

7<sup>TH</sup> ANNUAL REPORT  
2004-2005

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the wholly-owned subsidiary of Inter-connected  
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NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING OF INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED TO BE HELD ON SATURDAY, SEPTEMBER 24, 2005 AT 12.15 P.M. AT THE REGISTERED OFFICE OF THE COMPANY.

NOTICE is hereby given that the Seventh Annual General Meeting of the Members of Inter-connected Stock Exchange of India Ltd. will be held on Saturday, September 24, 2005 at 12.15 p.m. at the Registered Office of the Company at International Infotech Park, Tower 7, 5<sup>th</sup> Floor, Sector 30, Vashi, Navi Mumbai - 400 703 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at March 31, 2005, Profit & Loss Account for the year ended March 31, 2005 and the Reports of the Directors and Auditors thereon.
2. To appoint Auditors to hold office from the conclusion of this meeting upto the Due Date as may be determined by the Board of Directors of the Company in accordance with the ISE (Corporatisation & Demutualisation) Scheme, 2005 approved by SEBI and to authorise the Board of Directors to fix the remuneration payable to them.

Special Business

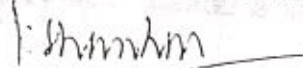
3. To consider, and if thought fit, to pass with or without modification(s), the following resolution as a "Special Resolution":

"RESOLVED THAT subject to approval of the Securities and Exchange Board of India (SEBI) and / or the Registrar of Companies, Maharashtra and / or any other competent authority in this regard, the amendments in the Articles of Association and Rules of the Company as annexed herewith be and are hereby approved, so as to make them consistent with the ISE (Corporatisation & Demutualisation) Scheme, 2005 approved by SEBI.

**RESOLVED FURTHER THAT** the Board of Directors and / or Shri V. Shankar, Managing Director of the Company be and are / is hereby authorized for making such amendments in the approved Memorandum of Association, Articles of Association and Rules of the Company as may be directed by SEBI and / or the Registrar of Companies, Maharashtra and / or any other competent authority in this regard and further to take all necessary actions related or incidental thereto to give effect to the scheme of corporatisation and demutualisation of the Company as approved by the Board of Directors and Members of the Company and SEBI."

Date: August 31, 2005  
Place: Vashi, Navi Mumbai

BY ORDER OF THE BOARD



V. SHANKAR  
MANAGING DIRECTOR

Notes:

1. All Members are requested to forward to the Company letters from their respective stock exchanges authorising them to attend the Meeting;
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business to be transacted at the Annual General Meeting is enclosed herewith.
3. Members seeking any information or clarification on the Accounts are requested to send in 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.

respect of Item

The Board of Directors on November 27, 2005, approved the Connected Stock Exchange Guarantee and in respect of / registered with SEBI and CSEs, subject to the following conditions:

The Members of the Company on January 22, 2005, approved and finalized by the Board of Directors, the Memorandum of Association, Articles of Association and Rules of the Company. The amendments in the Memorandum of Association and Rules of the Company are in accordance with SEBI at the time of the Company.

The final corporate action in respect of the same line of business has been approved by the Board of Directors on August 31, 2005.

In order to be in conformity with the provisions of SEBI, certain amendments have been approved by the Board of Directors on August 31, 2005.

These changes have been approved by the Board of Directors and the Independent Directors.

As these changes are in the interest of the Company, the Board of Directors has approved the same.

None of the Directors are related to the Company.

The Board of Directors has approved the same.

Date: August 31, 2005  
Place: Vashi, Navi Mumbai

EXPLANATORY STATEMENT PURSUANT TO  
SECTION 173(2) OF THE COMPANIES ACT, 1956

respect of Item No. 3

The Board of Directors of the Company in their meetings held on November 3, 2004, November 27, 2004, January 22, 2005 and June 25, 2005 had decided that Inter-connected Stock Exchange of India Ltd. (ISE), the existing company which is limited by guarantee and incorporated under section 12 of the Companies Act, 1956, be converted into / registered as a company limited by share capital, so as to comply with the directives of SEBI and Central Government on corporatisation and demutualisation of stock exchanges, subject to approval of the Members of the Company in a general meeting.

The Members of the Company in the Extra-ordinary General Meeting (EGM) held on January 22, 2005 had approved the scheme of corporatisation and demutualisation as finalized by the Board of Directors of the Company and also the revised Memorandum of Association, Articles of Association and Rules of the Company to substitute the existing Memorandum of Association, Articles of Association and Rules of the Company. The Members of the Company had further authorised the Board of Directors to carry out such amendments in these documents as may be required to fulfil the conditions stipulated by SEBI at the time of approving the corporatisation and demutualisation scheme of the Company.

The final corporatisation and demutualisation scheme of the Company was drawn up on the same lines as the scheme submitted by The Stock Exchange, Mumbai (BSE) that has been approved by SEBI. The final scheme of the Company, after approval of the Board of Directors on June 25, 2005, was forwarded to SEBI for approval on June 27, 2005.

In order to ensure that the Articles of Association and Rules of the Company are in conformity with the ISE (Corporatisation and Demutualisation) Scheme, 2005 as forwarded to SEBI, certain minor modifications are required in these documents, which had earlier been approved by the Members of the Company in the EGM held on January 22, 2005.

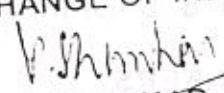
These changes pertain to certain definitions, stipulations of SEBI that the provisions of the approved scheme shall be complied with at all times and the manner of appointment of Independent Directors (earlier called Public Representative Directors).

As these changes have been directed by SEBI, the Articles of Association and Rules of the Company, as already approved by the Members of the Company, need to be modified to the extent of such changes.

None of the Directors of the Company is concerned with or interested in this Resolution.

The Board of Directors recommends the passing of the proposed resolution by the Members of the Company

BY ORDER OF THE BOARD  
For INTER-CONNECTED STOCK EXCHANGE OF INDIA LIMITED

  
V. SHANKAR  
Managing Director

Date: August 31, 2005  
Place: Vashi, Navi Mumbai

## BOARD OF DIRECTORS

Prof. P. V. Narasimham, Chairman (wef April 17, 2004)  
Shri V. Shankar, Managing Director  
Shri V. A. Vijayan Menon, SEBI Nominee  
Shri R. M. Joshi, Public Representative  
Shri M. W. Deshmukh, Public Representative (upto January 22, 2005)  
Prof. V. R. Iyer, Public Representative (upto June 25, 2005)  
Shri Sandeep H. Junnarkar, Public Representative  
Dr. S. D. Israni, Public Representative  
Dr. M. Y. Khan, Public Representative  
Prof. R. H. Sarma, Public Representative (wef January 22, 2005)  
Dr. K. Sabapathy, Trading Member, Nominee of Coimbatore Stock Exchange  
Smt. Asha Manjari Mishra, Trading Member, Nominee of Bhuaneshwar Stock Exchange  
Shri Rameshwar Nath Pandey, Trading Member, Nominee of Magadh Stock Exchange  
Shri M. R. Mayya, Chairman (upto April 17, 2004)  
Justice (Retd.) A. D. Tated, Public Representative (upto April 17, 2004)  
Ms. