from April 1, 2002 till date:

Board Meeting No.	Date
27	May 3, 2002
28	May 13, 2002
29	June 24, 2002
30	July 1, 2002
31	October 1, 2002
32	October 22, 2002
33	November 29, 2002
34	February 8, 2003
35	February 24, 2003

Board Meeting No.	Date
36	March 22, 2003
37	March 30, 2003
38	May 16, 2003
39	June 28, 2003
40	August 29, 2003

GENERAL MEETINGS

Since the date of the last Annual General Meeting held on September 30, 2002 till the date of this Report, there have been no General Meetings.

HUMAN RESOURCES AND PARTICULARS OF EMPLOYEES

As decided by the Board of Directors of ISE, all persons working for the Company, including Shri V. Shankar, were on deputation from ISE during the year 2002-03. Therefore, 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 requirements of Disclosure, 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 stated herein.

CORPORATE GOVERNANCE

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- in the preparation of the annual accounts, the applicable accounting standards have been followed and no material departure have been made from the same;
- appropriate accounting policies have been selected and applied consistently and have made judgements 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, 2003 and Profit & Loss Account for the year ended March 31, 2003;
- 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;
- the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

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

Our thanks are also due to HDFC Bank Ltd., ICICI Bank, IndusInd Bank Ltd., Financial Technologies, Sify, Compaq, CMS Computers, MTNL, BSNL, DoT, NSDL, CDSL and SHCIL for their support and co-operation.

We will be failing in our duty if we do not record our appreciation and gratitude for the whole-hearted commitment exhibited by our esteemed intermediaries. On every occasion, our intermediaries have risen to the demands of the market, contributing to the development of ISS in the process.

Guidance, support and direction have been provided by the Board of Directors of ISE, which have made ISS a vibrant business entity. We sincerely express our gratitude to each and every member of the Board of Directors of ISE. Thanks are also due to the staff of ISS and ISE, for their sincere, tireless and dedicated work.

By order of the Board of Directors.

Sd/-

M. R. MAYYA
Chairman

Place: Mumbai

Date: August 29, 2003

ISE SECURITIES & SERVICES LIMITED
BALANCE SHEET AS AT MARCH 31, 2003

	Schedules	March 31, 2003 (In Rupees)	March 31, 2002 (In Rupees)
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	1	55,000,000	45,000,000
Loan Funds			
Secured Loans	2	9,187,523	54,528,688
Total		64,187,523	99,528,688
APPLICATION OF FUNDS			
Fixed Assets	3		
Investment	4	6,700,005	-
Current Assets, Loans & Advances			
Trade Debtors	5	2,543,629	50,554,585
Cash & Bank Balances	6	95,999,046	132,796,943
Loans & Advances	7	48,828,061	44,101,804
Securities in hand (Refer Note 4 of Schedule 16 Part C)		12,780	1,455,479
		147,383,516	228,908,811
Less: Current Liabilities	8	114,478,600	153,341,778
Net Current Assets		32,904,916	75,567,033
Deferred Tax Assets		5,187,583	-
Less: Deferred Tax Liabilities		4,762,138	-
Net Deferred Tax Assets (Refer Note 16 Schedule 16 Part C)		425,445	-
Miscellaneous Expenditure (To the extent not written off)	9	407,631	611,446
Profit & Loss Account		6,438,357	8,348,713
Total		64,187,523	99,528,688
Significant Accounting Policies & other notes on Accounts	16		

As per my report of even date attached
for A. J. Shah & Co.
Chartered Accountants

for and on behalf of the Board

sd
Rajesh Shah
Partner

sd
M. R. Mayya
Chairman
sd
V. Shankar
Director

Mumbai
Dated August 29, 2003

Mumbai
Dated: August 29, 2003

ISE SECURITIES & SERVICES LIMITED
PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2003

Schedules		March 31, 2003 (In Rupees)	March 31, 2002 (In Rupees)
INCOME			
Brokerage		11,084,110	10,876,532
Interest		9,525,190	10,971,873
(Tax Deducted at Source Rs.2176268.79/- (Previous Year Rs. 20,62,032/-))			
Networking Recoveries		11,057,383	9,986,825
Annual Fees		1,215,000	1,122,000
Other Income		3,801,489	1,169,289
Total	10	36,683,172	34,126,519
Expenditure			
Employee Costs	11	6,838,205	5,008,919
Communication & Networking Costs	12	11,006,454	10,505,203
Administrative & Operative Costs	13	7,979,874	13,930,764
Finance Costs	14	4,352,634	5,007,357
Reduction in the value of Securities in hand (Refer Note 4 of Schedule 16 Part C)		2,958	518,656
Depreciation		4,555,410	3,378,065
Preliminary Expenses amortised		203,816	203,815
Total		34,939,351	38,552,779
Profit / (Loss) before Taxation		1,743,821	(4,426,260)
Provision for: Current Tax			200,000
Deferred Tax		944,966	
Net Profit / (Loss) after Taxation		798,855	(4,626,260)
Less: Prior Year Adjustment	15	458,910	
Add: Excess Provision for Taxation in earlier years		200,000	
Profit & Loss Surplus/(deficit) brought forward		(8,348,713)	(3,722,453)
Less: Adjustment on initial adoption of Deferred Tax		1,370,411	
Balance Carried over		(6,438,357)	(8,348,713)
Basic & Diluted EPS (Refer Note 15 of Schedule 16 Part c)		0.18	(1.24)

Significant Accounting Policies & Other notes on Accounts 16

As per my report of even date attached for A. J. Shah & Co.
Chartered Accountants

for and on behalf of the Board

sd-
Rajesh Shah
Partner

sd-
M. R. Mayya
Chairman

sd-
V. Shankar
Director

Mumbai
Dated: August 29, 2003

Mumbai
Dated: August 29, 2003

IRE SECURITIES & SERVICES LIMITED
SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2003

	March 31, 2003 (In Rupees)	March 31, 2002 (In Rupees)
SCHEDULE 1		
SHARE CAPITAL		
Authorized 600000 Equity Shares of Rs. 10/- each	<u>60,000,000</u>	<u>60,000,000</u>
Issued, Subscribed and fully paid up 550000 Equity Shares of Rs. 10/- each	<u>55,000,000</u>	<u>45,000,000</u>
fully paid up in cash (100% held by Inter-Connected Stock Exchange of India Ltd., the holding company and its nominees)	<u>55,000,000</u>	<u>45,000,000</u>
SCHEDULE 2		
SECURED LOANS		
From Banks (Overdraft facility from Banks secured by Bank Fixed Deposit Receipts. See Note 6 of Schedule 16 Part C)	<u>9,187,523</u>	<u>54,528,688</u>
Total	<u>9,187,523</u>	<u>54,528,688</u>

SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2003

SCHEDULE 3
FIXED ASSETS

(Figures in Rupees)

Particulars	Gross Block (At Cost)		As at 31-03-2003	Depreciation		Net Block	
	As at 01-04-2002	As at 31-03-2003		Upto 31-03-2002	As on 31-03-2003	As at 31-03-2003	As on 31-03-2002
		Additions	Deletions	For the year	Deductions	As on 31-03-2003	As on 31-03-2002
Computers	21,361,294	6,842,025	28,203,319	6,359,798	4,532,352	10,892,150	17,311,169
Office Equipment		23,058	23,058	-	23,058	23,058	15,001,496
Total	21,361,294	6,865,083	28,226,377	6,359,798	4,555,410	10,915,208	17,311,169
Previous Year	20,558,839	802,455	21,361,294	2,891,732	3,378,065	6,359,798	15,001,496

HSB SECURITIES & SERVICES LIMITED
SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2003

	March 31, 2003 (In Rupees)	March 31, 2002 (In Rupees)
SCHEDULE 4		
INVESTMENTS		
(Refer Note 7 of Schedule 16 Part C)		
Long Term Trade Investments (unquoted, at cost) The Stock Exchange, Mumbai Card	6,700,005	-
Total	<u>6,700,005</u>	<u>-</u>
SCHEDULE 5		
TRADE DEBTORS		
(Refer Note 8 of Schedule 16 Part C)		
Exceeding Six months		
Considered Good	1,838,853	3,349,596
Considered Doubtful	<u>7,731,269</u>	<u>2,647,176</u>
	9,570,122	5,996,772
Others		
Considered Good	704,776	47,204,989
Considered Doubtful	<u>-</u>	<u>5,104,563</u>
	704,776	52,309,552
	<u>10,274,898</u>	<u>58,306,324</u>
Less: Provision for Bad & Doubtful Debts	7,731,269	7,751,739
Total	<u>2,543,629</u>	<u>50,554,585</u>
SCHEDULE 6		
CASH & BANK BALANCES		
Cash on Hand	19,674	5,496
Balance with Scheduled Banks		
In Current Accounts		
Client Designated	2,345,296	4,719,503
Others	<u>8,578,577</u>	<u>5,650,139</u>
	10,923,873	10,369,642
In Deposit Accounts	85,055,499	122,218,257
(Refer Note 9 of Schedule 16 Part C)		
Balance in Current Account with Standard Chartered Grindlays Bank Limited (Maximum Balance during the year Rs. 10,91,800.81)		203,548
Total	<u>95,999,046</u>	<u>132,796,943</u>
SCHEDULE 7		
LOANS & ADVANCES		
Advances recoverable in cash or kind for value to be received (Unsecured and considered good)	2,897,695	1,700,269
Interest Accrued on Bank Fixed Deposits	2,560,829	1,393,686
Income Tax Refund Receivable / Advance Tax	5,019,537	2,757,849
Deposits with Stock Exchanges and Clearing House	38,350,000	36,900,000
Advance towards Capital Assets	-	1,350,000
Total	<u>48,828,061</u>	<u>44,101,804</u>

CURITIES & SERVICES LIMITED
DULES TO BALANCE SHEET AS AT MARCH 31, 2003

	March 31, 2003 (In Rupees)	March 31, 2002 (In Rupees)
SCHEDULE 8		
CURRENT LIABILITIES & PROVISIONS		
Current Liabilities :		
Outstanding dues to Small Scale Industrial Undertakings	Nil	Nil
Provisional Obligations :		
Settlement Obligations to Dealers(Cash)	23,784,985	37,678,741
Settlement Obligations to Dealers(F&O)	390,575	-
Settlement Obligations to NSE	107,038	34,600,271
	24,282,598	72,279,012
Capital, Base and Additional Capital Deposits :		
Margin Deposits	5,024,571	510,412
Capital Market Segment Deposits	51,087,557	56,456,317
Derivatives & Options Segment	16,188,019	1,150,000
VSAT charges advance deposit	762,500	1,525,500
	73,062,647	59,642,229
Connected Stock Exchange of India Limited (a Holding Company)	1,035,225	2,767,055
Provision Charges (Refer Note 13 of Schedule 16 Part C)	9,229,564	15,534,836
Provision for Expenses	4,095,591	2,150,343
Provision for Liabilities (Refer Note 10 of Schedule 16 Part C)	2,772,975	768,304
Provisions :		200,000
Provision for Taxation		
Total	114,478,600	153,341,778

SCHEDULE 9		
OTHER EXPENDITURE		
Expenditure to the extent not written off or adjusted		
Administrative Expenses	53,425	80,136
Operational Expenses	354,206	531,310
Total	407,631	611,446

IBL SECURITIES & SERVICES LIMITED
SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2003

	March 31, 2003 (In Rupees)	March 31, 2002 (In Rupees)
SCHEDULE 10		
OTHER INCOME		
Fees & Penalties Collected	957,191	841,663
Technology Fees - F&O	1,600,000	-
Admission Fees - F&O	640,000	-
Arbitration Fees	-	2,750
Processing Charges - ALBM	-	94,777
Profit on Sale of Devolved Stocks	519,712	-
Dividend Income*	21,010	73,651
Dividend Received on securities belonging to dealers*	1,305,146	944,752
Less: Paid to Clients	1,067,059	646,889
Provided as payable to Client	238,087	297,863
*Total TDS deducted in respect of above is Rs. 85,419/- (Refer Note 10 of Schedule 16 Part C)		
Miscellaneous Income	63,576	156,448
Total	3,801,489	1,169,289

SCHEDULE 11		
EMPLOYEE COSTS		
Staff Deputation Cost towards*:		
Salary, Bonus & Allowances	6,787,698	4,990,827
Contribution to Gratuity Fund	50,507	16,092
Training Expenses	-	2,000
Total	6,838,205	5,008,919

* Including Managing Directors' Remuneration
(Refer Note 3 Schedule 16 Part C)

