

SIXTH ANNUAL REPORT

2003-04



INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.



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BOARD OF DIRECTORS

Prof. P.V. Narasimham, Chairman
Shri V. Shankar, Managing Director
Shri. V. A. Vijayan Menon, SEBI Nominee
Prof. V. R. Iyer, Public Representative
Shri M. W. Deshmukh, Public Representative
Shri R. M. Joshi, Public Representative
Shri Sandeep H. Junnarkar, Public Representative
Dr. S. D. Israni, Public Representative
Dr. M.Y. Khan, Public Representative
Shri Ashish M. Parikh, Trading Member, Nominee of Mangalore Stock Exchange
Shri Bimal Kumar Nahata, Trading Member, Nominee of Gauhati Stock Exchange
Shri Rameshwar Nath Pandey, Trading Member, Nominee of Magadh Stock Exchange
Smt. Asha Manjari Mishra, Trading Member, Nominee of Bhubaneswar Stock Exchange
Dr. K. Sabapathy, Trading Member, Nominee of Coimbatore Stock Exchange

SECRETARIAL, LEGAL & COMPLIANCE

Shri Dipak K. Shah, Company Secretary

AUDIT COMMITTEE

2003-04 : **Prof. V. R. Iyer**, Chairman
Justice (Retd.) A. D. Tated, Public Representative
Ms. Vimala Visvanathan, Public Representative
Shri R. M. Joshi, Public Representative
2004-05 : **Prof. V. R. Iyer**, Chairman
Shri R. M. Joshi, Public Representative
Shri M. W. Deshmukh, Public Representative
Dr. S. D. Israni, Public Representative
Dr. M. Y. Khan, Public Representative

STATUTORY AUDITORS

M/s. C. C. Chokshi & Co., Chartered Accountants

INTERNAL AUDITORS

2003-04 : **M/s. Bhat & Rao**, Chartered Accountants

2004-05 : **M/s Haribhakti & Co.**, Chartered Accountants

LEGAL/COMPANY LAW ADVISORS

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

BANKERS

HDFC Bank Limited
The Vysya Bank Limited
ICICI Bank Limited
Indusind Bank Limited
UTI Bank Limited

REGISTERED OFFICE

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

NOTICE OF EXCHANGE 28, 2004 OPP. CHUR

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Date: August
Place: Vashi,

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NOTICE OF THE SIXTH ANNUAL GENERAL OF INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED TO BE HELD ON TUESDAY, SEPTEMBER 28, 2004 AT 5.00 P.M. AT INDIAN MERCHANTS' CHAMBER, OPP. CHURCHGATE STATION, MUMBAI-400020.

NOTICE is hereby given that the Sixth Annual General Meeting of the Members of Inter-connected Stock Exchange of India Ltd. will be held on Tuesday, September 28, 2004 at 5.00 p.m. at Indian Merchant's Chambers, Opp. Churchgate Station, Mumbai-400020 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, 2004 and the Balance Sheet as at that date.
2. To consider and approve the nomination of Shri A. S. Ramakrishnan, nominee of Madras Stock Exchange Ltd., whose term of office shall be liable to retirement by rotation.
3. To consider and approve the nomination of Dr. Subhash Gangwal, nominee of Jaipur Stock Exchange Ltd., whose term of office shall be liable to retirement by rotation.
4. To appoint Auditors to hold office from the conclusion of this Meeting up to the conclusion of the next Annual General Meeting and to authorise the Board of Directors

BY THE ORDER OF THE BOARD

Sd/-
V. SHANKAR
MANAGING DIRECTOR

Date: August 21, 2004
Place: Vashi, Navi Mumbai

Notes:

1. All the Members are requested to forward to the Company, letters from their respective Exchanges authorising them to attend the Meeting and to exercise such other rights.
2. Members seeking any information or clarification on the Accounts are requested to send written queries to the Company at least seven days before the date of the meeting. Replies to such written queries received, will be provided only at the meeting.

REGISTERED OFFICE

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

PERFORMANCE AT A GLANCE

Particulars	(Rupees lakh)	
	2002-03	2003-04
Total Income	155.51	292.75
Employee Costs	39.48	48.23
Administrative & Operative Costs (excluding Deferred Revenue Expenses)	72.96	89.52
Interest	1.90	0.00
Total Expenses	114.34	137.75
Cash profit/(loss)	41.17	155.00
Depreciation	142.70	143.59
Deferred Revenue Expenses (charged to Profit & Loss)	26.71	0.00
Total Expenditure	283.75	281.34
Excess of expenditure over revenue (carried forward to Balance Sheet)	(128.25)	11.41

The Board are pleased to announce the financial results for the year ended March 31, 2004.

A. Market Background

The financial markets were negative on an overall basis due to the discouraging news from the US economy. The weakening of the dollar encouraged a significant rally in the Indian market, which has taken the uptick in the European market.

The Central Bank of India grew by 1.5% in 2003-04, which was largely due to the 16.9% increase in the price level. In the front, India's inflation rate is expected to rise. Imports, which were in a period of decline, are expected to increase.

Market Indices

The fiscal deficit was over 80% of GDP in March 31, 2004, which is 81.37% of GDP in March 31, 1972. The market witnessed a significant rally on the Nasdaq (up 59.11%), and the Straits Times (up 11.41%).

DIRECTORS' REPORT

The Board of Directors of Inter-connected Stock Exchange of India Ltd. (ISE) are pleased to present the sixth Annual Report for the year ended March 31, 2004, together with the Auditors' Report and Audited Accounts for the financial year 2003-04.

A. MARKET SCENARIO

Background

The financial year 2003-04 began on a bearish note, mainly on account of negative factors such as the Iraqi war, SARS outbreak in Asia, terrorism threat on an international scale, lack lustre earnings expectation and generally discouraging economic data. Since May 2003, there has been a welcome rally in the global markets, due mainly to diminishing concerns over SARS, a weakening dollar and easing of fiscal policies, improving economic data, encouraging funds flows and liquidity improvements. Liquidity had improved significantly in the equity markets, with clear signs of bond-to-equity shifts taking place for both foreign and local investors. A steady stream of positive corporate earnings have also helped trigger an upsurge in the US markets, which had also contributed to an increase in financing and merger activities. The upturn witnessed in the US market also influenced the mood all across Europe and Asia.

The Central Statistical Organisation (CSO), has announced that India's GDP grew by 5.7%, 8.4%, 10.4% and 8.3% in the four quarters of the financial year 2003-04, averaging to 8.2% for the year. The commendable GDP growth rate was largely because of the improvement in the farm sector, which expanded by 16.9% over the preceding year. Besides, a buoyant manufacturing sector boosted industrial production to 6.9% in the fiscal, compared to 5.7% recorded in the preceding year. Among other economic indicators, the WPI-based inflation rate fell to 4.6% for the week ended March 27, 2004. On the external front, India's exports recorded a growth of 17.26% during the year under review. Imports, on the other hand, recorded a growth of 25% for the April-March period. The foreign exchange position was extremely comfortable, with foreign exchange reserves going up to more than USD 107.45bn.

Market Indices

The fiscal witnessed the BSE (Bombay Stock Exchange) Sensex rising by over 80% or 2509 points, from 3080 points on April 1, 2003 to 5590 points on March 31, 2004. The NSE (National Stock Exchange) Nifty, likewise gained 81.37% from the opening value of 977 on April 1, 2003 to the closing value of 1772 on March 31, 2004. During this period, all international stock indices too witnessed high growths, with the Dow Jones (NYSE) rising smartly by 29.6%, Nasdaq (USA) by 48.69%, FTSE (UK) by 21.38%, Xetra Dax (Germany) by 59.11%, Nikkei (Japan) by 46.94%, Hang Seng (Hong Kong) by 46.87% and Straits Times (Singapore) by 46.62%.

FINANCIAL STATEMENTS AT A GLANCE

(Rupees lakh)

	2002-03	2003-04
	155.51	292.75
	39.48	48.23
	72.96	89.52
Expenses)		
	1.90	0.00
	114.34	137.75
	41.17	155.00
	142.70	143.59
	26.71	0.00
	283.75	281.34
Revenue	(128.25)	11.41

Market Capitalisation

Reflecting the positive sentiment in the economy and on the back of good corporate performance, equity share prices soared. On BSE, which has over 5,528 securities listed, the market capitalisation increased from Rs.5,72,197 crore in March 2003 to Rs.12,01,206 crore in March 2004, a gain of Rs.6,29,010 crore or 110% during the fiscal. The ratio of market cap to GDP also witnessed a handsome jump with respect to the figures for the previous years, as is evident from the following table:

Year	Market cap (Rs. Crore)	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	7,20,000	17.6
2003-04	13,80,000	49.0

Source: CMIE

*GDP at Current Market Prices.

The ratio of market cap to GDP is more than 100% in countries like, USA, UK, Singapore and Hong Kong. Even in countries like Japan, Germany and China, this ratio is higher than that for India. There is, therefore, substantial scope for further growth of the equity market in India.

Primary Market

With stock indices touching their all time high levels in the year under review, it was no surprise that the primary market too presented a similar picture. History was created with the primary market raising over Rs.175bn in the fiscal through public issues of equity shares. The previous highest amount was in 1994-95 when companies raised Rs.133bn. A large portion of the amount raised in the fiscal was through offer of sale, mainly by PSUs. Out of the total amount raised through the primary market, almost Rs.140bn was raised in the last quarter and the Government raised a record Rs.155bn through the disinvestment exercise. The major contribution to the primary market raising was on account of the mega offer from ONGC aggregating to Rs.105bn, the largest public offering in India's corporate history. In spite of the huge issue size, the offer was over subscribed nearly 6 times. Apart from ONGC, the other PSU shares on offer were IPCL, IBP, GAIL, Maruti Udyog, CMC, Petronet, Power Trading Corp., Dredging Corp. of India, LNG and Corporation Bank.

Secondary

The secondary market witnessed continuous growth with the turnover of exchanges increasing by 72% over the year.

Foreign Institutional Investment (FI) investment in India compared to other countries is the highest for FIIs. FIIs also net bought Rs.20.67bn of securities during the year.

Depository

Dematerialisation of securities in the year 2003-04 was 100%. The demat account opening in Securities Depository Central Depository Limited (CDSL) on March 31, 2004 was 100% over the corresponding period of the previous year.

Straight Through Processing (STP) from July 1, 2003 onwards in the banking sector has facilitated some banks to facilitate smoothening of the agenda.

Derivatives

The Futures & Options (F&O) turnover was Rs.1,200 crore during 2003-04. The rise in turnover was 100% and at current levels the Equities segment is expected to grow.

Out of the total turnover of 10.15%, index

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(crore)	Market Cap (as % of GDP*)
	43.0
	44.3
	33.9
	36.8
	31.3
	47.3
	29.7
	26.7
	17.6
	49.0

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 orp. of India, LNG and Corporation Bank.

Secondary Market

The secondary market, which was on a moribund state until May 2003, showed continuous progress after June 2003. The combined turnover on the Indian exchanges during the fiscal was Rs.16,00,000 crore, representing an increase of 72% over the preceding year's figure of Rs.9,30,000 crore.

Foreign Institutional Investors (FIIs) were quite active in India. The total FII investment for the fiscal has been estimated at a record USD 9.9bn (Rs.457bn), compared to a mere USD 0.5bn (Rs.25bn) during 2002-03. The previous highest for FII investment in India was USD 3bn in 1993-04. Mutual funds were also net buyers during the fiscal at Rs.13.08bn, compared to net seller position of Rs.20.67bn in the preceding fiscal.

Depository

Dematerialisation of securities listed on stock exchanges progressed further in the year 2003-04, mainly on account of the mandatory requirement for having a demat account while subscribing to the PSU and other issues. National Securities Depository Ltd. (NSDL) had a total of 52.03 lakh accounts and Central Depository Services (India) Ltd. (CDSL) had 6.29 lakh accounts as on March 31, 2004, which represented increase of 37% and 154% respectively over the corresponding figures as on March 31, 2003 for these two depositories. The depositories have also enhanced the range of services offered by providing instruction capability over internet to the account holders.

Straight Through Processing (STP) was made compulsory by SEBI with effect from July 1, 2004 for institutional trades. Another related development in the banking sector was the introduction of Real Time Gross Settlement (RTGS) by some banks from end-March 2004. Extension of STP facility also to retail business and adoption of RTGS system by all banks across the country would facilitate smooth transition to the T+1 settlement cycle, which is high on SEBI's agenda.

Derivatives

The Futures & Options (F&O) segment recorded a total turnover of Rs.21,42,087 crore during 2003-04, compared to Rs.4,42,343 crore in the preceding year. The rise in turnover in this segment was a hefty 384% over the preceding year and at current levels, the F&O turnover is 1.33 times the combined turnover in the Equities segment.

Out of the total F&O turnover, stock futures account for 61.20%, stock options 10.15%, index futures 26.19 and index options 2.46%.

Indian Depository Receipts

Companies incorporated outside India can now raise resources from the Indian capital market, consequent to the Government notifying the norms for issue of Indian Depository Receipts (IDRs). Companies planning to raise IDRs should have pre-issue paid-up capital and free reserves of USD 100mn and an average of USD 500mn during the 3 financial years preceding the issue. Besides, the issuing company should also have made profits for at least 5 years preceding the issue and declared a dividend of not less than 10% for each of the said years. It should also have a pre-issue debt equity ratio of not more than 2:1, as well as fulfil the eligibility criteria laid down by SEBI from time to time. All IDR issues would need prior approval of SEBI and such issues do not require listing on a foreign bourse. The norms notified by the Government also make it mandatory for the issuing company to have an established place of business in India. The rules further stipulate that IDRs cannot be redeemed into the underlying equity shares within one year from the issue date and IDRs issued in any financial year cannot exceed 15% of the company's paid-up capital and free reserves.

IndoNext

A joint proposal prepared by the Federation of Indian Stock Exchanges (FISE) and BSE for creating a special trading platform for small and medium cap companies having paid-up capital upto Rs.20 crore was submitted to SEBI in February 2004. Additional information sought by SEBI on the concept and working of this new market was also provided.

The IndoNext platform is expected to rejuvenate the primary market and secondary activities on your Exchange. It would also result in the revival of activities of Traders and Dealers of your Exchange, dealing on behalf of retail investors having interest in trading in the securities of small and medium cap companies, which would include the regionally-listed companies and those listed under the B1 and B2 groups on BSE.

B. OPERATIONS

With a view to bolstering the operational activity on your Exchange, a new line of business, namely, Depository Participant operations, was launched during the year 2003-04. The DP operations have commenced in a small way from the single location, i.e., the Registered Office.

A total of 2,464 accounts consisting of 83 broker accounts and 2,381 client accounts were opened during the fiscal. The gross income earned from DP business during the year 2003-04 was Rs.19.37 lakh, out of which Rs.4.57 lakh was paid to NSDL and CDSL.

Listing

The total number of companies listed on your Exchange for the year 2003-04 was 1,414. Trading on your Exchange is permitted securities of 1,414 companies. The total number of these companies is 1,414 crore as on March 31, 2004. 1,414 companies had a listing on your Exchange (Delisting of Securities).

Membership

There has been a total of 14,140 members on your Exchange. There has been a total of fourteen Stock Exchanges in India: Bangalore, Bhubaneswar, Bombay, Calcutta, Madhya Pradesh, Mumbai, New Delhi, Pune, Vadodara.

Traders and Dealers

The position relating to Traders and Dealers on your Exchange is as follows:

	Position on 31.03.2004
Traders	20
Dealers	34
Total	54

The distribution of Traders and Dealers is as follows:

Sr. No.	Region	Position
1.	West	Gc
2.	North	Ha Ne Ut
3.	East	As Ori
4.	South	An Ke
5.	Central	Ch

ia can now raise resources from the Indian
 1. Government notifying the norms for issue of
 2. Companies planning to raise IDRs should
 3. e reserves of USD 100mn and an average
 4. l years preceding the issue. Besides, the
 5. made profits for at least 5 years preceding
 6. of not less than 10% for each of the said
 7. e debt equity ratio of not more than 2:1, as
 8. l down by SEBI from time to time. All IDR
 9. SEBI and such issues do not require listing
 10. notified by the Government also make it
 11. to have an established place of business in
 12. that IDRs cannot be redeemed into the
 13. year from the issue date and IDRs issued
 14. 15% of the company's paid-up capital and

deration of Indian Stock Exchanges (FISE)
 1. trading platform for small and medium cap
 2. upto Rs.20 crore was submitted to SEBI in
 3. ation sought by SEBI on the concept and
 4. o provided.

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 1. ange. It would also result in the revival of
 2. your Exchange, dealing on behalf of retail
 3. in the securities of small and medium cap
 4. he regionally-listed companies and those
 5. on BSE.

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 1. participant operations, was launched during
 2. ions have commenced in a small way from
 3. ered Office.

ng of 83 broker accounts and 2,381 client
 1. fiscal. The gross income earned from DP
 2. was Rs.19.37 lakh, out of which Rs.4.57

Listing

The total number of companies listed on ISE as at the end of the fiscal is 10. Trading on your Exchange is possible in securities of listed companies and in permitted securities, which at present number 711. The market capitalisation of these companies as on March 31, 2004 was Rs.522 crore, as against Rs.3,466 crore as on March 31, 2003. During the year under review, two of the listed companies had applied for voluntary delisting of their securities under the SEBI (Delisting of Securities) Guidelines, 2003.

Membership

There has been no change in the membership of your Exchange and the fourteen Stock Exchanges who are its members are the Stock Exchanges of Bangalore, Bhubaneswar, Cochin, Coimbatore, Hyderabad, Jaipur, Madras, Madhya Pradesh, Magadh, Mangalore, Saurashtra Kutch, Uttar Pradesh and Vadodara.

Traders and Dealers

The position relating to registration, resignation and transfer of trading rights of Traders and Dealers during the financial year 2003-04 is given below:

	Position as on 31.3.2003	Fresh Registrations	Resignations/ Transfers/ Defaulters/ Expulsions	Position as on 31.3.2004	Change
Traders	209	10	16	203	(-) 6
Dealers	340	14	12	342	(+) 2
Total	549	24	28	545	(-) 4

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

Sr. No.	Region	States	Traders	Dealers	Total
1.	West	Goa, Gujarat, Maharashtra	35	185	220
2.	North	Haryana, Jammu & Kashmir, New Delhi, Punjab, Rajasthan, Uttaranchal and Uttar Pradesh	11	66	77
3.	East	Assam, Bihar, Jharkhand, Orissa and West Bengal	69	72	141
4.	South	Andhra Pradesh, Karnataka, Kerala and Tamil Nadu	76	11	87
5.	Central	Chhattisgarh and Madhya Pradesh	12	8	20
Total			203	342	545

Settlement Guarantee Fund

The corpus of the Settlement Guarantee Fund (SGF) set up by ISE in accordance with the SEBI requirement has a total fund base of Rs.19.21 crore as at the end of the financial year 2003-04, compared to Rs.19.07 crore at the end of the financial year 2002-03.

The break-up of this Fund in terms of its various constituents is given below:

Sr. No.	Item	(Rs. crore)	
		As on 31.3. 2004	As on 31.3.2003
1.	Cash contribution from Promoter Stock Exchanges	1.30	1.30
2.	SGF Admission Fees paid in cash by Traders and Dealers	1.20	0.44
3.	BMC of Traders and Dealers maintained in the form of cash	4.54	4.68
4.	BMC of Traders and Dealers maintained in the form of FDRs/ BGs/Securities	5.58	6.31
5.	BMC of Traders maintained in the form of Undertakings from Promoter Stock Exchanges	4.77	3.54
6.	Interest accrual on cash component of SGF	3.46	2.41
Total Corpus of SGF		19.21	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. Details of these Funds are presented below:

Particulars	IPF (Rupees)	
	2003-04	2002-03
Opening balance	93,367	92,783
Accretion during the year	2	584
Closing balance	93,369	93,367

Particulars	ISF (Rupees)	
	2003-04	2002-03
Opening balance	1,19,475	98,096
Accretion during the year	23,802	21,379
(Less) Expenses incurred on Investor Awareness Programmes	1,00,000	-
Closing balance	43,277	1,19,475

Investor Griev

Complaints of companies, are followed up by the parties an settlement, the year under review and 6 complain information/evid

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Your Exchange monitor the statu to the Manager

Training Progr

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Date
June 21, 2003
July 19, 2003
October 19, 2003
November 22, 2003
December 13, 2003

Guarantee Fund (SGF) set up by ISE in
 ment has a total fund base of Rs.19.21 crore
 2003-04, compared to Rs.19.07 crore at the

of its various constituents is given below:

(Rs. crore)

	As on 31.3. 2004	As on 31.3.2003
ter	1.30	1.30
ash	1.20	0.44
	4.54	4.68
maintained rities	5.58	6.31
the form Stock Exchanges	4.77	3.54
ment of SGF	3.46	2.41
	19.21	19.07

Investor Services Fund

Fund (IPF) and Investor Services Fund (ISF)
 Details of these Funds are presented below:

(Rupees)

	2003-04	2002-03
	93,367	92,783
	2	584
	93,369	93,367

(Rupees)

	2003-04	2002-03
	1,19,475	98,096
	23,802	21,379
	1,00,000	-
nes	43,277	1,19,475

Investor Grievances Cell ✓

Complaints of investors against Traders and Dealers, as well as against companies, are attended to by the Investor Grievances Cell. Each complaint is followed up by your Exchange, which arranges conciliation meetings between the parties and where the conciliation effort do not yield an amicable settlement, the parties are advised to refer the matter to arbitration. During the year under review, 11 complaints were received by the Investor Grievances Cell and 6 complaints were resolved or closed, due to absence of supporting information/evidence.

In order to provide better service to investors, your Exchange has opened its first Investor Point kiosk at the ground floor of the Vashi Railway Station complex. Similar kiosks are proposed to be set up at other locations in Mumbai and other important cities, to provide investors with single-window services on all matters related to your Exchange and its wholly-owned subsidiary, ISE Securities & Services Ltd. (ISS).

Your Exchange has also constituted an Investors' Services Committee to monitor the status of investor grievances and to provide appropriate directions to the Management for effective resolution of the same.

Training Programmes ✓

The ISE Training & Research Centre (ISE-TRC) played a n active role in conducting training programmes for stock brokers, sub-brokers and other market intermediaries, as well as for their staff. Training programmes were also held for the staff of ISE and ISS. Some of the significant programmes arranged by ISE-TRC are listed below:

Date	Place	Programme
June 21, 2003	Vashi, ✓ Navi Mumbai	Investor Awareness programme under the auspices of the Securities Market Awareness Campaign of SEBI, inaugurated by the then Dy. Chief Minister of Maharashtra, Shri Chhagan Bhujbal.
July 19, 2003	Kolkata ✗	Business Opportunities for Stock Brokers and Regulatory Framework.
October 19, 2003	Bhopal ✗	Investor Education Programme under the auspices of the Securities Market Awareness Campaign of SEBI.
November 22, 2003	Vashi, ✓ Navi Mumbai	Importance of Technical Analysis for wise investing.
December 13, 2003	Vashi, ✓	Role of Day Trading in Stock Market. Navi Mumbai

Date	Place	Programme
January 17, 2004	Vashi, Navi Mumbai ✓	Investment Opportunities - The Road Ahead.
January 31, 2004	Mumbai ✓	Investor Education Programme on Depository System.
February 29, 2004	Mumbai ✓	Investors' Mela on Capital Market.
April 14, 2004	Vashi, Navi Mumbai ✓	Compliance Requirements for Brokers and Sub-brokers.
April 27, 2004	New Delhi ✗	Capital Market - Problems & Prospects.
May 14, 2004	Vashi, Navi Mumbai ✓	Investor Education Programme on Stock Market Operations.
May 29, 2004	Vashi, Navi Mumbai ✓	Seminar on Investment Opportunities.
July 17, 2004	New Delhi ✗	Investor Education Programme on Stock Market Operations
July 24, 2004	Vashi, Navi Mumbai ✓	Role of Financial Planning.

2 Pending Legal Cases

During the period under review, there were 3 legal cases, filed by 3 Dealers pending against your Exchange. Adequate measures are being taken by your Exchange to defend itself with the help of its legal advisors/advocates. There are no arbitration cases pending against your Exchange.

Defaults And Expulsions

Three Dealers were declared Defaulters by your Exchange during the financial year 2003-04, consequent to their failure to pay outstanding dues to ISE Securities & Services Ltd. Further, three Traders were expelled by your Exchange consequent to their expulsion on their parent stock exchanges, under the Multiple Membership Guidelines issued by the Ministry of Finance, Government of India.

Subsidiary Operations

ISE Securities & Services Ltd. consolidated its position to emerge as one of the largest Exchange Subsidiaries in the country. The operations of ISS span 65 cities, spread across 17 states.

During the year 2003-04, the total turnover recorded by the subsidiary was Rs.33,936 crore (Previous year: Rs.12,266 crore), consisting of Rs.22,568 crore (Previous year: Rs. 11,529 crore) in the Capital Market segment and Rs.11,368 crore (Previous year: Rs.737 crore) in the Futures & Options segment of NSE. The average daily turnover on ISS during the fiscal was Rs.134 crore, with the Capital Market accounting for Rs.89 crore and the Futures & Options segment accounting for Rs.45 crore. The peak daily turnover achieved was Rs.303 crore, which was recorded on January 9, 2004.

C. FINANCIAL

There has been... of your Exchange... a net profit from... the financial... and the four...

Part
Total Income
Employee Costs
Administrative Costs
(excluding Depreciation Expenses)
Interest
Total Expenses
Cash profit/(loss)
Depreciation
Deferred Revenue (charged to Profit)
Total Expenditure
Excess of expenditure over revenue (carried over to Balance Sheet)

The income of DP business usage charge premises let on administrative...

Your Exchange 2004-05.

D. CORPORATISATION EXCHANGE

As required by Corporatisation recommendation of Corporatisation interest, transaction with the Exchange...

Programme
Investment Opportunities - The Road Ahead.
Investor Education Programme on Depository System.
Investors' Mela on Capital Market.
Compliance Requirements for Brokers and Sub-brokers.
Capital Market - Problems & Prospects.
Investor Education Programme on Stock Market Operations.
Seminar on Investment Opportunities.
Investor Education Programme on Stock Market Operations
Role of Financial Planning.

there were 3 legal cases, filed by 3 Dealers. Adequate measures are being taken by your Exchange with the help of its legal advisors/advocates. There are no legal cases pending against your Exchange.

Defaulters by your Exchange during the financial year 2003-04. Their failure to pay outstanding dues to ISE. Further, three Traders were expelled by your Exchange on their parent stock exchanges, in accordance with the Guidelines issued by the Ministry of Finance, Government of India.

Consolidated its position to emerge as one of the leading exchanges in the country. The operations of ISS span across the country.

Total turnover recorded by the subsidiary was Rs.12,266 crore), consisting of Rs.22,568 crore in the Capital Market segment and Rs.11,368 crore in the Futures & Options segment of NSE. Turnover during the fiscal was Rs.134 crore, with the peak daily turnover achieved was Rs.303 crore on 29 January 2004.

C. FINANCIAL HIGHLIGHTS

There has been a substantial improvement in the financial performance of your Exchange during the year 2003-04, with your Exchange posting a net profit for the first time since inception. Comparative statistics on the financial performance of your Exchange for the year under review and the four preceding years are given below:

(Rupees lakh)

Particulars	1999-00	2000-01	2001-02	2002-03	2003-04
Total Income	65.63	219.58	193.42	155.51	292.75
Employee Costs	74.01	80.11	49.71	39.48	48.23
Administrative & Operative Costs (excluding Deferred Revenue Expenses)	204.45	210.60	262.29	72.96	89.52
Interest	44.07	24.96	65.92	1.90	0.00
Total Expenses	322.53	315.67	377.92	114.34	137.75
Cash profit/(loss)	(256.90)	(96.09)	(184.50)	41.17	155.00
Depreciation	168.15	187.09	180.89	142.70	143.59
Deferred Revenue Expenses (charged to Profit & Loss)	26.71	26.71	26.71	26.71	0.00
Total Expenditure	517.39	529.46	585.52	283.75	281.34
Excess of expenditure over revenue (carried forward to Balance Sheet)	(451.76)	(309.89)	(392.11)	(128.25)	11.41

The income of your Exchange has increased mainly on account of the DP business started during the year, reimbursement of actual asset usage charges by the Subsidiary and rental income for the office premises let out. Close monitoring of expenditure also helped keep the administrative and operative costs under control.

Your Exchange expects to generate net profit even in the financial year 2004-05.

D. CORPORATISATION AND DEMUTUALISATION OF STOCK EXCHANGES

As required by SEBI, your Exchange has submitted its proposal for Corporatisation and Demutualisation, in tune with the Kania Committee recommendations approved by SEBI. After implementation, the Corporatisation and Demutualisation proposal would segregate ownership interest, trading interest and management interest in your Exchange, with the Exchange converting itself into a for-profit entity.

the DP area would be substantially in major cities, such as Mumbai, Delhi, and Chennai, etc. These branches would provide DSL, facilitating prompt and convenient internet requirements. At the second stage, branches will be established at strategic locations in all states and would all be linked to the respective branch office. This would spread out the DP operations of your Exchange and would attract investors to maintain their accounts with your Exchange.

For your Exchange would be training. This includes on-line testing and e-certification is planned. The rules of relevance to the capital and market structure change is in the process of identifying and implementing the courseware, technology and the infrastructure.

Currently working on the establishment of a regulatory framework for securities of small and medium enterprises. The creation of Indian Stock Exchanges and BSE, and the launch of IndoNext would galvanise the market, as its vast network of Traders and Dealers spread across 17 states can provide an infrastructure for catering to the interests of the retail investor. Attached to the development of this market is the Hon'ble Union Finance Minister, Budget Speech 2004-05.

Continue its regulatory responsibilities as well as Sub-brokers of ISS. This would be carried out by your Exchange,

Regional Office at International Infotech Park, has been set up at Delhi, Kolkata, Nagpur and Hyderabad. The Office and the Regional Offices are well equipped with Traders and Dealers across the country and communication systems. The

infrastructure of your Exchange supports instantaneous communication across the network.

G. INSURANCE

All assets and properties of your Exchange and its subsidiary at Navi Mumbai and Mumbai, as well as at the Regional Offices are adequately covered by insurance.

H. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that in the preparation of the Annual Accounts for the financial year ended March 21, 2004,

- 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 and fair view of the state of affairs of the Company as at March 31, 2004 and Profit & Loss Account for the year ended March 31, 2004;
- 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 frauds and other irregularities, and;
- the annual accounts have been prepared on a going-concern basis.

I. BOARD OF DIRECTORS

During the period April 1, 2003 till date, eleven meetings of the Board of Directors were held as detailed below:

Meeting No.	Date
42	May 17, 2003
43	July 12, 2003
44	July 26, 2003
45	August 30, 2003
46	September 29, 2003
47	November 8, 2003
48	December 20, 2003
49	February 21, 2004
50	April 17, 2004
51	June 19, 2004
52	August 21, 2004

The following changes have taken place in the Board of Directors during the period:

Sr. No.	Name of Director	Particulars	Date of change
1.	Shri Joseph Massey	Resigned as Managing Director of the Exchange	April 2, 2003
2.	Shri V. Shankar	Appointed as Officiating Managing Director of the Exchange	April 2, 2003
3.	Smt. Asha Manjari Mishra	Appointed as Nominee of Bhubaneswar Stock Exchange	September 29, 2003
4.	Dr. K. Sabapathy	Appointed as Nominee of Coimbatore Stock Exchange	December 20, 2003
5.	Shri V. Shankar	Appointed as Managing Director of the Exchange	January 16, 2004
6.	Shri M. R. Mayya	Ceased to Public Representative Director and Chairman of the Exchange	April 17, 2004
7.	Prof. P. V. Narasimham	Re-appointed as Public Representative Director and appointed as Chairman of the Exchange	April 17, 2004
8.	Justice (Retd.) A. D. Tated	Ceased to be Public Representative Director	April 17, 2004
9.	Ms. Vimala Visvanathan	Ceased to be Public Representative Director	April 17, 2004
10.	Dr. S. D. Israni	Appointed as Public Representative Director	April 17, 2004
11.	Shri Sandeep H. Junnarkar	Appointed as Public Representative Director	April 17, 2004
12.	Dr. M. Y. Khan	Appointed as Public Representative Director	April 17, 2004

In the forthcoming (i.e. Sixth) Annual General Meeting, the Madras, Hyderabad and Jaipur Stock Exchanges are eligible to nominate their representatives on the Board of the Exchange, in place of the nominees of Mangalore, Gauhati and Vadodara Stock Exchanges.

J. CONSTITUTION OF STATUTORY AND OPERATIONAL COMMITTEES

Your Exchange has constituted various Statutory and Operational Committees, as required by SEBI. The names of the members of the Committees have been approved by/intimated to SEBI. Details of these Committees are given below.

Central Arbitration Panel

The following persons are Panel:

Sr. No.	Name of the
1.	Justice (Retd.)
2.	Shri V. H. Pan
3.	Smt. S. M. Reg
4.	Shri B. S. Hegc
5.	Shri Sunil Dalal
6.	Dr. Sailendra N
7.	Shri Suraj Bajaj
8.	Shri K. Sriram
9.	Shri Ganesh Sh
10.	Shri Dhiraj Gala

The following persons were in the previous year:

Sr. No.	Name of the
1.	Shri S. S. Pradhe
2.	Shri G. K. Menda
3.	Shri M. U. Kini
4.	Shri R. Krishnam
5.	Shri V. H. Pandya
6.	Justice (Retd.) A.
7.	Shri Ganesh Shar
8.	Shri Dhiraj Gala
9.	Shri Sanjeev Kher
10.	Shri G. D. Mundra

Defaults Committee

The following persons are me

Sr. No.	Name of the Mem
1.	Dr. D. K. Bhatia
2.	Dr. Sailendra Narain
3.	Smt. S. M. Rege
4.	Shri G. D. Mundra
5.	Shri Yatin Shah
6.	Shri V. Shankar

in the Board of Directors during the period:

Particulars	Date of change
Appointed as Managing Director of Exchange	April 2, 2003
Appointed as Officiating Managing Director of the Exchange	April 2, 2003
Appointed as Nominee of Madras Stock Exchange	September 29, 2003
Appointed as Nominee of Vadodra Stock Exchange	December 20, 2003
Appointed as Managing Director of Exchange	January 16, 2004
Appointed as Public Representative and Chairman of the Exchange	April 17, 2004
Appointed as Public Representative Director and Chairman of the Exchange	April 17, 2004
Appointed as Public Representative Director	April 17, 2004
Appointed as Public Representative Director	April 17, 2004
Appointed as Public Representative Director	April 17, 2004
Appointed as Public Representative Director	April 17, 2004

At the Annual General Meeting, the Madras, Vadodra and Bombay Stock Exchanges are eligible to nominate their representatives in place of the representatives of the Madras and Vadodra Stock Exchanges.

TUTORIAL AND OPERATIONAL

Appointed various Statutory and Operational Committees of the Exchange. The names of the members of the committees are being notified by/intimated to SEBI. Details of these committees are as follows:

Central Arbitration Panel

The following persons are members of the present Central Arbitration Panel:

Sr. No.	Name of the Member	Status
1.	Justice (Retd.) A. D. Tated	Public Representative
2.	Shri V. H. Pandya	Public Representative
3.	Smt. S. M. Rege	Public Representative
4.	Shri B. S. Hegde	Public Representative
5.	Shri Sunil Dalal	Public Representative
6.	Dr. Sailendra Narain	Public Representative
7.	Shri Suraj Bajaj	Trading Member
8.	Shri K. Sriram	Trading Member
9.	Shri Ganesh Shanbhag	Trading Member
10.	Shri Dhiraj Gala	Trading Member

The following persons were members of the Central Arbitration Panel in the previous year:

Sr. No.	Name of the Member	Status
1.	Shri S. S. Pradhan	Public Representative
2.	Shri G. K. Menda	Public Representative
3.	Shri M. U. Kini	Public Representative
4.	Shri R. Krishnamurthy	Public Representative
5.	Shri V. H. Pandya	Public Representative
6.	Justice (Retd.) A. D. Tated	Public Representative
7.	Shri Ganesh Shanbhag	Trading Member
8.	Shri Dhiraj Gala	Trading Member
9.	Shri Sanjeev Khemani	Trading Member
10.	Shri G. D. Mundra	Trading Member

Defaults Committee

The following persons are members of the present Defaults Committee:

Sr. No.	Name of the Member	Status
1.	Dr. D. K. Bhatia	Public Representative, Chairman
2.	Dr. Sailendra Narain	Public Representative
3.	Smt. S. M. Rege	Public Representative
4.	Shri G. D. Mundra	Trading Member
5.	Shri Yatin Shah	Trading Member
6.	Shri V. Shankar	Managing Director (Ex-officio)

The following persons were members of the Defaults Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Shri M. W. Deshmukh	Public Representative, Chairman
2.	Shri M. V. Raghavachari	Public Representative
3.	Shri Kirit P. Mehta	Public Representative
4.	Shri Kamal Kothari	Trading Member
5.	Shri Yatin Shah	Trading Member
6.	Shri Joseph Massey	Managing Director (Ex-officio)
7.	Shri V. Shankar	Joint Managing Director (Ex-officio)

Disciplinary Action Committee

The following persons are members of the present Disciplinary Action Committee:

Sr. No.	Name of the Member	Status
1.	Justice (Retd.) A. D. Tated	Public Representative, Chairman
2.	Shri B. S. Hegde	Public Representative
3.	Shri Sunil Dalal	Public Representative
4.	Shri Jayant Vidwans	Trading Member
5.	Shri Sanjeev Khemani	Trading Member
6.	Shri V. Shankar	Managing Director (Ex-officio)

The following persons were members of the Disciplinary Action Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Justice (Retd.) A. D. Tated	Public Representative, Chairman
2.	Prof. M. D. Limaye	Public Representative
3.	Dr. K. U. Mada	Public Representative
4.	Shri Jayant Vidwans	Trading Member
5.	Shri P. Bose Babu	Trading Member
6.	Shri Joseph Massey	Managing Director (Ex-officio)
6.	Shri V. Shankar	Joint Managing Director (Ex-officio)

Screening (i.e. Membership Selection) Committee

The following persons are members of the present Screening Committee:

Sr. No.	Name of the Member	Status
1.	Shri R. M. Joshi	Public Representative, Chairman
2.	Prof. V. R. Iyer	Public Representative
3.	Shri M. W. Deshmukh	Public Representative
4.	Shri V. Shankar	Managing Director

The following persons were members of the Defaults Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Shri M. W. Deshmukh	Public Representative, Chairman
2.	Shri M. V. Raghavachari	Public Representative
3.	Shri Kirit P. Mehta	Public Representative
4.	Shri Kamal Kothari	Trading Member

Audit Committee

The following persons are members of the present Audit Committee:

Sr. No.	Name of the Member	Status
1.	Justice (Retd.) A. D. Tated	Public Representative, Chairman
2.	Shri B. S. Hegde	Public Representative
3.	Shri Sunil Dalal	Public Representative
4.	Shri Jayant Vidwans	Trading Member
5.	Shri Sanjeev Khemani	Trading Member

The following persons were members of the Audit Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Justice (Retd.) A. D. Tated	Public Representative, Chairman
2.	Prof. M. D. Limaye	Public Representative
3.	Dr. K. U. Mada	Public Representative
4.	Shri Jayant Vidwans	Trading Member

Ethics Committee

The following persons are members of the present Ethics Committee:

Sr. No.	Name of the Member	Status
1.	Justice (Retd.) A. D. Tated	Public Representative, Chairman
2.	Prof. M. D. Limaye	Public Representative
3.	Dr. K. U. Mada	Public Representative
4.	Shri Jayant Vidwans	Trading Member

The following persons were members of the Ethics Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Justice (Retd.) A. D. Tated	Public Representative, Chairman
2.	Prof. M. D. Limaye	Public Representative
3.	Dr. K. U. Mada	Public Representative
4.	Shri Jayant Vidwans	Trading Member

Members of the Defaults Committee in the

Member	Status
	Public Representative, Chairman
	Public Representative
	Public Representative
	Trading Member
	Trading Member
	Managing Director (Ex-officio)
	Joint Managing Director (Ex-officio)

Members of the present Disciplinary Action

Member	Status
	Public Representative, Chairman
	Public Representative
	Public Representative
	Trading Member
	Trading Member
	Managing Director (Ex-officio)

Members of the Disciplinary Action Com-

Member	Status
	Public Representative, Chairman
	Public Representative
	Public Representative
	Trading Member
	Trading Member
	Managing Director (Ex-officio)
	Joint Managing Director (Ex-officio)

Selection) Committee

Members of the present Screening

Member	Status
	Public Representative, Chairman
	Public Representative
	Public Representative
	Managing Director

The following persons were members of the Screening Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Shri M. R. Mayya	Public Representative, Chairman
2.	Justice (Retd.) A. D. Tated	Public Representative
3.	Shri R. M. Joshi	Public Representative
4.	Shri V. Shankar	Managing Director

Audit Committee

The following persons are members of the present Audit Committee:

Sr. No.	Name of the Member	Status
1.	Prof. V. R. Iyer	Public Representative, Chairman
2.	Shri R. M. Joshi	Public Representative
3.	Shri M. W. Deshmukh	Public Representative
4.	Dr. S. D. Israni	Public Representative
5.	Dr. M. Y. Khan	Public Representative

The following persons were members of the Audit Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Prof. V. R. Iyer	Public Representative, Chairman
2.	Justice (Retd.) A. D. Tated	Public Representative
3.	Shri R. M. Joshi	Public Representative
4.	Ms. Vimala Visvanathan	Public Representative

Ethics Committee

The following persons are members of the present Ethics Committee:

Sr. No.	Name of the Member	Status
1.	Prof. P. V. Narasimham	Public Representative, Chairman
2.	Shri Sandeep H. Junnarkar	Public Representative
3.	Shri Ashish M. Parikh	Trading Member
4.	Shri V. Shankar	Managing Director

The following persons were members of the Ethics Committee in the previous year:

Sr. No.	Name of the Member	Status
1.	Shri M. W. Deshmukh	Public Representative, Chairman
2.	Ms. Vimala Visvanathan	Public Representative
3.	Shri Ashish M. Parikh	Trading Member
4.	Shri V. Shankar	Managing Director

Investors Services Committee

The following persons are members of the present Investors Services Committee:

Sr. No.	Name of the Member	Status
1.	Dr. M. Y. Khan	Public Representative, Chairman
2.	Prof. P. V. Narasimham	Public Representative
3.	Dr. S. D. Israni	Public Representative
4.	Shri V. Shankar	Managing Director

K. INSPECTION OF STOCK EXCHANGE BY SEBI

For the period April 2002 to April 2004, SEBI had carried out an inspection of your Stock Exchange and its Inspection Report has been received a few days ago. Your Exchange would be submitting its Compliance Report to SEBI after discussing the matter in the SEBI Inspection Compliance Review Committee and the Board of Directors.