SCHEDULE 12		
COMMUNICATION & NETWORKING COSTS		
Lease/SDN Line Charges	3,882,951	4,161,995
VPN Expenses	2,251,246	2,725,568
VSAT Expenses	3,670,716	2,841,418
Annual Maintenance - Networking Equipment	570,846	285,764
Telephone Expenses	630,695	490,458
Total	11,006,454	10,505,203

ISE SECURITIES & SERVICES LIMITED

SCHEDULES TO PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2003

March 31, 2003
(In Rupees)

March 31, 2002
(In Rupees)

SCHEDULE 13

ADMINISTRATIVE & OPERATIVE COSTS

Commission to Authorised Person		
Courier Charges	439,037	-
Custody Charges	377,404	415,582
Electrical Charges	237,805	360,011
Insurance	1,069,307	621,103
Legal & Professional Charges	77,312	62,634
Loss on Sale of Devolved Stocks	1,528,772	835,201
Miscellaneous Expenses	256,778	288,731
Printing and Stationery	862,970	1,221,645
Provision for Doubtful Debts (Refer Note 8 (iii) of Schedule 16 Part C)	800,065	666,398
Rates & Taxes		7,751,739
Remuneration to Auditors (Refer Note 2 of Schedule 16 Part C)	43,731	43,848
Rent	145,588	149,546
Repairs & Maintenance - Others	325,751	306,300
Travelling Expenses	1,270,149	1,149,012
	545,205	59,014
Total	7,979,874	13,930,764

SCHEDULE 14

FINANCE COSTS

Bank Charges		
Bank Guarantee Commission	120,568	116,468
Interest - Other than Fixed Loans	229,616	339,593
	4,002,450	4,551,296
Total	4,352,634	5,007,357

SCHEDULE 15

PRIOR YEAR ADJUSTMENT

Prior Year Expense		
Less: Prior Year Income	824,556	
	365,646	
Total	458,910	

ISE SECURITIES & SERVICES LIMITED

Schedule 16

Notes to the Balance Sheet As at March 31, 2003 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. As at March 31, 2003, Inter-connected Stock Exchange of India Limited (ISE) and its nominees hold 100 percent of the equity share capital of the Company. The Company is an active member of National Stock Exchange of India Limited.

Significant Accounting Policies and Notes to Accounts

B. Significant Accounting Policies.

a) Fundamental Accounting Assumptions

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

b) Method of Accounting

The financial statements are prepared according to the historical cost convention and on an accrual basis in accordance with the requirements of the Companies Act, 1956.

c) Revenue recognition

- i) Brokerage and fines and penalties are recognised for all settlements completed during the year, with respect to funds payin and payout. Brokerage Income includes net Transaction Charges received from Sub-brokers net of Service Tax and Stamp Duty.
- ii) Other incomes are accounted on accrual basis.

d) Fixed Assets and Depreciation

- i) Fixed assets are stated at cost less accumulated depreciation. Cost includes all expenses related to acquisition of fixed assets.
- ii) Depreciation is provided on straight-line basis at the rates specified in Schedule XIV of the Companies Act, 1956. Depreciation for asset acquired / purchased during the period is provided on pro-rata basis. Depreciation on additions to

ISE SECURITIES & SERVICES LIMITED

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.

e) Investments

Long-term investments are stated at cost. Provisions for diminution in value of long-term investments is made net of provision for diminution in value, if any.

f) 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.

g) Preliminary and Preoperational Expenses

Preliminary and preoperational expenses are being amortised over a period of five years from the year the Company commenced operations.

h) Borrowing costs

Borrowing costs attributable to the acquisition of fixed assets upto the date it is ready for use are capitalised as part of cost of fixed assets. Other borrowing costs are recognized as expenses in the period in which they are incurred.

i) 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 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.

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

ISE SECURITIES & SERVICES LIMITED

C. Notes to Accounts

1. During the year, the Company has changed the method of recognition of brokerage income from all days on which trading was effected during the year to days for which settlements were completed with respect to funds payin and payout during the year. The change in method was warranted to achieve a better presentation of the financial statements. Due to the change in the accounting policy as compared to last year, income is lower by Rs. 70,132/-.

2. Remuneration to Auditors:

	Year ended 31-3-2003	Year ended 31-3-2002
Audit Fees	65,000/-	52,500/-
Other Services in respect of		
- Consultancy Charges	Nil-	55,125/-
- Others (Certification Matters)	33,600/-	11,550/-
Reimbursement of Expenses	2,363/-	371/-
Total	1,00,963/-	119,546/-
For taxation matters to associate concern	44,625/-	30,000/-
Total	1,45,588/-	149,546/-

3. Employee's cost represents the cost of the staff deputed by ISE to the Company during the year. The salary of the Managing Director, Mr. V. Shankar, paid by Inter-connected Stock Exchange of India Limited, is charged to the Company. The salary and other allowances of Mr. V. Shankar amounting to Rs.8,43,724/- [Previous Year Rs. 9,93,023/-] is reimbursed by the Company to Inter-connected Stock Exchange of India Limited, as during the financial year 2002-2003, Mr. V. Shankar was mainly involved in the organisation and management of the Company.
4. The securities in hand as of March 31, 2003 are valued at Rs.12,780/- [Previous Year Rs. 14,55,480/-] at original cost or market price, whichever is less. The reduction of Rs. 2,958/- [Previous year 5,18,656/-], on account of this valuation is written off to Profit and Loss Account. The loss on account of sale of such securities which devolved on the Company due to errors & omissions amounted to Rs. 2,56,778/- and profit on account of sale of such securities amounted to Rs.5,19,712/-.

ISE SECURITIES & SERVICES LIMITED

5. (i) The Company has obtained Bank Guarantees favoring National Stock Exchange of India Ltd. from HDFC Bank Ltd. for an amount of Rs.4,45,20,000/- [Previous Year Rs. 6,43,25,000/-] towards Base Capital and Margin requirements as of March 31, 2003. These Bank Guarantees are obtained against the collaterals of:
- (a) Bank Guarantees received from Sub-brokers favoring the Company towards the same Rs. 11,00,000/- [Previous Year Rs. 3,66,30,000/-],
 - (b) Bank Fixed Deposit of the Sub-brokers amounting to Rs.3,34,20,000 /- [Previous Year Rs. 2,05,56,000] and;
 - (c) Bank Fixed Deposit from HDFC Bank Ltd. of the Company amounting to Rs.1,00,00,000 /-. [Previous Year Rs. 1,00,00,000].
- (ii) The Company has obtained Bank Guarantees favoring National Stock Exchange of India Ltd. from IndusInd Bank Ltd. for an amount of Rs.5,11,00,000/- [Previous Year Rs. 5,00,00,000] towards Base Capital and Margin requirements as of March 31, 2003. These Bank Guarantees are obtained against the collateral of Bank Fixed Deposit from IndusInd Bank Ltd. of the Company amounting to Rs.2,50,00,000/- [Previous Year Rs. 2,50,00,000].
6. The Company has obtained bank overdraft facilities amounting to Rs. 91,87,523/- as follows:
- (i) The overdraft facility of Rs.1,90,00,000./- [Previous Year Rs. 5,00,00,000/-] from HDFC Bank is taken against the collateral of Fixed Deposits of Rs. 1,90,55,499./- [Previous Year Rs. 5,07,66,806/-].
 - (ii) The overdraft facility of Rs. 95,00,000 /- [Previous Year Rs. 95,00,000] from IndusInd Bank is taken against the collateral of Fixed Deposit Receipts of Rs 1,00,00,000/- [Previous Year Rs. 1,00,00,000/-].

7. Investments

During the year, the Company has purchased the corporate membership card of The Stock Exchange, Mumbai at a cost of Rs. 67,00,005/-. The Company is awaiting the registration by SEBI for commencement of trading. As at the year-end, the Company's application for registration and commencement of trading was pending with SEBI.