L. RENEWAL OF RECOGNITION OF YOUR STOCK EXCHANGE

The recognition of your Stock Exchange under Section 4 of the Securities Contracts (Regulation) Act, 1956 would be expiring on November 17, 2004. As required under the provisions of Section 3 of this Act and Rule 7 of the Securities Contracts (Regulation) Rules, 1957, your Exchange has submitted the application for renewal of recognition to SEBI, along with the supporting documents, on time.

M. 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 March 31, 2004, Report of the Board of Directors and the Auditors for the year ended March 31, 2004 for ISS, wholly-owned Subsidiary of your Exchange. The Statement of the Holding Company's interest in the Subsidiary Company as specified under Sub-section (3) of Section 212 of the Companies Act, 1956 also forms part of this Annual Report.

N. AUDITORS

M/s. C. C. Chokshi & Co., Chartered Accountants, were appointed by the Members of the Exchange in the Fifth Annual General Meeting as Statutory Auditors of the Exchange to hold office till the conclusion of the forthcoming (i.e., Sixth) Annual General Meeting. They are eligible for

re-appointment and to accept the office. The Auditors in the remuneration paid to subject to approval following up on the payment of remuneration Government, which

O. PARTICULARS

In view of the enhancement to the particulars of 217(2A) of the Companies Act (Particulars of Employees to be stated in the [

Your Exchange had consisting of those contract. Out of the

P. STATUTORY DIS

The disclosure required Companies Act, 1956 Particulars in the Financials regarding Conservation Exchange Earnings; therefore, no details

Q. CORPORATE GO

Your Exchange is controlled of Directors, Chairman Exchange and its Statutory Dealers, Sub-broker serviced effectively, and The functioning of your

R. PUBLIC DEPOSIT

Your Exchange has n

Members of the present Investors Services

Sl. No.	Status
	Public Representative, Chairman
Chairman	Public Representative
	Public Representative
	Managing Director

EXCHANGE BY SEBI

In April 2004, SEBI had carried out an inspection and its Inspection Report has been submitted to your Exchange. Your Exchange would be submitting its response after discussing the matter in the SEBI Review Committee and the Board of

COMPLIANCE WITH THE PROVISIONS OF YOUR STOCK EXCHANGE

Your Stock Exchange under Section 4 of the Companies Act, 1956 would be expiring on 31st March 2004. It is required under the provisions of Section 3 of the Companies Act, 1956 to file the application for renewal of the licence along with the supporting documents, on time.

FINANCIAL STATEMENT OF HOLDING COMPANY

Under Section 208 of the Companies Act, 1956, annexed to the audited Statement of Accounts for the year ended 31st March 2004 of the Board of Directors and the Holding Company as specified under Sub-section (3) of Section 208 of the Companies Act, 1956 also forms part of this

Chartered Accountants, were appointed by the Board of Directors in the Fifth Annual General Meeting of your Exchange to hold office till the conclusion of the next Annual General Meeting. They are eligible for

re-appointment and they have confirmed their eligibility and willingness to accept the office, if re-appointed.

The Auditors in their Report have drawn attention to the fact that the remuneration paid to the Managing Director from January 16, 2004 was subject to approval of the Central Government. Your Exchange is following up on the application for approval of appointment of and payment of remuneration to the Managing Director with the Central Government, which it is confident of receiving.

O. PARTICULARS OF EMPLOYEES

In view of the enhancement in the monetary limit, 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.

Your Exchange had a total staff strength of 61 as on March 31, 2004, consisting of those who were on rolls as well as those who were on contract. Out of them, 39 have been deputed to ISS on full time basis.

P. STATUTORY DISCLOSURE OF PARTICULARS

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

Q. CORPORATE GOVERNANCE

Your Exchange is committed to good corporate governance. The Board of Directors, Chairman, Managing Director and the staff working for your Exchange and its Subsidiary are conscious of the fact that the Traders, Dealers, Sub-brokers, investors and the general public need to be serviced effectively, as befitting a professional national-level Exchange. The functioning of your Exchange reflects this strong commitment.

R. PUBLIC DEPOSIT

Your Exchange has not accepted any deposits from the public.

ACKNOWLEDGEMENT

The Board of Directors of your Exchange express their gratitude to Shri G. N. Bajpai, Chairman of SEBI for the support extended. The Board of Directors also thank the other officials of SEBI, promoter Exchanges, Traders, Dealers, officials of the Ministry of Finance, Government of India and the officials of the Government of Maharashtra and DoT for their support and co-operation extended to your Exchange.

The Board of Directors also place on record their deep sense of appreciation for the valuable contribution made by Shri M. R. Mayya, Justice (Retd.) A. D. Tated and Ms. Vimala Visvanathan who with their stewardship in the Board, have helped your Exchange to emerge stronger.

Sincere thanks are also due to the officers and staff members of your Exchange and its Subsidiary, who have displayed dedication and commitment in implementing the decisions of the Board and in the day-to-day functioning.

The Board looks forward to the same level of co-operation from each and everyone associated with the Exchange and its Subsidiary, so that these institutions can play a bigger role in the financial services industry in the times to come.

By order of the Board of Directors

Sd/-
P. V. NARASIMHAM
Chairman

Sd/-
V. SHANKAR
Managing Director

Date: August 21, 2004
Place: Vashi, Navi Mumbai

The functioning of your Exchange reflects this strong commitment. serviced effectively, as befitting a professional national-level Exchange. Dealers, Sub-brokers, investors and the general public need to be Exchange and its Subsidiary are conscious of the fact that the Traders, of Directors, Chairman, Managing Director and the staff working for your Exchange is committed to good corporate governance.

R. PUBLIC DEPOSIT

Your Exchange has not accepted any deposits from the public.



DETAILS OF AT

During the period Apr held as per details gh

Details of Attendance

Sr. No.	Name of Dir
1.	Shri M. R. Mayya Public Representativ (Upto April 17, 2004)
2.	Prof. P. V. Narasim Public Representativ (w.e.f. April 17, 200-
3.	Shri. Vijayan Menon SEBI Nominee
4.	Justice (Retd.) A. D. Public Representativ (Upto April 17, 2004)
5.	Ms. Vimala Visvanat Public Representativ (Upto April 17, 2004)
6.	Prof. V. R. Iyer Public Representative
7.	Shri M. W. Deshmuki Public Representative
8.	Shri R. M. Joshi Public Representative

DETAILS OF ATTENDANCE OF THE DIRECTORS IN THE BOARD MEETINGS

Period: April 1, 2003 till August 21, 2004

During the period April 1, 2003 till date, 11 meetings of the Board of the Exchange were held as per details given below:

Meeting No.	Date
42	May 17, 2003
43	July 12, 2003
44	July 26, 2003
45	August 30, 2003
46	September 29, 2003
47	November 8, 2003
48	December 20, 2003
49	February 21, 2004
50	April 17, 2004
51	June 19, 2004
52	August 21, 2004

Details of Attendance :

Sr. No.	Name of Director and status	No. of Board Meetings held during the tenure	No. of Board Meetings attended	Status at 5 th AGM
1.	Shri M. R. Mayya Public Representative & Chairman (Upto April 17, 2004)	8	8	Present
2.	Prof. P. V. Narasimham Public Representative & Chairman (w.e.f. April 17, 2004)	11	9	Present
3.	Shri. Vijayan Menon SEBI Nominee	11	6	Absent
4.	Justice (Retd.) A. D. Tated Public Representative (Upto April 17, 2004)	8	8	Present
5.	Ms. Vimala Visvanathan Public Representative (Upto April 17, 2004)	8	6	Absent
6.	Prof. V. R. Iyer Public Representative	11	9	Present
7.	Shri M. W. Deshmukh Public Representative	11	9	Present
8.	Shri R. M. Joshi Public Representative	11	10	Present

R. PUBLIC DEPOSIT

Sr. No.	Name of Director and status	No. of Board Meetings held during the tenure	No. of Board Meetings attended	Status at 5 th AGM
9.	Shri Sandeep H. Junnarkar Public Representative (w.e.f. April 17, 2004)	3	2	Not applicable
10.	Dr. S. D. Israni Public Representative (w.e.f. April 17, 2004)	3	3	Not applicable
11.	Dr. M.Y. Khan Public Representative (w.e.f. April 17, 2004)	3	3	Not applicable
12.	Shri Arvind B. Patel Trading Member, Nominee of Saurashtra Kutch Stock Exchange (Upto September 29, 2003)	4	0	Absent
13.	Shri N. Ranga Prasad Trading Member, Nominee of Hyderabad Stock Exchange (Upto September 29, 2003)	4	2	Absent
14.	Shri Bimal K. Nahata Trading Member, Nominee of Gauhati Stock Exchange	11	1	Absent
15.	Shri Ashish M. Parikh Trading Member, Nominee of Mangalore Stock Exchange	11	8	Present
16.	Shri V. Ramu Sharma Trading Member, Nominee of Bangalore Stock Exchange (Upto May 11, 2003)	1	1	Not applicable
17.	Shri Rameshwar Nath Pandey Trading Member, Nominee of Magadh Stock Exchange	11	1	Absent
18.	Smt. Asha Manjari Mishra Trading Member, Nominee of Bhubaneswar Stock Exchange (w.e.f. September 29, 2003)	7	1	Not applicable
19.	Dr. K. Sabapathy Trading Member, Nominee of Coimbatore Stock Exchange (w.e.f. December 20, 2003)	4	1	Not applicable
20.	Shri V. Shankar Managing Director (Officiating) (Upto January 16, 2004) Managing Director (w.e.f. January 16, 2004)	11	11	Present

1. Location and time w held:

The last three Annual of the Company, were Company:

3rd AGM: September 2
4th AGM: September 3
5th AGM: September 2

2. Extra-Ordinary Gene

Subsequent to the Meetings of the Mem June 19, 2004 at the F

In the EOGM held appointment of Dr. K Trading Member Direc

In the EOGM held on appointment of Shri V of remuneration was t

Date: August 21, 2004
Place: Vashi Navi Mumbai

us	No. of Board Meetings held during the tenure	No. of Board Meetings attended	Status at 5 th AGM
	3	2	Not applicable
	3	3	Not applicable
	3	3	Not applicable
ashtra	4	0	Absent
brabad	4	2	Absent
ati	11	1	Absent
alore	11	8	Present
alore	1	1	Not applicable
adh	11	1	Absent
	7	1	Not applicable
batore	4	1	Not applicable
	11	11	Present

GENERAL BODY MEETINGS

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

The last three Annual General Meetings, i.e., 3rd, 4th and 5th Annual General Meeting of the Company, were held on the following dates at the Registered Office the Company:

3rd AGM: September 22, 2001

4th AGM: September 30, 2002

5th AGM: September 29, 2003

2. Extra-Ordinary General Meetings (EOGMs):

Subsequent to the 5th Annual General Meeting, two Extra-Ordinary General Meetings of the Members of the Company were held on December 20, 2003 and June 19, 2004 at the Registered Office of the Company.

In the EOGM held on December 20, 2003 Special Business relating to the appointment of Dr. K. Sabapathy, Nominee of Coimbatore Stock Exchange, as Trading Member Director on the Governing Board of the Company was transacted.

In the EOGM held on June 19, 2004, Special Business relating to the approval to the appointment of Shri V. Shankar as Managing Director of the Company and payment of remuneration was transacted.

By order of the Board of Directors

Sd/-
P. V. NARASIMHAM
Chairman

Sd/-
V. SHANKAR
Managing Director

Date: August 21, 2004
Place: Vashi Navi Mumbai

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

Sr. No.	Particulars	Remarks
1.	Name of the Subsidiary Company	ISE Securities & Services Limited
2.	Financial year of the Subsidiary Company	April 1, 2003 to March 31, 2004
3.	Number of Shares of the Subsidiary Company held by Inter-connected Stock Exchange of India Ltd. (ISE)	54,97,900 Equity Shares of Rs.10/- each fully paid-up, held in the name of Inter-connected Stock Exchange of India Ltd. 2,100 Equity Shares of Rs.10/- each fully paid-up, in the name of seven nominees of ISE (Prof. P. V. Narasimham, Shri Ajay A. Thakkar, Dr. K. Sabapathy, Shri Ashish M. Parikh, Shri V. Shankar, Shri Hasmukh B. Baldev and Shri Yogendra Surana). =====
4.	Extent of Shareholding	55,00,000 Equity Shares of Rs. 10/- each fully paid-up 100%. On March 31, 2004, 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 Ltd. for the financial year ended March 31, 2004: I. For the financial year mentioned in 2 above. II. For the previous financial year.	 Rs.1,06,01,985 Rs.7,98,855

Sr. No.	Particulars
	(b) dealt with in the accounts of Inter-connected Stock Exchange of India Ltd. for the financial year ended March 31, 2004: I. For the financial year mentioned in 2 above. II. For the previous financial year.

Date: August 21, 2004
Place: Vashi Navi Mumbai

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

Remarks	
ISE Securities & Services Limited	
April 1, 2003 to March 31, 2004	
54,97,900	Equity Shares of Rs.10/- each fully paid-up, held in the name of Inter-connected Stock Exchange of India Ltd.
2,100	Equity Shares of Rs.10/- each fully paid-up, in the name of seven nominees of ISE (Prof. P. V. Narasimham, 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
100%. On March 31, 2004, ISE held the entire Share Capital consisting of 55,00,000 Equity Shares of Rs. 10/- each fully paid-up.	
Rs.1,06,01,985	
Rs.7,98,855	

Sr. No.	Particulars	Remarks
	(b) dealt with in the accounts of Inter-connected Stock Exchange of India Ltd. for the financial year ended March 31, 2004:	Nil
	I. For the Financial Year mentioned in 2 above.	
	II. For the previous Financial Year.	

By order of the Board of Directors

Sd/-
P. V. NARASIMHAM
Chairman

Sd/-
V. SHANKAR
Managing Director

Date: August 21, 2004
Place: Vashi Navi Mumbai

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, 2004 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 Companies (Auditor's Report) Order, 2003, 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;

Mumbai, Dated: 2

ange of India Limited.

ed Balance Sheet of Inter-Connected Stock
as at 31st March, 2004 and also the Profit and
1 Flow Statement for the year ended on that
3 financial statements are the responsibility of
t. Our responsibility is to express an opinion
ts based on our audit.

ccordance with auditing standards generally
ndards require that we plan and perform the
assurance about whether the financial state
is statement. An audit includes examining, on
porting the amounts and disclosures in the
dit also includes assessing the accounting
ant estimates made by management, as well
ncial statement presentation. We believe that
ble basis for our opinion.

ies (Auditor's Report) Order, 2003, issued by
terms of Section 227 (4A) of the Companies
nixture, a statement on the matters specified
said Order.

ne Annexure referred to in paragraph 3 above,

e information and explanations, which to the
nd belief were necessary for the purposes of

ooks of account as required by law have been
o far as appears from our examination of the

Profit and Loss Account and Cash Flow
this report are in agreement with the books of

nce Sheet, Profit and Loss Account and Cash
ith by this report comply with the Accounting
in sub-section (3C) of Section 211 of the

- e) On the basis of the written representations received from the directors as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) *Attention is invited to Note 3 in Schedule 14 of the accounts regarding remuneration of Rs.193,842/- for the period from January 16, 2004 to March 31, 2004 paid to the Managing Director which is subject to the approval of the Central Government.*
- g) Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the accounts read along with Note 15 in Schedule 14 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, 2004;
 - ii) in the case of the Profit and Loss account, of the profit 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

Sd/-

P. R. Barpande
Partner

Membership No. 15291

Mumbai, Dated: 21 AUG 2004

Annexure to the Auditors' Report
Re: Inter-Connected Stock Exchange of India Limited
(Referred to in paragraph 3 of our report of even date)

- i) The nature of the Company's business/activities during the period have been such that clauses (ii), (viii), (xiii), (xiv), (xviii), and (xx) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the period.
- ii)
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) All the fixed assets have not been physically verified by the management during the year but there is 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 16 in Schedule 14 of the accounts)
 - (c) The Company has not disposed off substantial part of fixed assets during the period.
- iii) The Company has not granted or taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 and accordingly the sub-clauses (a), (b), (c) and (d) of clause (iii) are not applicable to the company.
- iv) In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of fixed assets. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- v) According to the information and explanations given to us, there were no transactions during the year that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and accordingly sub-clause (b) of clause (v) is not applicable to the company.
- vi) The Company has not accepted any deposits from the public.
- vii) In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.

business/activities during the period have
(xiii), (xiv), (xviii), and (xx) of paragraph 4
port) Order, 2003 are not applicable to the

red proper records showing full particulars,
ils and situation of fixed assets.

re not been physically verified by the
year but there is regular programme of
pinion, is reasonable having regard to the
d the nature of its assets. No material
d on such verification. (Refer Note 16 in
ts)

posed off substantial part of fixed assets

or taken any loans, secured or unsecured,
or other parties covered in the register
301 of the Companies Act, 1956 and
a), (b), (c) and (d) of clause (iii) are not

to the information and explanations given to
control procedures commensurate with the
re of its business for the purchase of fixed
f our audit, we have not observed any
rjor weaknesses in internal controls.

nd explanations given to us, there were no
that need to be entered into the register
301 of the Companies Act, 1956 and
ause (v) is not applicable to the company.

nd any deposits from the public.

it functions carried out during the year by a
appointed by the management have been
of the Company and the nature of its

viii) According to information and explanations given to us in respect of statutory and other dues:

(a) The company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, cess and any other statutory dues with the appropriate authorities during the year.

(b) According to information and explanation given to us, there are no cases of dues of sales tax/income-tax/custom tax/wealth tax/excise duty/cess that have not been deposited on account of any dispute.

ix) The accumulated losses of the Company have exceeded fifty per cent of its net worth as at the end of the year. The Company has not incurred cash losses during the current year but had incurred a cash loss in the immediately preceding financial year.

x) According to information and explanations given to us, there are no dues payable to a financial institution or bank or debenture holders.

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

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

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

xiv) According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the period for long term investment and vice versa.

xv) The Company has not issued any debentures during the year.

xvi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

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

Sd/-

P. R. Barpande
Partner

Membership No. 15291

Mumbai, Dated: 21 AUG 2004

Inter-connected Stock Exchange of India Limited

Balance Sheet as at 31st March, 2004

	Schedule	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
Sources of funds			
Shareholders' funds			
Share Capital (Company Limited by Guarantee)		Nil	Nil
Admission fees/ Contribution towards Infrastructure Development	1	91,750,000	91,750,000
Reserves and Surplus	2	226,005,088	214,614,484
Total		317,755,088	306,364,484
Application of funds			
Fixed assets			
Gross block	3	164,920,418	164,055,241
Less: Depreciation		91,276,451	71,048,312
Net block		73,643,967	93,006,929
Capital work-in-progress		3,589,132	4,715,053
		77,233,099	97,723,982
Investments	4	55,000,000	55,000,000
Current Assets, Loans and Advances			
Current Assets			
Cash and Bank Balances	5	161,736,304	129,637,146
Sundry Debtors	6	3,824,522	6,208,179
Loans and Advances	7	10,506,073	14,544,691
		176,066,899	150,390,016
Less: Current Liabilities and Provisions			
Current liabilities	8	127,760,270	134,129,944
Deferred Payment Liabilities	9	530,344	1,506,122
		128,290,614	135,636,066
Net Current Assets		47,776,285	14,753,950
Profit and Loss Account		137,745,704	138,886,552
Total		317,755,088	306,364,484
Significant Accounting Policies and Notes forming part of the Accounts	14		

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

Sd/-
P. R. Barpande
Partner
Mumbai
Dated: August 21, 2004

For and on behalf of the Board of Directors

Sd/-
P. V. Narasimham
Chairman
Mumbai
Dated: August 21, 2004

Sd/-
V. Shankar
Managing Director

Sd/-
Dipak K. Shah
Company Secretary

Inter-connect

Profit and Loss Ac

		As at	As at
		March 31, 2004	March 31, 2003
		(Rupees)	(Rupees)
Income			
Expenditure			
Employee Costs			
Administration and C			
Interest			
Depreciation			
Less : Adjusted gain			
(Refer Note 1 and No			
Profit/(Loss) for the			
Balance Brought For			
Balance carried to I			
Significant Account			
forming part of the			

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

Sd/-
P. R. Barpande
Partner
Mumbai
Dated: August 21, 2004

Schedule	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
	Nil	Nil
1	91,750,000	91,750,000
2	226,005,088	214,614,484
	317,755,088	306,364,484
3	164,920,418	164,055,241
	91,276,451	71,046,312
	73,643,967	93,008,929
	3,589,132	4,715,053
	77,233,099	97,723,982
4	55,000,000	55,000,000
5	161,736,304	129,637,145
6	3,824,522	6,208,179
7	10,506,073	14,544,691
	176,066,899	150,390,016
8	127,760,270	134,129,944
9	530,344	1,506,122
	128,290,614	135,636,066
	47,776,285	14,753,950
	137,745,704	138,886,552
	317,755,088	306,364,484
14		

Half of the Board of Directors

Sd/-
V. Shankar
Managing Director

Sd/-
Dipak K. Shah
Company Secretary

21, 2004

Schedule	Year ended March 31, 2004 (Rupees)	Year ended March 31, 2003 (Rupees)
Income	29,275,208	15,577,796
Total	29,275,208	15,577,796
Expenditure		
Employee Costs	4,823,031	3,948,133
Administration and Operational Expenses	8,952,125	9,994,237
Interest	-	190,779
Depreciation	20,638,953	20,348,698
Less : Adjusted against Capital Reserve	6,279,749	6,078,404
(Refer Note 1 and Note 10 of Schedule 14)	14,359,204	14,270,294
Total	28,134,360	28,403,443
Profit/(Loss) for the year	1,140,848	(12,825,647)
Balance Brought Forward from Previous Year	(138,886,552)	(126,060,905)
Balance carried to Balance sheet	(137,745,704)	(138,886,552)
Significant Accounting Policies and Notes forming part of the Accounts	14	

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

For and on behalf of the Board of Directors

Sd/-
P. R. Barpande
Partner
Mumbai
Dated: August 21, 2004

Sd/-
P. V. Narasimham
Chairman
Mumbai
Dated: August 21, 2004

Sd/-
V. Shankar
Managing Director

Sd/-
Dipak K. Shah
Company Secretary

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 March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
Members Admission Fees	7,650,000	7,650,000
Contribution towards Infrastructure Development (Refer Note 5 of Schedule 14)	84,100,000	84,100,000
Total	91,750,000	91,750,000

Inter-connected Stock Exchange of India Limited
Schedules forming part of the Accounts

Schedule 2 : Reserves and Surplus
Capital Reserve
(I) Networking Equipments
Balance as per last balance sheet
Add : Received during the year
Less : Adjustment towards Equipments written off
(Refer Note 16 of Schedule 14)
Less : Appropriation towards
(Refer Note 10 of Schedule 14)
(II) Dealer Admission Fee
Balance as per last balance sheet
Add: Received during the year
(Refer Note 11 of Schedule 14)
Less : Repaid during the year
Other Reserves
(I) Settlement Guarantee
(From initial contribution from members and accretions by way of lease transactions during the year)
(Including Rs. 8,090,150/- (Pre-2003) accretion arising by way of interest 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
Add: Additions during the year
(II) Investor Protection Fund
(From accretions by way of lease transactions and fines during the year)
Balance as per last balance sheet
Add: Additions during the year
(III) Investor Service Fund
(From accretions by way of lease transactions and appropriate income during the year)
Balance as per last Balance Sheet
Add : Additions during the year
Less : Expenses incurred on the Investor Service Programme

Inter-connected Stock Exchange of India Limited
Schedules forming part of the Accounts

	As At March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
	7,650,000	7,650,000
	84,100,000	84,100,000
	91,750,000	91,750,000

Schedule 2 : Reserves and Surplus	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
Capital Reserve		
(I) Networking Equipment Contributions		
Balance as per last balance sheet	23,575,541	22,814,281
Add : Received during the year	1,742,310	7,291,025
Less : Adjustment towards Networking Equipments written off (Refer Note 16 of Schedule 14)	480,935	451,361
Less : Appropriation towards Depreciation (Refer Note 10 of Schedule 14)	6,279,749	6,078,404
	18,557,167	23,575,541
(II) Dealer Admission Fees		
Balance as per balance sheet	163,761,111	159,500,000
Add: Received during the year (Refer Note 11 of Schedule 14)	10,750,000	6,261,111
Less : Repaid during the year	2,500,000	2,000,000
	172,011,111	163,761,111
Other Reserves		
(I) Settlement Guarantee Fund (From initial contribution from Traders and Dealers and accretions by way of levy of charges on transactions during the year)		
[Including Rs. 8,090,150/- (Previous year Rs. 8,594,033/-) accretion arising by way of interest for the year on deposits, etc, made out of such funds in accordance Rules and Bye- laws of the Company]		
Balance as per last balance sheet	27,064,990	18,380,527
Add: Additions during the year	8,235,174	8,684,463
	35,300,164	27,064,990
(II) Investor Protection Fund (From accretions by way of levy of charges on transactions and fines during the year)		
Balance as per last balance sheet	93,367	92,783
Add: Additions during the year	2	584
	93,369	93,367
(III) Investor Service Fund (From accretions by way of levy of charges on transactions and appropriations from listing fee income during the year)		
Balance as per last Balance Sheet	119,475	98,096
Add : Additions during the year	23,802	21,379
Less : Expenses incurred on Investor Awareness Programme	100,000	
	43,277	119,475
Total	226,005,088	214,614,484

Inter-connected Stock Exchange of India Limited
Schedules forming part of the Accounts

Schedule 3 : Fixed Assets

PARTICULARS	(In Rupees)									
	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01-04-2003	Additions	Deductions	As at 31-03-2004	Upto 31-03-2003	For the Year	Deductions	Upto 31-03-2004	As at 31-03-2004	As at 31-03-2003
Leasehold Land	796,950	73,676	-	870,626	56,944	19,419	-	76,363	794,263	740,006
Leasehold Premises	32,585,962	-	-	32,585,962	2,871,635	531,151	-	3,402,786	29,183,176	28,714,327
Machinery and Electrical										
Equipments	4,214,912	-	-	4,214,912	823,962	200,209	-	1,024,191	3,190,721	3,390,930
Furniture and Fixtures	4,897,703	84,300	-	4,982,003	1,365,528	394,325	-	1,759,653	3,222,150	3,532,175
Vehicles	841,619	-	-	841,619	347,911	79,954	-	427,865	413,754	493,708
Office Equipments	2,312,172	66,750	-	2,380,922	494,896	117,133	-	612,029	1,768,893	1,817,276
Networking Equipment	42,063,732	1,260,759	777,249	42,547,242	16,296,313	6,891,569	408,814	22,779,068	19,768,174	25,787,419
Computers	76,342,191	154,841	-	76,497,132	48,789,103	12,405,193	-	61,194,296	15,302,836	27,553,068
Total	164,055,241	1,642,426	777,249	164,920,418	71,045,312	20,638,953	408,814	91,276,451	73,643,967	93,008,929
Previous Year	158,200,387	5,554,854	-	164,055,241	50,897,614	20,348,698	-	71,046,312	3,589,132	4,715,053
Capital Work in Progress (Networking equipments pending installation)									77,233,099	97,723,982
								Total		

Note : 1) Lessehold Premises represent cost of Office Premises, including improvements to premises, taken from CIDCO under lease for a period of 60 years in respect of which Lease Deed has been executed.

Schedule 4 : Inv Long Term Inves Investments in ISE Securities & 5,500,000 equity

Schedule 5 : Cas

Cash-on-hand

Bank balances: with Scheduled Br - in Current Accou (including Rs.146, Rs.222,252/-) in ex - in Deposit Accou (including Rs.97,4 Rs.91,015,481/-) in (including interest (Previous year Rs.

	2,312,172	68,750	2,380,922	494,899	111,133	-	014,029	1,00,053	1,011,410
Office Equipments	42,083,732	1,280,759	42,547,242	16,298,313	6,891,589	408,814	22,779,068	19,768,174	25,767,419
Networking Equipment	76,342,191	154,941	76,497,132	48,789,103	12,405,193	-	61,194,296	15,302,836	27,553,088
Computers	164,055,241	1,642,426	164,920,418	71,046,312	20,638,953	408,814	91,276,451	73,643,967	93,008,929
Total	158,200,387	5,654,854	164,055,241	50,697,614	20,348,698	-	71,046,312	3,589,132	4,715,053
Previous Year								77,233,099	97,723,982
Capital Work in Progress (Networking equipments pending installation)									
Total									

Note : 1) Leasehold Premises represent cost of Office Premises, including improvements to premises, taken from CIDCO under lease for a period of 60 years in respect of which Lease Deed has been executed.

Inter-connected Stock Exchange of India Limited
Schedules forming part of the Accounts

	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
Schedule 4 : Investments		
Long Term Investments (unquoted, at cost):		
Investments in the shares of the wholly owned subsidiary company, ISE Securities & Services Limited		
5,500,000 equity shares of Rs.10/- each, fully paid up	55,000,000	55,000,000
Total	55,000,000	55,000,000

	As at March 31, 2004 Rupees	As at March 31, 2003 Rupees
Schedule 5 : Cash and Bank balances		
Cash-on-hand		
Bank balances:		
with Scheduled Banks		
- in Current Account (including Rs.146,054/- (Previous year Rs.222,252/-) in earmarked funds accounts)	1,212,930	2,244,485
- in Deposit Account (including Rs.97,412,745/- (Previous year Rs.91,015,481/-) in earmarked funds (including interest accrued Rs.3,886,612/- (Previous year Rs.12,645,989/-)	160,523,374	127,392,661
Total	161,736,304	129,637,146

Inter-connected Stock Exchange of India Limited
Schedules forming part of the Accounts

	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
Schedule 6 : Sundry Debtors		
(Unsecured)		
Debts outstanding for a period exceeding six months	3,958,427	6,356,679
Other Debts	197,020	2,500
	4,155,447	6,359,179
Less : Provision (Refer Note 13 of Schedule 14)	330,925	151,000
Total	3,824,522	6,208,179
Note :		
Considered Good	3,824,522	6,208,179
Considered Doubtful	330,925	151,000
	4,155,447	6,359,179
Schedule 7 : Loans and Advances		
(Unsecured)		
Advances given to the subsidiary company	1,224,110	1,035,225
Advances recoverable in cash or kind, or for value to be received	4,466,384	4,722,201
Tax Deducted at Source	5,039,043	9,010,729
	10,729,537	14,768,155
Less: Provision	223,464	223,464
Total	10,506,073	14,544,691
Note :		
Considered Good	10,506,073	14,544,691
Considered Doubtful	223,464	223,464
Total	10,729,537	14,768,155

Inter-connected Stock
Schedules forming part

Schedule 8 : Current Liabilities	
Sundry Creditors*	
Total Outstanding dues	
Total Outstanding dues of undertakings	
Other Current Liabilities	
Deposits**	
Contribution towards Base	
Contribution towards Set	
Contributions received in (Refer Note 16 of Schedule)	
* The above information on Industrial undertakings is available with the Company	
** Refundable as per the	
*** Advance contribution by Traders/Dealers towards premium, etc. pending re	

Schedule 9 : Deferred Payments

Due to Suppliers towards

	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
months	3,958,427	6,356,679
	197,020	2,500
	4,155,447	6,359,179
	330,925	151,000
	3,824,522	6,208,179
	3,824,522	6,208,179
	330,925	151,000
	4,155,447	6,359,179

	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
	1,224,110	1,035,225
	4,466,384	4,722,201
	5,039,043	9,010,729
	10,729,537	14,768,155
	223,464	223,464
	10,506,073	14,544,691
	10,506,073	14,544,691
	223,464	223,464
	10,729,537	14,768,155

Inter-connected Stock Exchange of India Limited
Schedules forming part of the Accounts

	(Rupees)	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
Schedule 8 : Current Liabilities			
Sundry Creditors*			
Total Outstandings dues of Small Scale Industrial undertakings			
Total Outstanding dues of creditors other than Small Scale Industrial undertakings	4,623,036	4,623,036	3,213,266
			3,213,266
Other Current Liabilities			
		1,690,700	
Deposits **			
Contribution towards Base Minimum Capital of Traders and Dealers		45,417,888	46,789,860
Contribution towards Settlement Stabilisation Fund		13,000,000	13,000,000
Contributions received in Advance *** (Refer Note 16 of Schedule 14)		63,028,646	71,126,818
Total		127,760,270	134,129,944
* The above information as provided in respect of Small Scale Industrial undertakings is arrived at on the basis of information available with the Company.			
** Refundable as per the Rules and Bye-laws of the Company			
*** Advance contribution represents amounts received from the Traders/Dealers towards admission fees, annual fees, insurance premium, etc. pending registration / approval of SEBI.			

	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
Schedule 9 : Deferred Payment Liabilities		
Due to Suppliers towards Capital Goods	530,344	1,506,122
Total	530,344	1,506,122

Inter-connected Stock Exchange of India Limited
Schedules forming part of the Accounts

Schedule 10 : Income	(Rupees)	For the year ended March 31, 2004 (Rupees)	For the year ended March 31, 2003 (Rupees)
Admission Fees from Traders		50,000	80,000
Annual Subscription received			
- From Members	700,000		650,000
- From Traders	218,000		177,000
- From Dealers	4,300,000		8,250,000
		5,218,000	9,077,000
Income from Depository Participants (DP) Operations		1,480,200	-
Interest on Bank Deposits, etc. (TDS Rs.2,115,184/- Previous year : Rs.2,509,489/-)	11,701,906		12,468,476
Less : Interest earned on Earmarked Fund	8,090,150		8,594,033
		3,611,756	3,874,443
Interest on others		477,482	94,392
Interest on Income-tax refund		763,376	243,853
Income from Rent		1,619,400	-
Application Fees for Additional Trading Rights - Dealers (Refer Note 17 of Schedule 14)		5,100,000	-
Reimbursement of Expenses (Refer Note 18 of Schedule 14)		2,258,140	-
Charges for use of facilities (Refer Note 18 of Schedule 14)		6,300,000	-
Sale of Software		-	1,300,000
Listing Fees		89,250	115,500
Transaction Charges		50	34,626
Excess provision for earlier years written back		1,350,635	102,364
Interest on Advances given to the subsidiary company (TDS Nil; Previous year : Rs.47,483/-)		-	226,110
Miscellaneous Income		736,170	402,733
Recovery of Insurance on Securities		220,749	26,775
Total		29,275,208	15,577,796
Schedule 11 : Employee Cost			
		For the year ended March 31, 2004 (Rupees)	For the year ended March 31, 2003 (Rupees)
Salaries [Net of recovery : Rs.5,131,975/- (Previous year Rs. 6,162,589/-)]		3,966,443	3,455,656
Contribution to Provident and Other Funds [Net of recovery : Rs.449,576/- (Previous year Rs.561,886/-)]		293,413	333,896
Gratuity [Net of recovery : Rs.554,871/- (Previous year Rs.50,507/-)]		380,605	26,829
Staff Welfare [Net of recovery : Nil (Previous year Rs.51,461/-)]		182,570	131,752
Total		4,823,031	3,948,133

Inter-connected Stock Exchange of India Limited
Schedules forming part of the Accounts

Schedule 12 : Administrative Expenses

Networking Expenses
Telephone and Fax Expenses
On-line Subscription [Net of recovery]
Printing and Stationery
Legal and Professional Charges
Electricity Expenses [Net of recovery]
Water Consumption Charges
Rates and Taxes [Net of recovery]
Repairs and Maintenance
Repairs and Maintenance
Conveyance
Postage and Courier Expenses
Security Expenses
Insurance [Net of recovery]
Charges for hiring computer
Publicity Expenses
Newspapers and Periodicals
Books and References
Rent [Net of recovery : Nil]
Travelling Expenses [Net of recovery]
Vehicle Expense
Membership and Subscription
Miscellaneous Expenses [Net of recovery]
Bad Debts / Advances written off
Provision for Doubtful Debts
Expenses on DP Operations
NSDL Connectivity Charges
Preliminary Expenses Written off
Deferred Revenue Expenses

Note: Miscellaneous Expenses

Schedule 13 : Interest

Interest on Others
On Bank Overdrafts

Inter-connected Stock Exchange of India Limited
Schedules forming part of the Accounts

	For the year ended March 31, 2004 (Rupees)	For the year ended March 31, 2003 (Rupees)
	50,000	80,000
700,000		650,000
218,000		177,000
4,300,000		8,250,000
	5,218,000	9,077,000
	1,480,200	-
11,701,906		12,468,476
8,090,150		8,594,033
	3,611,756	3,874,443
	477,482	94,392
	763,376	243,853
	1,619,400	-
	5,100,000	-
	2,258,140	-
	6,300,000	-
	-	1,300,000
	89,250	115,500
	50	34,626
	1,350,635	102,364
	-	226,110
	736,170	402,733
	220,749	26,775
	29,275,208	15,577,796
	For the year ended March 31, 2004 (Rupees)	For the year ended March 31, 2003 (Rupees)
	3,966,443	3,455,656
	293,413	333,896
	380,605	26,829
	182,570	131,752
	4,823,031	3,948,133

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Schedule 12 : Administration and Operational Expenses	For the year ended March 31, 2004 (Rupees)	For the year ended March 31, 2003 (Rupees)
Networking Expenses	-	593,765
Telephone and Fax Expenses	121,135	190,862
On-line Subscription [Net of recovery : Nil (Previous year Rs.27,102/-)]	41,970	27,102
Printing and Stationery	403,627	368,794
Legal and Professional Charges	1,196,383	1,319,103
Electricity Expenses [Net of recovery : Nil (Previous year Rs.1,069,307/-)]	1,252,348	297,799
Water Consumption Charges [Net of recovery : Nil (Previous year Rs.37,629/-)]	75,083	36,846
Rates and Taxes [Net of recovery : Nil (Previous year Rs.2,460/-)]	316,656	331,240
Repairs and Maintenance - Leasehold Premises [Net of recovery : Nil (Previous year Rs.341,436/-)]	438,178	270,712
Repairs and Maintenance - Others [Net of recovery : Nil (Previous year Rs.82,674/-)]	854,157	843,866
Conveyance	281,766	274,223
Postage and Courier Expenses	320,436	144,967
Security Expenses	245,239	244,229
Insurance [Net of recovery : Nil (Previous year Rs.5,021/-)]	303,067	181,790
Charges for hiring computers, projects, etc.	3,000	1,078
Publicity Expenses	116,384	146,015
Newspapers and Periodicals	31,951	26,737
Books and References	4,798	35,582
Rent [Net of recovery : Nil (Previous year Rs. 325,751/-)]	481,891	326,250
Travelling Expenses [Net of recovery : Nil (Previous year Rs.100,864/-)]	205,041	189,514
Vehicle Expense	195,937	266,469
Membership and Subscription Charges	132,000	166,411
Miscellaneous Expenses [Net of recovery : Rs.40,097 (Previous year Rs.479,645/-)]	592,444	316,410
Bad Debts / Advances written off	-	395,730
Provision for Doubtful Debts	179,925	151,000
Expenses on DP Operations	1,158,709	-
NSDL Connectivity Charges	-	177,215
Preliminary Expenses Written off	-	7,206
Deferred Revenue Expenditure Written off	-	2,663,224
Total	8,952,125	9,994,237
Note: Miscellaneous Expenses include training expenses, brokerage, demat charges, recruitment expenses, etc.		
Schedule 13 : Interest	For the year ended March 31, 2004 (Rupees)	For the year ended March 31, 2003 (Rupees)
Interest on Others	-	190,779
On Bank Overdraft	-	190,779
Total	-	190,779

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Inter-connected Stock Exchange of India Limited

Schedule 14: Significant Accounting Policies and Notes forming part of the Accounts

1. Significant Accounting Policies

Basis of preparation of Financial Statements

The accompanying financial statements have been prepared using the historical cost convention in accordance 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 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.

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Policies

Financial Statements

Financial statements have been prepared using the accounting principles in accordance with generally accepted accounting provisions of the Companies Act, 1956.

Financial statements, in conformity with the accounting principles, requires estimates and judgments that affect the reported amounts of assets and liabilities in financial statements and the reported amounts of revenues and expenses during the reporting period. The differences between actual and estimated amounts are recognised in the period in which they are identified.

Assets are stated at historical cost. They are stated at historical cost less accumulated depreciation. The improvements to leased premises have been capitalised as leasehold premises.

Amortisation

Intangible assets are amortised on a straight-line basis at the rates prescribed in the Companies Act, 1956.

Assets acquired / purchased during the year is stated at cost.

Assets, including improvements, are amortised over their useful life.

Networking equipment is charged to the Networking Reserve in proportion to the total capital cost incurred and is recovered from Dealers/Traders (Refer Note 10).

The provident fund of the employees is charged to the Company's liability for gratuity is funded through Life Insurance Corporation (LIC) and is charged to revenue on the basis of the contribution to be made on the basis of the contribution out by LIC.

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 earmarked funds, being accretions to the said funds, in accordance with the Rules and Bye-laws of the Company, is credited to the funds.

Settlement Transactions

The transactions pertaining to settlement which are conducted in a fiduciary capacity do not form part of the Accounts of the Company.

Dealer's Admission fees

The Dealers Admission Fees, which are one-time admission fees towards the transferable right to trade on Company (i.e. Exchange), are considered as capital contributions and classified accordingly (Refer Note 11)

Networking Equipment Contributions

The networking cost recoveries from Dealers/Traders represent one-time charges collected towards the capital cost of the networking equipments installed to connect the Dealers/Traders with the central computer of the company and are considered as Capital Reserve (Refer Note 10).