8. Sundry Debtors

- (i) The Company sends ledgers/statement of accounts to Sub-brokers at periodic intervals, with the intimation that the discrepancies, if any, in the same should be brought to the notice of the Company within the stipulated time. Discrepancies pointed out by the Sub-brokers are verified and necessary corrections are made in the concerned ledgers/statement of accounts.
- (ii) Sundry Debtors represent settlement dues and other charges receivable from Sub-brokers as on March 31, 2003. The debtors of the Company are secured by the Company by way of Base and Additional Capital Deposits, Bank Guarantees, Fixed Deposits.
- (iii) Sundry debtors include balances due from two Sub-brokers, totaling to Rs.77,31,269/- as at March 31, 2003. Efforts made by the Management of the Company have resulted in a recovery of Rs.20,471/- of the above outstanding in the current financial year. For recovery of the balance amount, separate Arbitration References were filed against both the Sub-brokers at the National Stock Exchange of India Ltd. (NSE) and the Company has also received the Awards in its favour in both the cases. The Company has initiated measures for the Execution of the Awards at the relevant Courts. The Company has also obtained an injunction from the Bombay High Court restraining one of the Sub-brokers from disposing of his assets, pending arbitral proceedings.
- (iv) Sundry debtors include balances due from three Sub-brokers, totaling to Rs.5,89,479/- as at March 31, 2003. To recover the dues, the matter was referred to the Defaults Committee of ISE, which is the holding Company of ISS. The concerned Sub-brokers were declared Defaulters and the dues to ISS from these Sub-brokers have been referred to ISE as dues from the said Sub-brokers.

As the dues of these three Sub-brokers can be met from the deposits with ISE and the value of their trading rights, the Company has not considered these debts as doubtful.

9. The Bank Fixed Deposits of the Company includes deposits amounting to Rs. 7,50,55,499/- which are utilised as collaterals for various facilities as follows:

Amount in Rupees

(i) Fixed Deposit Receipts discharged and deposited with NSE towards Additional Base Capital	1,10,00,000/-
(ii) Collateral towards Bank Guarantee to NSE for Margin Adjustable Base Capital (Refer Note 5 above)	3,50,00,000/-
(iii) Collateral with Banks for Overdraft Facilities. (Refer Note 6 above)	2,90,55,499/-
Total	7,50,55,499/-

ISE SECURITIES & SERVICES LIMITED

10. The Company, in the past years had received certain securities in the pool account from the Sub-brokers in respect of which specific Sub-brokers-wise identification is not possible. Current Liabilities & Provisions includes an amount of Rs. 27.28 lakhs under the head "Other Liabilities", representing sale proceeds of such securities and dividend received thereon. Claims, if any, received from Sub-brokers will be settled out of this amount, after due validation.
11. The finance costs include an amount of Rs. 6,81,482/- being the commission payable on Bank Guarantees taken from HDFC Bank and IndusInd Bank favoring National Securities Clearing Corporation. Of this Rs.4,51,866/- has been incurred as commission for the back-to-back Guarantees taken by the Company against Bank Guarantees issued by the Sub-brokers towards margins / collaterals.
12. During the year, the Company has not changed the method of allocation of indirect expenses between itself and its holding Company, Inter-connected Stock Exchange of India Limited (ISE).
13. Appropriation Charges under Current Liabilities & Provisions include the recoveries made from Sub-brokers towards Turnover fees payable to SEBI, net of the payments made to SEBI till date. The Company has made full payment of the Turnover fees to SEBI till F.Y.2001-02. As per the clarification received from SEBI, Turnover Fees refundable to Sub-brokers will be adjusted from Turnover Fees payable by the Company for the F.Y.2002-03.
14. In the opinion of the Board of Directors, the Current Assets, Loans and Advances, have a value on realization in ordinary course of business at least equal to the amounts at which they are stated in the Balance Sheet.
15. **Earning per Share:**

	(Rs.)	
	Year ended 31-3-2003	Year ended 31-3-2002
Net Profit / (Loss) after Taxation attributable to Equity Shareholders	7,98,855	(46,26,260)
Weighted Average Outstanding Number of Equity Shares	45,27,397	37,38,356
Basic / Diluted Earnings Per Share	0.18	(1.24)

Securities & Services Limited
STATEMENT TO BALANCE SHEET AS AT MARCH 31, 2003

Balance Sheet abstract and Company's general business profile

as required pursuant to Part IV of Schedule VI to the Companies Act, 1956

Details

Registration No. State Code
 Balance Sheet Date

Income earned during the year

Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placements	1,00,00,000

Capitalisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	64,188	Total Assets	64,188
-------------------	--------	--------------	--------

Sources of Funds

Paid up Capital	55,000	Reserves & Surplus	-
Secured Loans	9,188	Unsecured Loans	Nil

Application of Funds

Net Fixed Assets	17,311	Investments	6,700
Net Current Assets	33,331	Misc. Expenditure	408
Accumulated Losses	6,438		