2. Estimated amounts of contracts remaining to be executed on capital account and not provided for (Net of advances) : Nil (Previous year Rs. 2,880,037/-)
3. **Gross Managerial Remuneration**

To the Managing Director/s	31 st March 2004 (Rupees)	31 st March 2003 (Rupees)
Salaries	764,097	1,490,000
Contribution to Provident Fund and other Funds	101,334	197,448
Perquisites in cash or in kind	Nil	Nil
Total	865,431*	1,687,448

*Appointment of Shri V. Shankar as the Managing Director of the Company with effect from January 16, 2004 has been approved by the Members of the Company and SEBI. The Company has applied to the Central Government for approval of the appointment and remuneration, which is awaited. Accordingly, remuneration paid to the Managing Director for the period from January 16, 2004 to March 31, 2004, aggregating to Rs. 193,842/- is subject to approval of the Central Government.

Inter-connected Stock Exchange of India Limited

Schedule 14: Significant Accounting Policies and Notes forming part of the Accounts

4. Payments to Auditors

	31 st March 2004 (Rupees)	31 st March 2003 (Rupees)
As Auditors		
-For Statutory Audit	150,000	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.	-	120,000
In any other manner		
-As expenses	-	8,140
-For Service Tax	14,000	18,000
Total	189,000	296,140

5. Contributions towards Infrastructure Development represent contributions received from members at the rate of Rs.7,000,000/- per member for cost of the project of the Company. The balance contribution receivable as at March 31,2004 aggregates to Rs.7,150,000/- [Previous year Rs.7,150,000/-], which will be accounted in the year of receipt.
6. Since SEBI is the final authority for registration of Traders/Dealers, the admission fees, annual fees and contribution towards Settlement Guarantee Fund are accounted on the basis of the response dates of approval of SEBI, as they signify the conclusive points of entry of the Traders/Dealers into the Company (i.e.Exchange).
7. Shares and Fixed Deposits received from Traders and Dealers in compliance with the Base Minimum Capital contributions (viz.Capital Adequacy Norms) as prescribed in the Rules and Bye-laws have been held as securities, and accordingly, have not been accounted in the Books of the Company.
8. Sundry Debtors include an amount of Rs.35,000/- (Previous year Rs.100,000) recoverable from Traders/Dealers towards contribution to Settlement Guarantee Fund, for which steps are being taken to recover the same amount. The same amount has been accounted and earmarked.
9. SEBI vide its Circular No. SEBI/SMD/SE/Cir-24/2003/18/06 dated June 18, 2003, has permitted the Stock exchanges to refund Base Minimum Capital in excess of Rs.100,000/- to its brokers after complying with the necessary procedures prescribed thereunder including obtaining No Objection Certificates (NOC) from SEBI in this regard. Accordingly, in response to applications made by certain Traders/Dealers, the Company after receiving necessary approvals from SEBI, has during the year refunded an aggregate amount of Rs.1,090,000/- in cash excluding Bank Guarantee / Fixed Deposits Receipts / Securities returned to such Traders/Dealers. The Base Minimum Capital for such Traders/Dealers is maintained at Rs.100,000/-.

The Base Minimum Capital is being maintained in the form of cash, bank fixed deposit receipts, approved securities or undertakings from the promoting Stock Exchange, as permitted by SEBI.

	31 st March 2004 (Rupees)	31 st March 2003 (Rupees)
	150,000	50,000
	25,000	25,000
Aspect of		
	-	75,000
etc.	-	120,000
	-	8,140
	14,000	18,000
	189,000	296,140

Structure Development represent contributions at a rate of Rs.7,000,000/- per member for cost etc. The balance contribution receivable as at 31st March 2004 is Rs.7,150,000/- (Previous year Rs.7,150,000/-) accounted in the year of receipt.

Priority for registration of Traders/Dealers, the fees and contribution towards Settlement Fund are determined on the basis of the response dates of the members to signify the conclusive points of entry of the company (i.e.Exchange).

Amounts received from Traders and Dealers in Minimum Capital contributions (viz.Capital Contributions) as provided in the Rules and Bye-laws have been held in the Books of Accounts and have not been accounted in the Books of Accounts.

An amount of Rs.35,000/- (Previous year Rs.35,000/-) from Traders/Dealers towards contribution to the Settlement Fund for which steps are being taken to recover the amount has been accounted and earmarked.

SEBI/SMD/SE/Cir-24/2003/18/06 dated June 2003 directed Stock exchanges to refund Base Minimum Capital of Rs.10,000/- to its brokers after complying with the conditions prescribed thereunder including obtaining No Objection Certificate from SEBI in this regard. Accordingly, in view of the directions issued by certain Traders/Dealers, the Company has obtained approvals from SEBI, has during the year ended 31st March 2004 an amount of Rs.1,090,000/- in cash excluding Bank Receipts / Securities returned to such Traders/Dealers in Minimum Capital for such Traders/Dealers is

being maintained in the form of cash, bank deposits, approved securities or undertakings from the members as permitted by SEBI.

- During the year the Company has received an amount aggregating to Rs.1,742,310/- (Previous year Rs. 7,291,025/-) from Dealers/Traders towards Networking Equipment Contributions. The amount so collected is considered as a Capital Reserve and classified in the Balance Sheet accordingly. During the year, an amount of Rs. 6,279,749/- (Previous year : Rs. 6,078,404/-) 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.
- During the year, the Company has received an amount aggregating to Rs.10,750,000/- (Previous year Rs.6,261,111/-) as one-time Admission Fees from the Dealers towards the transferable right to trade on 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 5) includes an amount aggregating to Rs. 97,558,799/- (Previous year Rs. 91,237,733/-) [Including accrued interest Rs.3,886,612 (Previous Year Rs. 12,645,989/-)] which is earmarked against the funds received as per schedule 2 and 8 except an amount of Rs 3,321,422/- (previous year Rs. 1,154,098/-) which is subsequently transferred to earmarked accounts.
- Sundry Debtors (Schedule 6) include Rs. 3,911,808/- (Previous year Rs.6,356,679/-) on account of various charges recoverable from Dealers/Traders, which are outstanding. The said debts are considered good for recovery by the Management in view of the various amounts deposited by the Dealers/Traders with the Company, which are available for adjustment against the dues of the Company as per the applicable Rules and 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.179,925/- (Previous year Rs.151,000/-) has been made in the accounts.
- The details of the Earmarked Funds are as given hereunder :

i) Settlement Guarantee Fund

(Cash component including accretions)

Settlement Guarantee Fund	As on 31.03.2004 (Rs.)	As on 31.03.2003 (Rs.)
Settlement Guarantee Fund (including accretions from levy on transactions)	3,659,349	3,514,325
Settlement Stabilisation Contribution from Member Exchanges	13,000,000	13,000,000
Contributions towards Base Minimum Capital (Cash component)	45,417,888	46,789,860
Contributions towards SGF/BMC received in advance	4,070,000	4,800,000
Other receipts *	2,946,115	514,729
Interest accrued on above	31,640,815	23,550,665
Total	100,734,167	92,169,579

Inter-connected Stock Exchange of India Limited

Schedule 14: Significant Accounting Policies and Notes forming part of the Accounts

*Represents interest earned on the Earmarked Funds and withheld as tax deducted at source (TDS), which is ploughed back to the Earmarked Funds consequent to the receipt of the income tax refund and interest thereon as per the records available with the Company.

Earmarked Funds		(in Rupees)	
Cash Component in Fixed Deposit	97,412,745	91,015,481	
Amount yet to be transferred as at year end *subsequently transferred	3,321,422*	1,154,098*	

The balances as on 31.3.2004 in the Settlement Guarantee Fund and contributions received towards the same are earmarked in accordance with the Rules and Bye-laws of the Company.

The balance on account of the non-cash components of the Settlement Guarantee Fund are as under :

Non-cash Component (Not accounted in the Books, refer Note no.7)	As on 31.03.2004 (Rs.)	As on 31.03.2003 (Rs.)
Bank Guarantees from Traders and Dealers	3,300,000	9,156,000
Fixed Deposits under lien**	10,638,682	23,987,383
Securities pledged (market value)***	41,849,545	29,955,226
Undertakings given by Member Exchanges on behalf of Traders of those Exchanges	47,700,000	35,400,000
Total Non-Cash Component	1,03,488,227	98,498,609

** In respect of some of the fixed deposits receipts, the procedure in respect of creation of lien is in progress

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

ii) Investor Protection Fund

Investor Protection Fund	As on 31.03.2004 (Rs.)	As on 31.03.2003 (Rs.)
Received as levy on transactions, etc.	93,369	93,367
Earmarked in Current Bank Accounts	101,285	101,281

iii) Investor Service Fund

Investor Service Fund	As on 31.03.2004 (Rs.)	As on 31.03.2003 (Rs.)
Received as levy on transactions, etc.	43,277	119,475
Earmarked in Current Bank Accounts	44,769	120,971

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Policies and Notes forming part of the Accounts

on the Earmarked Funds and withheld as tax which is ploughed back to the Earmarked Funds. The income tax refund and interest thereon as per the Company.

(in Rupees)

Deposit	97,412,745	91,015,481
As at year end	3,321,422*	1,154,098 *

4 in the Settlement Guarantee Fund and the same are earmarked in accordance with the Company.

non-cash components of the Settlement Guarantee Fund:

	As on 31.03.2004 (Rs.)	As on 31.03.2003 (Rs.)
Liabilities	3,300,000	9,156,000
Assets	10,638,682	23,987,383
* Other	41,849,545	29,955,226
Changes	47,700,000	35,400,000
Net	1,03,488,227	98,498,609

fixed deposits receipts, the procedure in place is in progress

Indian bank – ABN Amro Bank N.V

	As on 31.03.2004 (Rs.)	As on 31.03.2003 (Rs.)
Assets, etc.	93,369	93,367
Liabilities	101,285	101,281

	As on 31.03.2004 (Rs.)	As on 31.03.2003 (Rs.)
Assets, etc.	43,277	119,475
Liabilities	44,769	120,971

Schedule 14: Significant Accounting Policies and Notes forming part of the Accounts

- During the year, the company has ventured into a new line of business viz. Depository Participant (DP) operations. The company has also rented out the unutilised office premises and offered Additional Trading Rights to eligible dealers. This has resulted in the company earning additional income and net profit for the year. The company intends to further expand the DP business, commission the "Indonext" system, which will be a common trading platform for small and medium enterprises and introduce e-learning courses. As a result, the company expects increased revenue resulting in improved profitability and consequent improvement in its net worth. Accordingly, the accounts have been prepared on a going concern basis, which is dependent upon the increase in earnings as expected, further profitability and availability of finance.
- During the year, the company, in order to have conservative presentation of financial statements, has written off the cost of networking equipments lying with certain Dealers/Traders, which were not confirmed by them. Accordingly, an amount of Rs. 282,972/- (Previous year : Rs. 451,361/-) has been reduced from Capital work-in-progress and an amount of Rs. 368,435/- (net) (Previous year : Nil) has been reduced from Networking Equipments. Consequently an amount aggregating to Rs. 480,935/- (Previous year : Rs. 451,361/-) has been withdrawn from Networking Equipment Contributions Reserve (Schedule 2) and an amount aggregating to Rs. 170,472/- has been reduced from "Contribution received in Advance" (Schedule 8) representing amounts recovered from the said Dealers/Traders on account of such equipments.
- With the objective of expanding the base of trading members, the Company has launched a scheme during the year, under which Additional Trading Rights (i.e. dealership rights) offered to all the eligible Dealers, subject to their fulfilling certain terms and conditions and payment of prescribed application fees of Rs.25,000/-.
During the year, the Company has received an amount aggregating to Rs. 5,100,000/- (Previous year: Nil) from Dealers towards Application Fees for Additional Trading Rights (ATRs) offered and the same have been accounted as income by the Company.
- Hitherto, the indirect expenses incurred by the company on behalf of its subsidiary company, ISE Securities & Services Ltd. (ISS) were being recovered on the basis of actual expenses incurred as decided by the Management and were disclosed in Schedule 12 as recovery of various expenses. During the year, the company has entered into an agreement with ISS for sharing of such expenses and use of various infrastructure facilities of the company with effect from April 1, 2003. In terms of the said agreement, an amount aggregating to Rs. 8,558,140/- have been charged to ISS, which comprises of amounts aggregating to Rs. 6,300,000/- being charges for use of various infrastructure facilities and amounts aggregating to Rs. 2,258,140/- being reimbursement of expenses. The same have been disclosed in Schedule 10, "Income".

Inter-connected Stock Exchange of India Limited

Schedule 14: Significant Accounting Policies and Notes forming part of the Accounts

19. Related party transactions:

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

a) List of related parties and relationships

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

b) Transactions during the year with related parties

(In Rupees)

Sr. No.	Particulars	Subsidiary Company	Key Management Personnel	Total
1	Loans and Advances			
	Opening Balance as at 1 st April 2003	1,035,225	-	1,035,225
	Advances given (including expenses, etc.) during the year	20,279,132	-	0,279,132
	Advances (including expenses, etc.) recovered / adjusted during the year	20,090,246	-	20,090,246
	Closing Balance as at 31 st March 2004	1,224,110	-	1,224,110
2	Investments			
	Opening Balance as at 1 st April 2003	55,000,000	-	55,000,000
	Purchased during the year	-	-	-
	Sold during the year	-	-	-
	Closing Balance as at 31 st March 2004	55,000,000	-	55,000,000
3	Expenditure			
	Managerial remuneration	-	865,431	865,431
		(-)	(1,687,448)	(1,687,448)
4	Income			
	Interest on loan	-	-	-
		(226,110)	-	(226,110)

Notes:

- a) Figures in bracket pertain to previous year.
 b) Related - party relationship is as identified by the Company.

Accounting Standard 18 (AS-18) "Related parties" as defined below:

Relationships	party	Nature of Relationship
		Key Management Personnel
	Services Ltd.	Subsidiary Company

Deal with related parties

(In Rupees)

	Subsidiary Company	Key Management Personnel	Total
	1,035,225	-	1,035,225
ear	20,279,132	-	0,279,132
ses	20,090,246	-	20,090,246
	1,224,110	-	1,224,110
	55,000,000	-	55,000,000
	-	-	-
	55,000,000	-	55,000,000
	-	865,431	865,431
	(-)	(1,687,448)	(1,687,448)
	-	-	-
	(226,110)	-	(226,110)

in to previous year.
ship is as identified by the Company.

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

I. Registration details

Registration no.	State code
1 1 3 1 4 7	1 1
Balance sheet date	
3 1 0 3 0 4	

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

Public issue	Rights issue
N I L	N I L
Bonus issue	Private placement
N I L	N I L

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

Total liabilities	Total assets
4 4 6 0 4 6	4 4 6 0 4 6

Sources of funds

Admission Fees / Contribution towards Infrastructure Development (From Members)	Reserves and Surplus
9 1 7 5 0	2 2 6 0 0 5

Secured loans	Unsecured loans
N I L	N I L

Application of funds

Net fixed assets	Investments
7 7 2 3 3	5 5 0 0 0
Net current assets	Miscellaneous expenditure
4 7 7 7 6	N I L
Accumulated losses	
1 3 7 7 4 6	

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

Turnover (including other income)	Total expenditure
2 9 2 7 5	2 8 1 3 4
+ (-) Profit/ (loss) before tax	+ (-) Profit/ (loss) after tax
1 1 4 1	1 1 4 1
Earnings per share (Rupees)	Dividend Rate
N A	N A

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

Item code no. (ITC code)
N I L
N A

21. Figures of the previous year have been regrouped/reclassified to make them correspond with the current year's figures, wherever necessary.
22. The amounts in the Balance Sheet and the Profit and Loss Account are rounded off to the nearest rupee.

Signatures to schedules 1 to 14

As per our attached Report of even date

For C. C. Chokshi & Co., For and on behalf of the Board of Directors, Chartered Accountants

Sd/-
(P. R. Barpande)
Partner

Sd/-
(P. V. Narasimham)
Chairman

Sd/-
(V. Shankar)
Managing Director

Sd/-
(Dipak K. Shah)
Company Secretary

Mumbai
Dated: August 21, 2004

Mumbai
Dated: August 21, 2004

A. CASH FLOW FROM OPERATIONS

Net Profit / (loss) before tax
Adjustments for :
Depreciation (Net)
Preliminary / deferred revenue
Interest received on bank
Interest on advances given to
Interest on income tax refund
Interest paid
Operating Profit / (loss)

Adjustments for :
(Increase) / Decrease in Tax
Decrease in Trade payables
Cash generated from / (used)
Direct Tax paid (net of refund)
Net cash generated / (used)

B. CASH FLOW FROM INVESTING ACTIVITIES

Additions to fixed assets
Capital work-in-progress with
Additions to Networking Equip
Purchase of investments
Interest received
Net cash generated from

C. CASH FLOW FROM FINANCING ACTIVITIES

Change in Funds
Settlement Guarantee Fund
Investor Protection Fund
Investor Service Fund
Settlement Stabilisation Fund

Contribution by Dealers toward
Loan given to subsidiary company
Repayment of loan given to
Contribution by members toward
(Repayment) of long term
Interest received
Interest paid
Net cash generated from

Net increase in cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents

Notes to Cash Flow Statement

1 Components of cash and cash equivalents in the Balance Sheet and the Cash Flow Statement

2 Purchase of fixed assets and goods and is considered

3 The Cash Flow Statement is prepared in accordance with the Institute of Chartered Accountants

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

Sd/-
P. R. Barpande
Partner
Mumbai
Dated: August 21, 2004

any (amount in Rupees thousands)

ome)	Total expenditure				2	8	1	3	4
	+ (-) Profit/ (loss) after tax				1	1	4	1	
)	Dividend Rate								N A

Principal products/ services of
ary terms)

have been regrouped/reclassified to make
urrent year's figures, wherever necessary.

Sheet and the Profit and Loss Account are
pee.

to schedules 1 to 14

of even date

and on behalf of the Board of Directors,

Sd/- Narasimham) Sd/- (V. Shankar)
irman Managing Director

Sd/- Dipak K. Shah)
pany Secretary

bai
d: August 21, 2004

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004

Particulars	31.03.2004 (Rupees)		31.03.2003 (Rupees)	
A. CASH FLOW FROM OPERATING ACTIVITIES :				
Net Profit / (loss) before tax before tax	1,140,848		(12,825,647)	
Adjustments for :				
Depreciation (Net)	14,359,204		14,270,294	
Preliminary / deferred revenue expenditure written off	-		2,670,530	
Interest received on bank deposits	(2,878,307)		(3,937,756)	
Interest on advances given to subsidiary	-		(226,110)	
Interest on income tax refund	(763,376)		(243,853)	
Interest paid	-		190,779	
Operating Profit / (loss) before working capital changes	11,858,369		(101,763)	
Adjustments for :				
(Increase) / Decrease in Trade and other receivables	2,450,589		(1,661,124)	
Decrease in Trade payables	(5,369,674)		(9,994,250)	
Cash generated from / (used in) Operations	7,939,284		(11,757,137)	
Direct Tax paid (net of refunds)	4,735,062		(950,407)	
Net cash generated / (used in) operating activities		12,674,346		(12,707,544)
B. CASH FLOW FROM INVESTING ACTIVITIES :				
Additions to fixed assets	(1,406,820)		(524,631)	
Capital work-in-progress written off	282,972		692,779	
Additions to Networking Equipment Contribution Reserve (net)	1,261,375		6,839,664	
Purchase of investments	-		(10,000,000)	
Interest received	2,878,307		3,937,756	
Net cash generated from investing activities		3,015,834		945,568
C. CASH FLOW FROM FINANCING ACTIVITIES :				
Change in Funds				
Settlement Guarantee Fund	8,235,174		8,684,463	
Investor Protection Fund	2		584	
Investor Service Fund	(76,198)		21,379	
Settlement Stabilisation Fund	-		1,000,000	
	8,158,978		9,706,426	
Contribution by Dealers towards Admission Fee (net)	8,250,000		4,261,111	
Loan given to subsidiary company	-		(21,500,000)	
Repayment of loan given to subsidiary company	-		21,500,000	
Contribution by members towards infrastructure development	-		2,650,000	
(Repayment) of long term and other borrowings	-		(2,352,122)	
Interest received	-		226,110	
Interest paid	-		(190,779)	
Net cash generated from financing activities		16,408,978		14,300,746
Net increase in cash and cash equivalents		32,099,158		2,538,770
Cash and cash equivalents at beginning of the year		129,637,146		127,098,376
Cash and cash equivalents at end of the year		161,736,304		129,637,146

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.
- 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.

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

For and on behalf of the Board of Directors

Sd/-
P. R. Barpande
Partner
Mumbai
Dated: August 21, 2004

Sd/- P.V. Narasimham Sd/- V. Shankar Sd/- Dipak K. Shah
Chairman Managing Director Company Secretary
Mumbai
Dated: August 21, 2004



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85	Cash Flow Statement

BOARD OF I

Prof. P. V. N.
Shri. V. Sha
Shri. M. Ran
Shri. Ajay A
Dr. D. K. Bh
Dr. M. G. Sh
Shri. R. Sad
Shri. B. S. H
Shri. Ashist
Shri. G. D. M
Shri. V. Aru
Shri. Samre

SECRETARI

Ms. V. Vasur

AUDIT COM

Shri. Ajay A
Dr. D. K. Bh
Dr. M. G. Sh
Shri. R. Sad

STATUTORY

M/s. A. J. S

INTERNAL /

M/s. M. P. C

BANKERS

HDFC Bank
ICICI Bank L
IndusInd Bar
Corporation

REGISTERE

International
Tower 7, 5th I
Vashi, Navi I

CONTENTS

e

t of the Accounts

& Company's General Business Profile

BOARD OF DIRECTORS

- Prof. P. V. Narasimham**, Chairman, Public Representative
- Shri. V. Shankar**, Director, Nominee of Inter-connected Stock Exchange of India Ltd.
- Shri. M. Ramalingam**, Chief Executive Officer
- Shri. Ajay A. Thakkar**, Public Representative
- Dr. D. K. Bhatia**, Public Representative
- Dr. M. G. Shirahatti**, Public Representative
- Shri. R. Sadanandam**, Public Representative
- Shri. B. S. Hegde**, Public Representative
- Shri. Ashish M. Parikh**, Trading Member Representative
- Shri. G. D. Mundra**, Trading Member Representative
- Shri. V. Arunachalam**, Trading Member Representative
- Shri. Samrendra Tibarewalla**, Trading Member Representative

SECRETARIAL AND LEGAL

Ms. V. Vasumathy, Assistant Company Secretary

AUDIT COMMITTEE

- Shri. Ajay A. Thakkar**, Chairman, Public Representative
- Dr. D. K. Bhatia**, Public Representative
- Dr. M. G. Shirahatti**, Public Representative
- Shri. R. Sadanandam**, Public Representative

STATUTORY AUDITORS

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

INTERNAL AUDITORS

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

BANKERS

- HDFC Bank Limited
- ICICI Bank Limited
- IndusInd Bank Limited
- Corporation Bank Limited

REGISTERED OFFICE

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

PERFORMANCE AT A GLANCE

(Figures in Rs. Lakh)

	2003-04	2002-03
Income		
Net Operational Income	272.06	106.44
Interest	132.71	95.25
Networking Recoveries	97.52	110.57
Annual Fees	19.76	12.15
Other Income	22.56	38.02
Total Income	544.61	362.43
Expenditure		
Administrative & Operational Cost	172.90	84.63
Networking Cost	89.20	98.06
Employee Cost	67.83	68.38
Finance Cost	6.42	43.53
Others	2.09	2.80
Depreciation	45.81	45.55
Preliminary Expenses written off	2.04	2.04
Expenses on Proposed Projects	-	-
Total Expenditure	386.29	344.99
Profit/(Loss) before Tax	158.32	17.44
Tax	52.31	9.45
Profit / (Loss) after Tax	106.01	7.99
Capital Structure		
Share Capital	550.00	550.00
Reserves & Surplus	40.05	-
Net Fixed Assets	131.48	173.11
Investments	67.00	67.00
Net Current Assets	423.98	329.05
Networth	590.05	485.62
Earning per share (Rupees)	1.90	0.18

The Board of Directors is pleased to present its Financial Statements for the Year 2003-04.

BACKGROUND

The year under review was marked by a volatile market and the Initial Public Offering (IPO) of the Company, which was reminiscent of the IPOs followed by other companies like ONGC, IFIL, etc. The market, in sharp contrast to the NIFTY crossing 1000, was being notched by Options segment and secondary market control measures.

OPERATIONAL

The financial performance of the Company, i.e. Rs. 106.01 lakh and Rs. 7.99 lakh, for the year 2003-04, as against Rs. 362.43 lakh and Rs. 344.99 lakh for the year 2002-03.

The month-wise performance is as follows:

Month	2003-04	2002-03
1. April	106.01	7.99
2. May	106.01	7.99
3. June	106.01	7.99
4. July	106.01	7.99
5. August	106.01	7.99
6. September	106.01	7.99

PERFORMANCE AT A GLANCE

(Figures in Rs. Lakh)

	2003-04	2002-03
	272.06	106.44
	132.71	95.25
	97.52	110.57
	19.76	12.15
	22.56	38.02
	544.61	362.43
Operating Cost	172.90	84.63
	89.20	98.06
	67.83	68.38
	6.42	43.53
	2.09	2.80
	45.81	45.55
Operating Profit	2.04	2.04
	-	-
	386.29	344.99
	158.32	17.44
	52.31	9.45
	106.01	7.99
	550.00	550.00
	40.05	-
	131.48	173.11
	67.00	67.00
	423.98	329.05
	590.05	485.62
	1.90	0.18

DIRECTORS' REPORT

The Board of Directors of ISE Securities & Services Limited (ISS) are pleased to present its Fifth Annual Report for the year ended March 31, 2004, together with the Auditors' Report and Audited Accounts for the Financial Year 2003-04.

BACKGROUND

The year under review was one of the best years in the history of the primary market and the secondary market. The enthusiasm shown by investors for the Initial Public Offerings (IPOs) of Indian companies during the year was reminiscent of the buoyancy witnessed during the early nineties. A spate of IPOs followed the Maruti Udyog Limited public issue in May 2003 including the Offer for Sale by the Government of India in some of the Navaratna Companies, like ONGC, IPCL etc. The secondary market was also extremely active in sharp contrast to the depression that was witnessed in the preceding year. The NIFTY crossed the 1900 level in February 2004. The year saw record turnover being notched up at the NSE in both the Capital Market and the Futures & Options segments. Your Company also benefitted by the buoyancy in the secondary market. Conducive market conditions coupled with the effective cost control measures, have resulted in your Company posting a healthy net profit.

OPERATIONAL HIGHLIGHTS

The financial year 2003-04 witnessed record turnover being logged by your Company, i.e. a turnover of Rs. 22,568 crore in the Capital Market segment and Rs. 11,369 crore in the Futures & Options segments. The corresponding figures for the preceding year were Rs.11,529 crore in the Capital Market segment and Rs.737 crore in the F&O segment of NSE.

The month-wise statistics for the financial year are given below:

		Cash segment				F&O segment			
		Total Turnover (Rs. Cr.)	Average Turnover per day (Rs. Cr.)	No. of days	Active Intermediaries	Total Turnover (Rs. Cr.)	Average Turnover per day (Rs. Cr.)	No. of days	Active Intermediaries
1.	April 2003	827.47	41.37	20	199	155.29	7.76	20	51
2.	May	1115.62	53.12	21	199	213.23	10.15	21	51
3.	June	1347.94	64.19	21	200	316.01	15.05	21	54
4.	July	1707.65	74.25	23	201	515.27	22.40	23	58
5.	August	1676.61	83.83	20	201	664.16	33.21	20	64
6.	September	2034.30	92.47	22	197	878.17	39.92	22	61

		Cash segment				F&O segment			
		Total Turnover (Rs. Cr.)	Average Turnover per day (Rs. Cr.)	No. of days	Active Inter-mediarities	Total Turnover (Rs. Cr.)	Average Turnover per day (Rs. Cr.)	No. of days	Active Inter-mediarities
7.	October	2270.28	98.71	23	199	1266.18	55.05	23	67
8.	November	1948.21	97.41	20	198	1201.54	60.08	20	67
9.	December	2368.84	107.67	22	203	1506.39	68.47	22	72
10.	January 2004	2830.57	134.79	21	205	1744.89	83.09	21	74
11.	February	2243.09	118.06	19	212	1522.14	80.11	19	71
12.	March	2196.90	99.86	22	212	1385.36	62.97	22	74
	Total 2003-04	22567.50	88.85	254		11368.63	44.76	254	
	Total 2002-03	11528.96	45.93	251		737.23	3.25	227	

The peak turnover in the Capital Market segment was recorded on January 9, 2004, which was Rs.166.68 crore. In the F&O segment, the highest daily turnover recorded was Rs.136.81 crore achieved on the same day.

FINANCIAL PERFORMANCE

Reflecting the positive mood in the market during the year, your Company posted good results. For the second year in succession your Company posted net profits.

Your Company earned a total income of Rs.587.79 lakh in the year 2003-04 (preceding year: Rs.366.83 lakh). Expenditure (before depreciation, interest and tax) for the year under review stood at Rs.377.24 lakh, as compared to Rs.260.31 lakh for the preceding year. After taking into account interest, finance charges and depreciation, the excess of income over expenditure for the year 2003-04 was Rs.158.32 lakh [as compared to Rs.17.43 lakh in 2002-03]. After tax, the net profit for the year 2003-04 stood at Rs.106.02 lakh, as compared to Rs.7.98 lakh for the year 2002-03.

The compar
is given below

Income

Expenditure bef

Profit before D

Interest and Fin

Depreciation

Profit/(Loss) b

Provision for Ta

Profit/(Loss) a

TECHNOLO

The commun
VPN facility, s
efforts put in
concerned n
new TDMA '
Re-engineeri
a substantial

Process impr
and timely di
year shifted t
BITSOFT s
Technologies
segment, Ca
single screer
BSE prices w
BSE segmen
intermediarie



Month	F&O segment				
	No. of days	Active Intermediaries	Total Turnover (Rs. Cr.)	Average Turnover per day (Rs. Cr.)	No. of days
23	199	1266.18	55.05	23	67
20	198	1201.54	60.08	20	67
22	203	1506.39	68.47	22	72
21	205	1744.89	83.09	21	74
19	212	1522.14	80.11	19	71
22	212	1385.36	62.97	22	74
254		11368.63	44.76	254	
251		737.23	3.25	227	

Market segment was recorded on January 9, 2003. In the F&O segment, the highest turnover of Rs. 11,368.63 crore was achieved on the same day.

In the market during the year, your Company's turnover stood at Rs. 11,368.63 crore in the financial year 2003-04 as compared to Rs. 10,385.36 crore in the financial year 2002-03.

Income of Rs. 587.79 lakh in the year 2003-04 as compared to Rs. 341.26 lakh in the year 2002-03. Expenditure (before depreciation, interest and tax) stood at Rs. 377.24 lakh, as compared to Rs. 260.31 lakh in the year 2002-03. After taking into account interest and tax, the excess of income over expenditure for the year 2003-04 stood at Rs. 106.02 lakh, as compared to Rs. 8.62 lakh in the year 2002-03.



The comparative position of the financials of the Company for the last few years is given below: (all figures in Rs lakhs)

Particulars	2003-04	2002-03	2001-02	2000-01
Income	587.79	366.83	341.26	148.73
Expenditure before Depreciation, Interest & Tax	377.24	260.31	301.67	140.11
Profit before Depreciation, Interest & Tax	210.55	106.52	39.59	8.62
Interest and Finance Charges	6.42	43.53	50.07	16.02
Depreciation	45.81	45.55	33.78	29.82
Profit/(Loss) before Tax	158.32	17.43	(44.26)	(37.22)
Provision for Taxation	52.30	9.44	2.00	—
Profit/(Loss) after Tax	106.02	7.98	(46.26)	(37.22)

TECHNOLOGY AND SYSTEMS

The communication network, comprising VSATs, leased lines, ISDN lines and VPN facility, stabilised further during the year 2003-04, as a result of concerted efforts put in by the Technology Department of ISS, in association with the concerned networking vendors. Twenty new leased line/ISDN links and nine new TDMA VSATs were added to the network during the financial year. Re-engineering of the network configuration in Delhi during the year also led to a substantial reduction in operating costs.

Process improvements introduced during the year have led to efficient servicing and timely dissemination of data to sub-brokers. Your Company, during the year shifted the back-office processing in the Capital Markets segment to the BITSOFT software. The new Integrated ODIN software of Financial Technologies India Ltd., incorporating features of the BSE Cash Market segment, Capital Market segment of NSE and F&O segment of NSE on a single screen, was commissioned during the year, thereby ensuring that the BSE prices would be available along with the NSE feed. On activation of the BSE segment, the BSE feed would also be made available to the registered intermediaries.



During the course of the year, the Company, relaunched the internet trading facility using services of the Hyderabad-based service provider, FNStar. The facility has undergone extensive testing and is currently being used by 8 clients. Your Company expects to popularize the internet trading model among the existing clients of the sub-brokers in a big way.

FUTURE PROSPECTS

Your Company has, during the year, emphasized on high standards of self compliance with all regulatory requirements. A high order of compliance was sought to be ensured by inspection of the books of accounts of the sub-brokers on a sustained basis.

Your Company expects to further strengthen its position in the market, by making judicious investments in technology, optimising process efficiencies and carrying out administrative improvements. Your Company believes that in the future, institutional set-up possessing high financial and technological muscle would only be able to meet the requirements of the increasingly complex and dynamic marketplace. Your Company strongly believes that compliance at a high level will stand in good stead in the long run. Consequently, it would be strengthening its administrative machinery to meet the growing compliance and regulatory requirements.

AUDITORS

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

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

M/s. M. P. Chitale & Co., Internal Auditors of ISS, have been submitting quarterly reports on the functioning of the Company which are placed before the Audit Committee and the Board. Recommendations/suggestions of the Internal Auditors are implemented to further tone up the administrative processes and the compliance thereof is reported in these meetings.

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Chartered Accountants, were appointed by the
Annual Meeting as Statutory Auditors to hold
the Fourth Annual General Meeting till the
Fifth Annual General Meeting.

identified out any deficiency in the functioning of

Statutory Auditors of ISS, have been submitting
reports of the Company which are placed before
the Board. Recommendations/suggestions of the
Board to further tone up the administrative
structure thereof is reported in these meetings.

COMPLAINTS REDRESSAL, ARBITRATION AND LEGAL CASES

The Legal, Arbitration and Investor Grievances Department of the Company attends to complaints filed by clients of Sub-brokers and also handles arbitration and legal matters. At the beginning of the Financial Year 2003-04, there were 3 cases pending against the Sub-brokers of ISS. During the year, 11 fresh complaints were received. Out of the total of 14 Cases, 8 cases were resolved amicably through the intermediation/conciliation efforts of the Company or were referred to the arbitration mechanism at NSE on failure of the complainants to provide evidence to substantiate their claims.

Your Company has got awards in its favour in respect of both the arbitration references filed during the year 2002-03 and the awards are under execution. The Management has succeeded in recovering a major portion of the amount outstanding in one of the cases and efforts are continuing to recover the balance amount, which is relatively small.

OFFICE INFRASTRUCTURE

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

SHARE CAPITAL

The Share Capital remained the same during the year under review.

GENERAL MEETINGS

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

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

2 nd AGM	:	September 22, 2001
3 rd AGM	:	September 30, 2002
4 th AGM	:	September 29, 2003



2. Extra-ordinary General Meetings (EGMs):

Since the date of the last Annual General Meeting held on September 29, 2003 till the date of this Report, there have been no General Meetings.

BOARD OF DIRECTORS

The Board of Directors of ISS has been expanded during the Financial Year 2003-04 by inducting Public Representatives and additional Trading Member representatives.

The present Board of Directors consists of:

Sr. No.	Name of the Director	Status	Date of First Appointment
1.	Prof.P.V.Narasimham	Chairman, Nominee of Inter-connected Stock Exchange of India Ltd.& Public Representative Director	April 17, 2004
2	Shri. V.Shankar	Director [Designated]; Nominee of Inter-connected Stock Exchange of India Ltd.	January 18, 2000
3	Shri. M.Ramaingam	Chief Executive Officer and Director [Designated]	June 30, 2004
4.	Shri. Ajay A. Thakkar	Public Representative Director	October 1, 2002
5.	Dr. D. K. Bhatia	Public Representative Director	February 8, 2003
6.	Dr. M. G. Shirahatti	Public Representative Director	January 31, 2004
7.	Shri. R. Sadanandam	Public Representative Director	January 31, 2004
8.	Shri. B. S. Hegde	Public Representative Director	January 31, 2004
9.	Shri. G. D. Mundra	Trading Member Director, Mumbai	February 8, 2003
10.	Shri. Ashish M. Parikh	Trading Member Director, Mumbai	October 1, 2002
11.	Shri. V. Arunachalam	Trading Member Director, Coimbatore	December 20, 2003
12.	Shri. Samrendra Tibarewalla	Trading Member Director, Kolkata	December 20, 2003

Shri M. R. Mayya, Chairman of the Company and Nominee of ISE, ceased to be a Director liable to retire by rotation and was appointed as an Additional Director on September 29, 2003. Upon the cessation of Shri M. R. Mayya as the Chairman and Director on the Board of the Company, the Board in its 46th

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Sr. No.	Name
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**Meetings (EGMs):**

General Meeting held on September 29, 2003 have been no General Meetings.

has been expanded during the Financial Year Representatives and additional Trading

consists of:

Status	Date of First Appointment
Chairman, Nominee of Inter-connected Stock Exchange of India Ltd. & Public Representative Director	April 17, 2004
Director [Designated]; Nominee of Inter-connected Stock Exchange of India Ltd.	January 18, 2000
Chief Executive Officer and Director [Designated]	June 30, 2004
Public Representative Director	October 1, 2002
Public Representative Director	February 8, 2003
Public Representative Director	January 31, 2004
Public Representative Director	January 31, 2004
Public Representative Director	January 31, 2004
Trading Member Director, Mumbai	February 8, 2003
Trading Member Director, Mumbai	October 1, 2002
Trading Member Director, Coimbatore	December 20, 2003
Trading Member Director, Kolkata	December 20, 2003

the Company and Nominee of ISE, ceased to rotation and was appointed as an Additional Director. Upon the cessation of Shri M. R. Mayya as a Director of the Company, the Board in its 46th



Board Meeting held on April 17, 2004 appointed Prof. P. V. Narasimham as the Chairman and Additional Director of your Company.

Shri R. Sadanandam, Dr. M. G. Shirahatti, Shri B.S Hegde, Shri Ashish M. Parikh, Shri G. D. Mundra, Shri V. Arunachalam and Shri Samrendra Tibarewalla were appointed as Additional Directors during the year under review and they will cease to hold their office as Directors in the forthcoming Annual General Meeting of the Company.

The following Board Meetings were held from April 1, 2003 till date:

Board Meeting No.	Date
38.	May 16, 2003
39.	June 28, 2003
40.	August 29, 2003
41.	September 29, 2003
42.	November 08, 2003
44.	January 31, 2004
45.	February 21, 2004
46.	April 17, 2004
47.	June 19, 2004
48.	August 21, 2004

DETAILS OF ATTENDANCE OF THE DIRECTORS IN THE BOARD MEETINGS

Period: April 1, 2003 till August 21, 2004

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 Director and Chairman (upto February 21, 2004)	9	9	Present
2.	Prof. P. V. Narasimham Public Representative Director and Chairman	3	3	N.A.



Sr. No.	Name of Director and Status	No. of Board Meetings held	No. of Board Meetings attended	Status at 4 th AGM
3.	Shri. V. Shankar Director	12	12	Present
4.	Shri. Ajay A Thakkar Public Representative Director	12	11	Present
5.	Shri. D. K. Bhatia Public Representative Director	12	11	—
6.	Dr. M. G. Shirahatti Public Representative Director	4	3	N.A.
7.	Shri. R. Sadanandam Public Representative Director	4	4	N.A.
8.	Shri. B. S. Hegde Public Representative Director	4	4	N.A.
9.	Shri. Ashish M Parikh Trading Member Director	10	6	Present
10.	Shri. V. Ramu Sharma Trading Member Director (ceased to be a Director w.e.f. September 29, 2003)	5	2	—
11.	Shri. G. D. Mundra Trading Member Director	10	6	—
12.	Shri. Samrendra Tibarewalla Trading Member Director	5	4	N.A.
13.	Shri. V. Arunachalam Trading Member Director	5	2	N.A.

HUMAN RESOURCES AND PARTICULARS OF EMPLOYEES

As decided by the Board of Directors of Inter-connected Stock Exchange of India Ltd., all the persons working for the Company are on deputation from the Parent Exchange. There are in all 39 persons working exclusively for the Company. The Parent Exchange, with the approval of SEBI, had constituted a Selection Committee for shortlisting the candidates for the position of Chief Executive Officer of your Company. Suitable advertisements were issued in the newspapers. After detailed evaluations of the bio-data and personal interviews, the Committee recommended the names of three candidates to the Governing Board of Inter-connected Stock Exchange of India Ltd., which then unanimously approved the name of Shri. M. Ramalingam for the post of Chief Executive Officer. Thereafter, SEBI approval was received for his appointment on

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No. of Board Meetings held	No. of Board Meetings attended	Status at 4 th AGM
12	12	Present
12	11	Present
12	11	—
4	3	N.A.
4	4	N.A.
4	4	N.A.
10	6	Present
5	2	—
10	6	—
5	4	N.A.
5	2	N.A.

PARTICULARS OF EMPLOYEES

Directors of Inter-connected Stock Exchange of India for the Company are on deputation from the all 39 persons working exclusively for the Company with the approval of SEBI, had constituted a committee to shortlist the candidates for the position of Chief Executive Officer. Suitable advertisements were issued in the newspapers for the positions of the bio-data and personal interviews, names of three candidates to the Governing Council of India Ltd., which then unanimously recommended Ramalingam for the post of Chief Executive Officer. His appointment was received for his appointment on



June 30, 2004. The particulars of employees as required under the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not applicable to the Company.

STATUTORY DISCLOSURE OF PARTICULARS

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

CORPORATE GOVERNANCE

The Company is committed to follow good corporate governance practices. The Chairman and the other Directors and the staff working for the Company, 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 and fair view of the state of affairs of the Company as at March 31, 2004 and Profit & Loss Account for the year ended March 31, 2004;
- 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

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

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 the Company in the process. It would also be necessary to place on record our deep sense of gratitude for the yeoman service rendered by Shri. M. R. Mayya, the first Chairman of the Company. Thanks are also due to the staff of the Company and the Parent Exchange, for their sincere, tireless and dedicated work.