Operating Results of the Company (Amount in Rs. Thousands)

Turnover	36,683	Total expenditure	34,939
Profit before Tax	1,744	Profit after Tax	799
Earnings per share	0.18	Dividend Rate	Nil

Details of Principal Product/Services of the Company (as per monetary terms)

Item Code No.	NIL	Product Description	NIL
---------------	-----	---------------------	-----

A. CASH FLOW
 Net Profit before
 Adjustments for
 Depreciation
 Interest paid
 Preliminary Expense

Operating profit
 Adjustments for
 Decrease/Increase
 Decrease/Increase
 Increase/Decrease
 Cash generated
 Cash generated
 Less: Tax paid
 Net cash from
 Operating activities
 Net cash from
 Investing activities
 Net cash from
 Financing activities

B. CASH FLOW
 Purchase of fixed
 assets
 (Purchase) Sale of
 fixed assets
 Net cash used in
 Investing activities

C. CASH FLOW
 (Repayment) Issue
 of shares
 Proceed from loan
 (Interest) Paid
 Tax on dividend
 Interest paid
 Net cash used in
 Financing activities

Net (decrease) /
 increase in cash and
 cash equivalents
 Cash and cash
 equivalents at
 the beginning of
 the year

Notes:
 a) Components of
 (Refer Schedule
 VI)
 b) Addition of five
 year and 10 year
 c) The Cash Flow
 Statement is in
 thousands of Rupees
 d) Previous year figures

As per my report of
 the Auditor
 for A. J. Shah & Co.
 Chartered Accountants

By
 Rajesh Shah
 Partner
 Mumbai
 Dated: August 28, 2003

ISE Securities and Services Ltd.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

	Amount(Rs.) 2002-03	Amount(Rs.) 2002-03	Amount(Rs.) 2001-02	Amount(Rs.) 2001-02
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit before tax		1,743,821		(4,426,260)
Adjustments for :				
Depreciation	4,555,410		3,378,065	
Interest paid	3,772,407		4,551,296	
Preliminary Expenditure written off	203,816		203,816	
		8,531,633		8,133,177
Operating profit before working capital changes		10,275,454		3,706,917
Adjustments for :				
(Increase)/Decrease in Trade and Other Receivables	39,673,010		(37,800,736)	
(Increase)/Decrease in Securities in Hand	1,442,699		1,019,623	
Increase/(Decrease) in Trade & Other Payables	(38,663,178)		(15,472,004)	
Cash generated from Operations		2,452,531		(52,253,117)
Cash generated from operation		12,727,985		(48,546,200)
Direct Tax paid (Net of Income tax refund)		2,261,688		2,757,849
Net cash from operating activities before prior year item(net)		14,989,673		(45,788,351)
Prior period items		(458,910)		-
Net cash from operating activities after prior year item(net)		14,530,763		(45,788,351)
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Purchase of fixed assets/capital advances	(5,515,083)		(2,152,455)	
(Purchase)/Sale of Investments	(6,700,005)		-	
Net cash (used in) Investment activities		(12,215,088)		(2,152,455)
C. CASH FLOW FROM FINANCING ACTIVITIES :				
(Repayment)/Proceeds from Bank Working Capital Finance	(45,341,165)		34,756,668	
Proceed from Increase in Equity Capital	10,000,000		20,000,000	
Dividend Paid	-		-	
Tax on dividend paid	-		-	
Interest paid	(3,772,407)		(4,551,296)	
Net cash (used in) /from financial activities		(39,113,572)		50,205,372
Net (decrease) / increase in cash & cash equivalents		(36,797,897)		2,264,566
Cash and cash equivalents at beginning of the year		132,796,943		130,532,377
Cash and cash equivalents at end of the year		95,999,046		132,796,943

Notes :

- Components of cash and cash equivalents include cash and bank balances in current accounts (Refer Schedule- 6 forming part of the Balance Sheet and the Profit and Loss Account).
- Additions of fixed assets is stated inclusive of movements in capital work in progress during the year and is considered as part of investing activities.
- The Cash Flow Statement has been prepared in indirect method in accordance with the requirements of "AS-3 Cash Flow Statement" issued by The Institute of Chartered Accountants of India.
- Previous year figures are not audited.

As per my report of even date attached
for **A. J. Shah & Co.**
Chartered Accountants

For and on behalf of the Board of Directors

sd-
Rajesh Shah
Partner
Mumbai
Dated : August 29,2003

sd- sd-
(M.R.Mayya (V Shankar)
Chairman Director
Mumbai
Dated : August 29,2003

AUDITORS' REPORT

MEMBERS OF
SECURITIES & SERVICES LTD.

have audited the attached Balance Sheet of ISE SECURITIES & SERVICES LIMITED, as at 31st March, 2003 and the Profit and Loss Account of the company for year ended on that date annexed thereto and also the Cash Flow for the period ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Our audit includes examining on a test basis, evidence supporting the amount 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. We report that:

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

In our opinion, proper books of account as required by law have been kept by the Company, so far as it appears from our examination of those books;

The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;

In our opinion, the Profit & Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

On the basis of the written representations received from the directors of the company as at March 31, 2003 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2003 from being appointed as director in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.

6. In our opinion and to the best of our information and according to the explanation given to us, the accounts read together with the Notes thereon give the information required by the Companies Act 1956, in the manner so required and give a true and fair view:

(i) In the case of the Balance Sheet of the state of affairs of the company, as at 31st March 2003,

(ii) In the case of the Profit & Loss Account, of the Profit for the year ended on that date

and

(iii) In the case of the Cash Flow, of the cash flows for the year ended on that date.

7. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks of the books and records of the Company as were considered appropriate and as per the information and explanations given to us, we further report that:

i The Company has maintained proper record showing full particulars including quantitative details and situation of fixed assets. The Management has conducted physical verification of the fixed assets during the year and no discrepancies have been noticed. In our opinion, the frequency of such verification is reasonable.

ii None of the fixed assets have been revalued during the year.

iii The company has taken unsecured loans from its holding company listed in the register maintained under section 301, which is also a company under the same management as defined under erstwhile Section 370(1B) of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans are prima facie not prejudicial to the interest of the Company.

iv The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 or to companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.

v In our opinion and according to the information and explanation given to us, there are adequate internal control procedures commensurate with the

- vi During the year the company has not tendered services to parties entered in the register maintained under section 301 of the Companies Act, 1956 aggregating to Rs.50, 000/- or more.
- vii The Company has not accepted any deposits from the public and the provisions of section 58A of the Companies Act, 1956 and rules framed thereunder are not applicable to the Company.
- viii In our opinion, the company has an internal audit system commensurate with the size of the company and the nature of its business.
- ix The Employees Provident Fund Act and Employee's State Insurance Act are not applicable to the Company.
- x According to the information and explanation given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom duty and Excise duty outstanding as at 31st March, 2003 for a period of more than six months from the date they become payable.
- xi According to the information and explanation given to us, and records examined by us, no personal expenses have been charged to revenue accounts other than those payable under contractual obligations or in accordance with generally accepted business practices.
- xii The company is not an industrial company and hence the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 are not applicable to the Company.
- xiii This report does not include matter specified in clauses (iii) to (vi), (xii), (xiv) and (xvi) of paragraph 4(A), clause (ii) to (iv) of paragraph 4(B) and clause (ii) of paragraph 4(D) of the MOACARO Order, 1988, as in our opinion and according to the information and explanation given to us, these clauses are not applicable to the company on the basis of facts and circumstances and the nature of activities carried on by the company.

MUMBAI
DATE : August 29, 2003

For A. J. SHAH AND COMPANY
CHARTERED ACCOUNTANTS

Sd/-

(RAJESH SHAH)
PARTNER

INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED

Registered Office: International Infotech Park, Tower 7, 5th floor, Sector 30,
Vashi, Navi Mumbai - 400 703

Attendance Slip for the Fifth Annual General Meeting of the Members of Inter-Connected Stock Exchange of India Limited on September 29, 2003

I _____ record my presence at the Fifth Annual General Meeting of Inter-Connected Stock Exchange of India Limited held at the Registered Office of the Company at International Infotech Park, Tower 7, 5th floor, Sector 30, Vashi, Navi Mumbai - 400 703 on Monday, September 29, 2003 at 11.00 a.m.

Name	
Representative of	
Signature of the representative	
Signed this _____ day of September, 2003.	

Encl.: Certified copy Resolution passed by the Board of Directors of _____ Stock Exchange is produced herewith.