Guidance, support and direction have been provided by the Board of Directors of the Parent Exchange, which has made your Company a vibrant business entity. We sincerely express our gratitude to each and every member of the Board of Directors of Inter-connected Stock Exchange of India Ltd.

By order of the Board of Directors

Sd/-

P. V. NARASIMHAM
Chairman

V. SHANKAR
Director

M. RAMALINGAM
Chief Executive Officer

Date : August 21, 2004

Place: Vashi, Navi Mumbai



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made your Company a vibrant business
atitude to each and every member of the
nd Stock Exchange of India Ltd.

Board of Directors

Sd/-

SHANKAR
Director

M. RAMALINGAM
Chief Executive Officer



AUDITORS' REPORT

To the Members,

1. We have audited the attached Balance Sheet of **ISE Securities and Services Limited** as at 31st March, 2004 and also the Profit and Loss Account for the year ended on that date and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, (here in after referred to as "the Order") issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
4. Further to our comments in the annexure referred to above, we report that :
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- iv. 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 to the extent applicable to the company;
- v. On the basis of written representations received from the directors as on 31st March, 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies and the Notes forming parts of accounts, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- In the case of the Balance Sheet of the state of affairs of the Company as at 31st March, 2004.
 - In the case of Profit and Loss Account of the profit for the year ended on that date; and
 - In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

FOR A. J. SHAH & COMPANY,
Chartered Accountants

RAJESH SHAH
Partner
Membership No. 31475.

Place : Mumbai
Date : August 23, 2004

Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards of section 211 of the Companies Act, 1956 of the company;

representations received from the directors as on record by the Board of Directors, we report that the accounts for the year ended 31st March 2004 are not disqualified as on 31st March 2004 from being the accounts of clause (g) of sub-section (1) of section 209 of the Companies Act, 1956.

Based on the information and according to the said accounts, read together with the notes and the Notes forming parts of accounts, we report that the accounts are prepared in conformity with the accounting standards in India:

Balance Sheet of the state of affairs of the Company

Profit and Loss Account of the profit for the year ended

Statement, of the cash flows for the year

ANNEXURE TO THE AUDITORS' REPORT

With reference to the Annexure, referred to in paragraph 3 of the report of the Auditors' to the Members of ISE Securities & Services Ltd. on the accounts for the year ended 31st March 2004, we report that :

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets;

(b) As informed to us, the fixed assets have been physically verified by the management at reasonable intervals. We have been informed that discrepancies noticed on physical verification of fixed assets as compared to the book records were not material.

(c) During the year, the Company has not disposed of a substantial part of its fixed assets.

(ii) As per the information and explanations given to us, the Company does not have any item of inventory. Accordingly, clause (ii) of the Order is not applicable.

(iii) As per the information furnished, the Company has not granted or taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence reporting under clause iii (b) / (c) / (d) of the Order is not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business with regard to purchase and sale of fixed assets.

(v) According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of Section 301 of the Companies Act, 1956. Accordingly, clause 4 (v) (a) and (b) of the Order is not applicable.

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

(vii) In our opinion, the Company has an adequate internal audit system commensurate with the size of the company and nature of its business.



- (viii) According to the information and explanations given to us and on the basis of our audit procedures, the Company is not required to maintain cost records under section 209 (1) (d) of the Companies Act, 1956. Accordingly, clause 4 (viii) of the order is not applicable.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including, Income-tax (TDS), Service Tax, Stamp Duty, Annual SEBI Fees, Cess Tax and other statutory dues wherever applicable, except in the case of Service Tax and Stamp Duty where marginal delays were observed. However, the amounts have been subsequently paid along with interest. Also, as at 31st March 2004, there were no undisputed dues payable for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, and the records of the Company examined by us, there are no dues in respect of Sales Tax, Income Tax, Wealth Tax, Custom Duty, Excise Duty and Cess that have not been deposited on account of any dispute.
- (x) The Company does not have accumulated losses as at 31st March, 2004 and has not incurred cash loss in the financial year or in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of its dues to banks. The Company did not have any repayments due to financial institutions or debenture holders during the year.
- (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) Clause 4(xiii) of the Order is not applicable to the Company as the Company is not a chit fund company or nidhi/mutual benefit fund/society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the order is not applicable to the company
- (xv) According to the information and explanation given to us, the Company has not given any guarantee for loan taken by others from banks or

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FOR A. J. S
Chartered

RAJESH S
Partner
Membersh

Place : Mu
Date : Au



and explanations given to us and on the books, the Company is not required to maintain clause 209 (1) (d) of the Companies Act, 1956. The order is not applicable.

and explanations given to us and on the books of account, the Company has not deposited with appropriate authorities including Income-tax (TDS), Service Tax, Stamp Duty Fees, Cess Tax and other statutory dues except in the case of Service Tax and Stamp Duty. No arrears were observed. However, the amounts paid along with interest. Also, as at 31st March 2004, the Company has no unaccounted dues payable for a period of more than three months.

and explanation given to us, and the records maintained by us, there are no dues in respect of Wealth Tax, Custom Duty, Excise Duty and other taxes deposited on account of any dispute.

and explanation given to us, the Company has no accumulated losses as at 31st March 2004, or any cash loss in the financial year or in the preceding financial year.

and explanation given to us, the Company has not defaulted in repayment of its dues to any creditor or has not to have any repayments due to financial institutions during the year.

and explanation given to us, the Company has not granted any loans and/or advances or security by way of pledge of shares, stocks, bonds, debentures, etc.

and explanation given to us, the Company is not a company or a mutual benefit fund/association.

and explanations given to us, the Company has not issued any shares, securities, debentures and other financial instruments in violation of the provisions of clause 4(xiv) of the order is not applicable.

and explanation given to us, the Company has not taken any loan from banks or



financial institutions.

- (xvi) According to the information and explanation given to us and based on our audit procedures, the Company has not raised any term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the no funds raised on short-term basis have been used for long term investment. No long term funds have been used to finance short term assets except per manent working capital..
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- (xix) According to the information and explanations given to us and based on our audit procedures, the Company has not issued any debentures. Accordingly, clause 4 (xix) of the order is not applicable.
- (xx) According to the information and explanations given to us, the Company has not raised any money by public issues during the year.
- (xxi) To the best our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

FOR A. J. SHAH & COMPANY,
Chartered Accountants

RAJESH SHAH
Partner
Membership No. 31475.

Place : Mumbai
Date : August 23, 2004



BALANCE SHEET AS AT 31ST MARCH, 2004

	Schedule	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
Sources of funds			
Shareholders' funds			
Share Capital	1	5,50,00,000	5,50,00,000
Reserves & Surplus	2	40,05,637	(64,38,357)
Loan Funds			
Secured Loans	3	9,99,613	91,87,523
Deffered Tax Liability / (Asset)	4	24,45,102	(4,25,445)
Total		6,24,50,352	5,73,23,721
Application of funds			
Fixed assets			
Gross block	5	2,86,45,227	2,82,26,377
Less: Depreciation		1,54,96,938	1,09,15,208
Net block		1,31,48,289	1,73,11,169
Investments (at cost)	6	67,00,005	67,00,005
Current Assets, Loans and Advances			
Current Assets			
Sundry Debtors	7	17,46,897	25,43,629
Cash and Bank Balances	8	28,07,90,721	9,59,99,048
Loans and Advances	9	5,41,34,470	4,88,28,061
Securities in hand (Refer Note 4 of Schedule 18 Part C)		-	12,780
Less: Current Liabilities and Provisions	10	33,66,71,888	14,73,83,516
Current Liabilities		29,19,13,645	11,44,78,600
Provisions		23,60,000	-
Net Current Assets		4,23,98,243	3,29,04,916
Miscellaneous Expenditure	11	2,03,815	4,07,631
Total		6,24,50,352	5,73,23,721
Significant Accounting Policies and Notes forming part of the Accounts	18		

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

For and on behalf of the Board of Directors

sd-
Rajesh Shah
Partner
Membership No. 31475

sd-
P. V. Narasimham
Chairman

sd-
V. Shankar
Director

sd-
M. Ramalingam
Chief Executive Officer

Place : Mumbai
Date : August 23, 2004

sd-
V. Vasumathy
Asst. Company Secretary
Place : Mumbai
Date : August 21, 2004

**T AS AT 31ST MARCH, 2004**

Schedule	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
1	5,50,00,000	5,50,00,000
2	40,05,637	(84,38,357)
3	9,99,613	91,87,523
4	24,45,102	(4,25,445)
	6,24,50,352	5,73,23,721
5	2,86,45,227	2,82,26,377
	1,54,96,938	1,09,15,206
	1,31,48,289	1,73,11,169
6	67,00,005	67,00,005
7	17,46,697	25,43,629
8	26,07,90,721	9,59,99,046
9	5,41,34,470	4,88,28,061
	-	12,780
	33,66,71,888	14,73,83,516
10	29,19,13,645	11,44,78,600
	23,60,000	-
	4,23,98,243	3,29,04,916
11	2,03,815	4,07,631
	6,24,50,352	5,73,23,721
18		

For and on behalf of the Board of Directors

sd- P. V. Narasimham
Chairman

sd- V. Shankar
Director

sd- M. Ramalingam
Chief Executive Officer

sd- V. Vasumathy
Asst. Company Secretary
Place : Mumbai
Date : August 21, 2004

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**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004**

Schedule	Year ended March 31, 2004 (Rupees)	Year ended March 31, 2003 (Rupees)
Income		
Brokerage	3,15,25,064	1,10,84,110
Interest	1,31,17,969	95,25,190
(Tax deducted at source: Rs.26,45,302/- (Previous year: Rs.21,76,268/-)		
Interest on income tax refund	1,53,413	-
Networking recoveries	97,52,077	1,10,57,383
Annual fees	19,76,000	12,15,000
Other income	22,55,415	38,01,489
Total	5,87,79,938	3,66,83,172
Expenditure		
Employee Cost	67,83,471	69,38,205
Communication & Networking Expenses	1,11,19,906	1,10,06,454
Administration and Operational Expenses	1,96,02,713	79,78,674
Finance Costs	6,42,990	43,52,634
Reduction in the value of securities in hand (Refer Note 4 of Schedule 18 Part C)	12,780	2,958
Depreciation	45,81,730	45,55,410
Preliminary Expenses amortised	2,03,816	2,03,816
Total	4,29,47,406	3,49,39,351
Profit/(Loss) before Taxation	1,58,32,532	17,43,821
Provision for: Current Tax	23,60,000	-
Deferred Tax	28,70,547	9,44,968
Net Profit/(Loss) after Taxation	1,06,01,985	7,98,855
Less: Prior Year Adjustment	(1,57,992)	(4,58,910)
Add: Excess Provision for Taxation in earlier year	-	2,00,000
Balance brought forward from previous year	(64,38,357)	(83,48,713)
Add/(Less): Adjustment for initial adoption of Deferred Tax	-	13,70,411
Balance carried to Balance Sheet	40,05,637	64,38,357
Basic & Diluted EPS (Refer Note 15 of Schedule 18 Part C)	1.90	0.18
Significant Accounting Policies and Notes forming part of the Accounts	18	

As per our attached Report of even date

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

sd- Rajesh Shah
Partner
Membership No. 31475

Place : Mumbai
Date : August 23, 2004

For and on behalf of the Board of Directors

sd- P. V. Narasimham
Chairman

sd- V. Shankar
Director

sd- M. Ramalingam
Chief Executive Officer

sd- V. Vasumathy
Asst. Company Secretary
Place : Mumbai
Date : August 21, 2004

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SCHEDULES FORMING PART OF THE ACCOUNTS

Schedule 1 : Share Capital

Authorised

60,00,000 Equity Shares of Rs. 10/- each

As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
-------------------------------------	-------------------------------------

6,00,00,000	6,00,00,000
-------------	-------------

Issued, Subscribed and Fully paid-up

55,00,000 Equity Shares of Rs.10/- each fully paid-up in cash
(100% held by Inter-connected Stock Exchange of India Ltd.,
the holding company and its nominees)

5,50,00,000	5,50,00,000
-------------	-------------

Total

5,50,00,000	5,50,00,000
-------------	-------------

Schedule 2 : Reserves & Surplus

Profit & Loss Account

40,05,637	(64,38,357)
-----------	-------------

Total

40,05,637	(64,38,357)
-----------	-------------

Schedule 3 : Secured Loans

From Bank (overdraft facility from
banks secured by bank fixed deposit
receipts. See Note 6 of Schedule 18
Part C)

9,99,613	91,87,523
----------	-----------

Total

9,99,613	91,87,523
----------	-----------

Schedule 4 : Deferred Tax Liability

Deferred Tax Liability

39,83,740	47,62,138
-----------	-----------

Less: Deferred Tax Asset

15,38,638	51,87,583
-----------	-----------

Net Deferred Tax Liability

24,45,102	4,25,445
-----------	----------

(Refer Note 15 Schedule 18 Part C)



Schedule 5 : Fixed Assets

(In Rupees)

PARTICULARS	GROSS BLOCK (At Cost)			DEPRECIATION			NET BLOCK	
	As at 01-04-2003	Additions	Deductions	As at 31-03-2004	Up to 31-03-2003	For the Year	As at 31-03-2004	As at 31-03-2003
Computers	2,82,03,319	4,18,650		2,86,22,169	1,08,92,150	45,81,730	1,54,96,538	1,73,11,169
Office Equipment	23,058			23,058	23,058			
Total	2,82,26,377	4,18,650		2,88,45,227	1,09,15,208	45,81,730	1,54,96,538	1,73,11,169
Previous Year	2,13,61,294	68,63,083		2,82,26,377	63,39,798	45,55,410	1,09,15,208	1,73,11,169



RIGHT AND LOSS ACCOUNT FOR THE

ENDING PART OF THE ACCOUNTS

	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
	6,00,00,000	6,00,00,000
paid-up in cash of India Ltd.,	5,50,00,000	5,50,00,000
	5,50,00,000	5,50,00,000

	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
	40,05,637	(64,38,357)
	40,05,637	(64,38,357)

	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
	9,99,613	91,87,523
	9,99,613	91,87,523

	As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
	39,83,740	47,62,138
	15,38,638	51,87,583
	24,45,102	4,25,445

**Schedule 6 : Investments**

Long term trade investments
(unquoted, at cost) - The Stock
Exchange, Mumbai Membership

(Refer Note 7 of Schedule 18 Part C)

Total

As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
67,00,005	67,00,005
67,00,005	67,00,005

Schedule 7 : Sundry Debtors

(Refer note 8 of Schedule 18 Part C)

Debts outstanding for a period exceeding six months

Considered good

Considered doubtful

Other Debts

Considered good

Considered doubtful

Less : Provision for Bad & Doubtful Debts

Total

15,28,229	18,38,853
71,58,141	77,31,269
2,18,468	7,04,776
-	-
89,04,838	1,02,74,898
71,58,141	77,31,269
17,46,697	25,43,629

Schedule 8 : Cash and Bank balances

Cash-on-hand

Bank balances with Scheduled Banks

- in Current Accounts

Client Designated

Others

- in Deposit Accounts

(Refer Note 9 of Schedule 18 Part C)

Total

4,744	19,674
37,57,878	23,45,296
55,02,624	85,78,577
27,15,25,475	8,50,55,499
28,07,90,721	9,59,99,046

Schedule 9

Advances recd
received (Unse

Interest accrue
Income tax ref
Deposits with
other deposits

Schedule 10

Undertakings

Others

Settlement Ob

Settlement Ob

Settlement Ob

Settlement Ob

Margin, Base

Margin deposi

Cash Segmen

F & O Segmen

VSAT deposit

Inter-connecte

(Due to Holdin

ISE Gratuity P

Appropriation

Creditors for E

Other Liabilitie

(Refer Note 10

Provisions

Provision for t

Schedule 11

(To the exter

Preliminary E

Pre-operatio



As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
67,00,005	67,00,005
67,00,005	67,00,005

15,28,229	18,38,853
71,58,141	77,31,269
2,18,468	7,04,776
89,04,838	1,02,74,898
71,58,141	77,31,269
17,46,697	25,43,629

4,744	19,674
37,57,878	23,45,296
55,02,624	85,78,577
27,15,25,475	8,50,55,499
28,07,90,721	9,59,99,046

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**Schedule 9 : Loans & Advances**

Advances recoverable in cash or kind for value to be received (Unsecured and considered good)

Interest accrued on bank fixed deposits
Income tax refund receivable/Advance tax
Deposits with Stock Exchanges/Clearing House and other deposits

Total

As at March 31, 2004 (Rupees)	As at March 31, 2003 (Rupees)
36,19,269	28,92,970
49,89,469	25,60,829
57,57,532	50,24,262
3,97,68,200	3,83,50,000
5,41,34,470	4,88,28,061

Schedule 10 : Current Liabilities & Provisions

Undertakings

Others

Settlement Obligations

Settlement Obligations to Dealers (Cash Segment)
Settlement Obligations to Dealers (F&O Segment)
Settlement Obligations to NSE

Margin, Base and Additional Capital Deposits

Margin deposits
Cash Segment deposits
F & O Segment deposits
VSAT deposit
Inter-connected Stock Exchange of India Limited (Due to Holding Company)
ISE Gratuity Payable Account
Appropriation Charges
Creditors for Expenses
Other Liabilities
(Refer Note 10 of Schedule 18 Part C)

Provisions

Provision for taxation

Total

4,59,18,789	2,37,84,985
1,39,571	3,90,575
	1,07,038
	50,24,571
12,91,81,709	5,10,87,557
10,59,71,053	1,61,88,019
8,63,597	7,62,500
6,36,560	10,35,225
4,95,171	
	92,29,564
59,68,199	40,95,591
27,38,996	27,72,975
23,60,000	
29,42,73,645	11,44,78,600

Schedule 11 : Miscellaneous Expenditure

(To the extent not written off or adjusted)

Preliminary Expenses
Pre-operational Expenses

Total

26,713	53,425
1,77,102	3,54,206
2,03,815	4,07,631

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Schedule 12 : Other Income

Fines & Penalties collected	
Technology Fees for F&O segment	
Admission Fees for F&O segment	
Profit on Sale of devolved stocks	
Dividend Income*	
Dividend Received on securities belonging to Sub-brokers*	
Less: Paid to Clients	
Provided as payable to Client	
*Total TDS deducted in respect of above is Rs.85,419/-	
Miscellaneous Income	
Provision for Doubtful Debt written back	
Total	

For the year ended March 31, 2004 (Rupees)	For the year ended March 31, 2003 (Rupees)
5,91,167	9,57,191
5,60,000	18,00,000
4,55,000	6,40,000
-	5,19,712
-	21,010
-	13,05,146
-	10,67,059
-	2,38,087
18,503	63,576
6,30,745	
22,55,415	38,01,489

Schedule 13 : Employee Cost

Staff Deputation Cost (Salary, Allowances & Bonus)	
Contribution to Gratuity Fund	
Total	

62,28,600	67,87,698
554,871	50,507
67,83,471	68,38,205

Schedule 14 : Communication & Networking Expenses

Lease/ISDN Line Charges	
VPN Expenses	
VSAT Expenses	
Annual Maintenance charges for Networking Equipment	
Telephone Expenses	
Total	

33,42,938	38,82,951
30,51,717	22,51,248
25,25,054	36,70,716
16,48,679	5,70,846
5,51,518	6,30,695
1,11,19,906	1,10,06,454

Schedule 15

Annual Maintenance
Re-imbursment
(Refer Note 12 in
Bad Debts
Commission to A
Courier Charges
Custody Charges
Insurance
Legal & Professio
Loss on Sale of D
Miscellaneous Exp
Printing and Stat
Provision for Doub
(Part C)
Rates & Taxes
Remuneration to F
Rent
Repairs & Mainten
Travelling Expense
Fines & Penalties
License fees

Schedule 16

Bank Charges
Bank Guarantee
Interest- Other t

Schedule 17 :

Prior Year Expense
Less: Prior Year



	For the year ended March 31, 2004 (Rupees)	For the year ended March 31, 2003 (Rupees)
	5,91,167	9,57,191
	5,60,000	16,00,000
	4,55,000	6,40,000
	-	5,19,712
	-	21,010
sub-brokers*	-	13,05,146
	-	10,67,059
	-	2,38,087
85,419/-	18,503	63,576
	6,30,745	
	22,55,415	38,01,489

	For the year ended March 31, 2004 (Rupees)	For the year ended March 31, 2003 (Rupees)
onus)	62,28,600	67,87,698
	554,871	50,507
	67,83,471	68,38,205

	For the year ended March 31, 2004 (Rupees)	For the year ended March 31, 2003 (Rupees)
ences	33,42,938	38,82,951
	30,51,717	22,51,246
	25,25,054	38,70,718
Equipment	16,48,879	5,70,846
	5,51,518	6,30,695
	1,11,19,906	1,10,06,454

Schedule 15 : Administration and Operational Expenses

Annual Maintenance Charges	15,41,855	
Re-imbusement of Actual Expenses (Refer Note 12 in Schedule 18)	85,58,140	19,24,893
Bad Debts	2,45,824	
Commission to Authorised Person	43,18,821	4,39,037
Courier Charges	67,709	3,77,404
Custody Charges	44,261	2,37,805
Insurance	56,730	72,291
Legal & Professional charges	16,66,301	15,26,772
Loss on Sale of Devolved Stocks	76533	2,56,778
Miscellaneous Expenses	4,32,988	9,03,219
Printing and Stationery	3,25,061	6,00,065
Provision for Doubtful Debts(Refer Note 8(iii) of Schedule 16 Part C)	57616	
Rates & Taxes	21,120	41,271
Remuneration to Auditors(Refer Note 2 of Schedule 16 Part C)	1,66,216	1,45,588
Rent	13,94,525	
Repairs & Maintenance- Others	1,61,669	8,08,410
Travelling Expenses	74,743	4,44,341
Fines & Penalties	1,20,341	
License fees	2,72,260	

Total

For the year ended March 31, 2004 (Rupees)	For the year ended March 31, 2003 (Rupees)
1,96,02,713	79,79,874

Schedule 16 : Finance Costs

Bank Charges	27,334	1,20,568
Bank Guarantee Commission	3,71,568	2,29,618
Interest- Other than Fixed Loans	2,44,088	40,02,450

Total

For the year ended March 31, 2004 (Rupees)	For the year ended March 31, 2003 (Rupees)
6,42,990	43,52,634

Schedule 17 : Prior Year Adjustment

Prior Year Expense	1,57,992	8,24,556
Less: Prior Year Income	NIL	3,65,646

Total

For the year ended March 31, 2004 (Rupees)	For the year ended March 31, 2003 (Rupees)
1,57,992	4,58,910



SCHEDULE 18

Notes to the Balance Sheet as at March 31, 2004 and Profit and Loss Account for the year ended on that date.

A. Background

ISE Securities & Services Limited ("the Company") was incorporated under the Companies Act, 1956 on January 18, 2000. ISE Securities & Services Ltd. (ISS), a wholly owned subsidiary of Inter-connected Stock Exchange Of India Limited (ISE) is a Trading cum Clearing Member of NSE. ISS, by virtue of being a Stock Exchange Subsidiary, cannot trade its own account and can only allow trading to its Sub-brokers and Authorised Persons, who are required to be stock brokers of the Parent Stock Exchange (ISE). As at March 31, 2004, ISE and its nominees hold 100 percent of the equity share capital of the Company. The Company is an active member of the Capital market and Futures & Options Segments of the 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 a 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 income, fines and penalties are recognised for all settlements completed during the year, with respect to funds pay-in and pay-out. Brokerage income includes net transaction charges received from Sub-brokers, net of Service Tax and Stamp Duty.
- ii) Other incomes are accounted for on an accrual basis.

d) Fixed Assets

- i) Fixed Cost
- ii) Depreciation in Schedule Assets pro-rata actual rate

e) Investments

Long-term value of loan value, if any

f) Securities

Securities of auction transaction

g) Preliminary

Preliminary period of operations

h) Borrowings

Borrowing date it is not Other borrowings they are in

i) Taxes on

Provision the taxat exemption

Deferred between

as at March 31, 2004 and Profit and Loss on that date.

imited ("the Company") was incorporated 1956 on January 18, 2000. ISE Securities / owned subsidiary of Inter-connected Stock SE) is a Trading cum Clearing Member of a Stock Exchange Subsidiary, cannot trade only allow trading to its Sub-brokers and required to be stock brokers of the Parent at March 31, 2004, ISE and its nominees equity share capital of the Company. member of the Capital market and Futures National Stock Exchange of India Limited.

Policies and Notes to Accounts

Policies.

Assumptions

fundamental accounting assumptions of a going concern on an accrual basis.

are prepared according to the historical cost method on an accrual basis in accordance with the requirements of the Companies Act, 1956.

Provision for fines and penalties are recognised for all liabilities accrued during the year, with respect to funds pay-in-advance. Tax on charge income includes net transaction charges on securities, net of Service Tax and Stamp Duty.

are accounted for on an 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 an asset acquired / purchased during the period is provided on a pro-rata basis. Depreciation on additions to Fixed Assets, where actual cost does not exceed Rs. 5,000/-, has been provided at the rate of 100%, irrespective of the date of acquisition.

e) Investments

Long-term investments are stated at cost. Provision for diminution in the 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

g) Preliminary and Pre-operational Expenses

Preliminary and Pre-operational Expenses are being amortised over a period of five years from the year the Company has commenced operations.

h) Borrowing costs

Borrowing costs attributable to the acquisition of a fixed asset upto the date it is ready for use are capitalised as part of the cost of the fixed asset. 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 may have been enacted or substantively enacted at the Balance Sheet date. Deferred tax asset, subject to consideration of prudence and reasonable certainty, are recognised and carried forward only to the extent that the same can be realised.

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

C. Notes to Accounts

1. The Company continues with the method of recognition of brokerage in come, on settlements which are completed with respect to funds pay-in and pay-out during the year.
2. Remuneration to Auditors:

	Year ended 31-3-2004	Year ended 31-3-2003
Audit Fees	91,800/-	65,000/-
Other Services in respect of :		
- Consultancy Charges	NIL	Nil-
- Others (including Certification Matters)	47,822/-	33,600/-
Reimbursement of Expenses	4,994/-	2,363/-
Total	1,44,616/-	1,00,963/-
Taxation matters (to associate concern)	21,600/-	44,625/-
Total	1,66,216/-	1,45,588/-

3. Employee Cost represents the cost of the staff deputed by ISE to the Company during the year.
4. The securities in hand as of March 31, 2004 are valued at Rs. NIL [Previous year Rs. 12,780/-] at original cost or market price, whichever is less. The reduction of Rs. 12,780/- [Previous year Rs. 2,958/-], 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 &



are capable of reversal in one or more
| on the tax rate that may have been
cted at the Balance Sheet date. Deferred
deration of prudence and reasonable
carried forward only to the extent that the

es are followed as per the generally
s.

the method of recognition of brokerage in
are completed with respect to funds pay-in

	Year ended 31-3-2004	Year ended 31-3-2003
	91,800/-	65,000/-
	NIL	Nil-
	47,822/-	33,600/-
	4,994/-	2,363/-
	1,44,616/-	1,00,963/-
	21,600/-	44,625/-
	1,66,216/-	1,45,588/-

the cost of the staff deputed by ISE to the

arch 31, 2004 are valued at Rs. NIL [Previous
cost or market price, whichever is less. The
previous year Rs. 2,958/-], on account of this
fit and Loss Account. The loss on account of
1 devolved on the Company due to errors &

omissions amounted to Rs. NIL [Previous year Rs. 2,56,778/-] and profit
on account of sale of such securities amounted to Rs. NIL
[Previous year Rs. 5,19,712/-]

5. (i) The Company has obtained bank guarantees favoring National Stock
Capital and Margin requirements as of March 31, 2004. These bank
guarantees are obtained against the collaterals of:
- Bank guarantees received from Sub-brokers favouring the Company
towards the same Rs. 1,80,10,000/- [Previous year: Rs. 11,00,000/-],
 - Bank fixed deposits of the Sub-brokers amounting to
Rs.1,20,45,000/- [Previous year: Rs. 3,34,20,000 /-] and;
 - Bank fixed deposits 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.5,35,75,000/- [Previous year: Rs. 5,11,00,000/-] towards Base
Capital and Margin requirements, as of March 31, 2004. These bank
guarantees are obtained against the collateral of:
- Bank fixed deposits of the Sub-brokers amounting to Rs.35,75,000/-
[Previous year: NIL.] and;
 - Bank fixed deposits 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 as follows:
- The overdraft facility of Rs.1,90,00,000./-[Previous year
Rs. 1,90,00,000/-] from HDFC Bank is taken against the collateral
of fixed deposits of Rs.1,90,55,499./-[Previous year: Rs.1,90,55,499/-].

7. Investments

The Company has acquired the corporate membership of The Stock
Exchange, Mumbai at a cost of Rs. 67,00,005/-. As at the year-end, the
Company's application for registration and commencement of trading
was pending at SEBI. The Company has subsequently received the
Certificate of Registration from SEBI on April 13, 2004. The Company
has not yet commenced its operations on BSE.



8. Sundry Debtors

- (i) The Company sends ledgers/statement of accounts to Sub-brokers at periodic intervals, with the intimation that 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 at March 31, 2004. The debtors to the Company are secured by the Company by way of base and additional capital deposits, bank guarantees, fixed deposits.
- (iii) Sundry Debtors include an amount of Rs. 9,83,347/- on account of various charges recoverable from Sub-brokers, which are long outstanding. The said debts are considered good for recovery by the Management in view of the Base Minimum Capital deposited by them with the Parent Stock Exchange (ISE), which can be used for adjustment against the dues to the Company, as per the Bye laws of ISE. However, excess of such receivables over available deposits of certain Sub-brokers in ISE has been considered doubtful and a provision in respect thereof aggregating to Rs.57,616/- has been made in the Accounts.
- (iv) Sundry Debtors include balances due from two Sub-brokers totaling to Rs.71,00,524/- as at March 31, 2004. The Company is in the process of executing the arbitration awards passed by the National Stock Exchange of India Ltd, in favour of the Company against the said Sub-brokers.

As regards the dues recoverable from one of the Sub-brokers, an amount of Rs.6,30,745/- has been received during the year. Amounts aggregating to Rs.31,77,512/- were received subsequent to the Balance Sheet date in cash and kind. The Management is making all efforts for the recovery of the balance amount. As a result, the debts outstanding beyond six months considered doubtful has come down to Rs.39,80,629/- as on the date of signing the Accounts.

As regards the dues recoverable from the other Sub-broker, a



gers/statement of accounts to Sub-brokers the intimation that discrepancies, if any, in ght to the notice of the Company within the ncies pointed out by the Sub-brokers are corrections are made in the concerned unts.

ent settlement dues and other charges ers as at March 31, 2004. The debtors to the by the Company by way of base and s, bank guarantees, fixed deposits.

an amount of Rs. 9,83,347/- on account of rable from Sub-brokers, which are long bts are considered good for recovery by the the Base Minimum Capital deposited by ck Exchange (ISE), which can be used for dues to the Company, as per the Bye laws of such receivables over available deposits n ISE has been considered doubtful and a reof aggregating to Rs.57,616/- has been

le balances due from two Sub-brokers 4/- as at March 31, 2004. The Company is rting the arbitration awards passed by the ge of India Ltd, in favour of the Company kers.

coverable from one of the Sub-brokers, an has been received during the year. Amounts '7,512/- were received subsequent to the ash and kind. The Management is making all of the balance amount. As a result, the rd six months considered doubtful has come as on the date of signing the Accounts.

recoverable from the other Sub-broker, a

provision has been made in the books of accounts. The execution petition against this Sub-broker has been admitted in the Patna Court.

The Parent Exchange (ISE) has declared both the Sub-brokers as defaulters on the Exchange and is proceeding with the formalities related to cancellation of their SEBI registrations for ISE and ISS.

- (v) During the year, balances due from three Sub-brokers, totaling to Rs.5,89,479/- had been transferred to ISE for the purposes of recovering their dues from the deposits available with the Parent Exchange. These three Sub-brokers were declared as defaulters by the Parent Exchange during the year and the dues to the Company from these Sub-brokers have been referred to ISE as dues from the said Sub-brokers. An amount of Rs. 2,15,251/- due from one of the Sub-brokers to the Company, which could not be recovered from the deposits available with the Parent Exchange has been considered as bad and charged to the Profit & Loss Account for the year.
9. The Bank Fixed Deposits of the Company include deposits amounting to Rs. 23,05,55,499/- [Previous year:Rs.7,50,55,499/-] which are utilised as collaterals for various trading facilities at the National Stock Exchange of India Ltd., as follows:

Amount in Rupees

(i)	Fixed deposits discharged and deposited with NSE towards Additional Base Capital	17,65,00,000/-
(ii)	Collaterals for bank guarantees issued to NSE for Margin Adjustable Base Capital (Refer Note 5 above)	3,50,00,000/-
(iii)	Collaterals with banks for overdraft facilities. (Refer Note 6 above)	1,90,55,499/-
Total		23,05,55,499/-

10. The Company had, in the previous years, received some securities in its pool account from the clients of Sub-brokers, in respect of which identification Sub-broker wise is not possible. Current Liabilities & Provisions include an amount of Rs. 26.77 lakhs [Previous year: Rs.27.28 lakhs] under the head "Other Liabilities", representing the sale proceeds



of such securities and dividend received thereon. Claims, if any, received from the Sub-brokers or their clients will be settled out of this amount, after due verification.

11. The Finance Costs include an amount of Rs. 8,96,947/- [Previous year: Rs. 6,81,482/-] being the commission payable on bank guarantees taken from HDFC Bank and IndusInd Bank favoring National Securities Clearing Corporation Ltd. Of this, Rs.5,25,379/- [Previous year Rs.4,51,866/-] has been incurred as commission for the back-to-back guarantees taken by the Company against the bank guarantees issued by the Sub-brokers towards their margins / collaterals.
12. During the year, the Company and its Holding Company, ISE, have entered into an agreement, under which the actual expenses incurred by the Holding Company for supporting the operations of the Company are reimbursed. Reimbursement of actual expenses by the Company to the Holding Company during the year was Rs.85,58,140/- [Previous year:Rs.19,24,893/-]. Accordingly the figures of the previous year has been regrouped.
13. In the opinion of the Board of Directors, the Current Assets, Loans and Advances, have a value, on realization in the ordinary course of business, at least equal to the amounts at which they are stated in the Balance Sheet.

14. Earnings per Share:

	Year ended 31-3-2004	Year ended 31-3-2003
Net Profit / (Loss) after Taxation attributable to equity shareholders	1,04,43,993	7,98,855
Weighted average outstanding number of equity shares	55,00,000	45,27,397
Basic / Diluted Earnings per share	1.90	0.18

15. Deferred Taxation:

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

Defern
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Others
Defern
Deprec
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Liability

16. Previo
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For A.J.Shal
Chartered Ac

Sd/-
Rajesh Shal
Partner
Membership
No. 31475
Place : Mum
Date : Augu

lend received thereon. Claims, if any, received
 their clients will be settled out of this amount,

an amount of Rs. 8,96,947/- [Previous year:
 commission payable on bank guarantees taken
 id IndusInd Bank favoring National
 ation Ltd. Of this, Rs.5,25,379/- [Previous year
 ncurring as commission for the back-to-back
 Company against the bank guarantees
 towards their margins / collaterals.

any and its Holding Company, ISE, have en-
 der which the actual expenses incurred by
 for supporting the operations of the
 . Reimbursement of actual expenses by the
 ompany during the year was Rs.85,58,140/-
 93/-]. Accordingly the figures of the previous

of Directors, the Current Assets, Loans and
 , on realization in the ordinary course of
 the amounts at which they are stated in the

	Year ended 31-3-2004	Year ended 31-3-2003
on ders	1,04,43,993	7,98,855
	55,00,000	45,27,397
hare	1.90	0.18

nd classification of deferred tax assets and
 g differences are:

(Rs. in lakhs)

Deferred Tax Assets:	As at 31-03-2004	As at 31-03-2003
Unabsorbed depreciation	Nil	36.33
Others	15.38	15.54
Total	15.38	51.87
Deferred Tax Liabilities:		
Depreciation	39.83	47.62
Total	39.83	47.62
Net Deferred Tax		
Liability/(Asset)	24.45	(4.25)

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

For A.J.Shah & Co.
 Chartered Accountant

For and on behalf of the Board

Sd/-
Rajesh Shah
 Partner
 Membership
 No. 31475

Sd/-
P. V. Narasimham
 Chairman

Sd/-
V. Shankar
 Director

Sd/-
M. Ramalingam
 Chief Executive Officer

Place : Mumbai
 Date : August 23, 2004

Sd/-
V. Vasumathy
 Asst. Company Secretary
 Place : Mumbai
 Date : August 21, 2004

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE



I. REGISTRATION DETAILS			
Registration No.:	123707	State Code:	11
Balance Sheet Date:	31.03.2004		
II. CAPITAL RAISED DURING THE YEAR			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
III. POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)			
Total Liabilities	3,56,724	Total Assets	3,56,724
SOURCES OF FUNDS			
Paid-up Capital	55,000	Reserves & Surplus	4,005
Secured Loans	1,000	Unsecured Loans	NIL
Secured Loans	2,445		
APPLICATION OF FUNDS			
Net Fixed Assets	13,148	Investments	6,700
Net Current Assets	42,398	Misc. Expenditure	204
Accumulated Losses	NIL		
IV. PERFORMANCE OF THE COMPANY (AMOUNT IN RS. THOUSANDS)			
Turnover	58,780	Total Expenditure	42,947
Profit/(Loss) before Tax	15,833	Profit/(Loss) after Tax	10,444
Earnings per share	1.90		
V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY			
Item Code No.	NIL		
Product Description	NIL		

CASH FLOW FROM OPERATIONS

Net profit before tax
Adjustments for:
 Depreciation
 Preliminary expenses written off
 Reduction in the value of investments
 Interest paid

Operating profit before working capital changes

Adjustments for:
 Trade and other receivables
 Trade payables

Cash generated from operations
 Direct Taxes paid (net of refund)

Prior period items

Cash generated from operations

CASH FLOW FROM INVESTING ACTIVITIES

Purchase of fixed assets
 Sale/(Purchase) of investments

Net Cash used in investing activities

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds/(Repayment) from issue of shares
 Proceeds from issue of shares
 Interest paid

Net Cash used in financing activities

Net increase / decrease in cash and cash equivalents

Cash & cash equivalents at the beginning of the year

Cash & cash equivalents at the end of the year

Notes:

- The cash flow statement has been prepared in accordance with the provisions of the Companies Act, 1956 as amended.
- Cash & cash equivalents include bank balances and deposits with banks.
- Interest received is treated as income from operations.

As per our report of even date.

For A.J. Shah & Company
 Chartered Accountants

sd-
 R.V. Shah
 Partner
 Membership No. : 31475

Place : Mumbai
 Date : August 23, 2004

COMPANY'S GENERAL BUSINESS PROFILE

123707	State Code:	11
31.03.2004		
NIL	Rights Issue	NIL
NIL	Private Placement	NIL
DEVELOPMENT OF FUNDS		
3,56,724	Total Assets	3,56,724
55,000	Reserves & Surplus	4,005
1,000	Unsecured Loans	NIL
2,445		
13,148	Investments	6,700
42,398	Misc. Expenditure	204
NIL		
(AMOUNT IN RS. THOUSANDS)		
58,780	Total Expenditure	42,947
15,833	Profit/(Loss) after Tax	10,444
1.90		

PRODUCTS / SERVICES OF THE COMPANY

NIL
NIL

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004

	As at 31.03.2004	As at 31.03.2003
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	1,58,32,532	17,43,821
Adjustments for:		
Depreciation	45,81,730	45,55,410
Preliminary expenses written off	2,03,816	2,03,816
Reduction in the value of securities	12,780	14,42,699
Interest paid	2,44,088	37,72,407
	50,42,414	99,74,332
Operating profit before working capital changes	208,74,946	117,18,153
Adjustments for:		
Trade and other receivables	(37,76,206)	396,73,010
Trade payables	17,74,35,045	(386,63,178)
	1736,58,839	10,09,832
Cash generated from operations before tax & prior period items	1945,33,785	127,27,985
Direct Taxes paid (net of refunds)	(7,33,270)	22,61,688
	1938,00,515	149,89,673
Prior period items	(1,57,992)	(4,58,910)
Cash generated from operations (A)	1936,42,523	145,30,763
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(4,18,850)	(55,15,083)
Sale/(Purchase) of Investments	(4,18,850)	(67,00,005)
Net Cash used in investing activities (B)	(4,18,850)	(122,15,088)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds/(Repayment) from Bank working capital finance	(81,87,910)	(453,41,165)
Proceeds from issue of shares		100,00,000
Interest paid	(2,44,088)	(37,72,407)
	(84,31,998)	(391,13,572)
Net Cash used in financing activities (C)	(84,31,998)	(391,13,572)
Net increase / decrease in cash & cash equivalents (A+B+C)	1847,91,675	(367,97,897)
Cash & cash equivalents at the beginning of the year	959,99,046	1327,96,943
Cash & cash equivalents at the end of the year	2807,90,721	959,99,046

Notes:

- 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.
- Cash & cash equivalents includes cash and bank balance in current account. (Refer Schedule 6 forming part of the balance sheet)
- Interest received is treated as income from operating activities.

As per our report of even date

For A.J. Shah & Company
Chartered Accountants

sd-
R.V. Shah
Partner
Membership No. : 31475

Place : Mumbai
Date : August 23, 2004

For and on behalf of the Board

sd- P. V. Narasimham Chairman
sd- V. Shankar Director
sd- M. Ramalingam Chief Executive Officer

sd-
V. Vasumathy
Asst. Company Secretary

Place : Mumbai
Date : August 21, 2004

ATTENDANCE SLIP

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 Sixth Annual General Meeting of the Members of Inter-connected Stock Exchange of India Ltd. held on Tuesday, September 28, 2004 at 5.00 p.m. at Indian Merchants' Chamber, Opp. Churchgate Station, Mumbai 400020.

I, _____, record my presence at the Sixth Annual General Meeting of the Members of Inter-connected Stock Exchange of India Ltd., held on Tuesday, September 28, 2004 at 5.00 p.m. at Indian Merchants' Chamber, Opp. Churchgate Station, Mumbai 400020.

Name	
Representative of	
Signature of the Representative	
Signed this _____ day of September 2004.	

Encl: Copy of the letter issued by the _____ Stock Exchange authorising me to attend the Meeting is produced herewith.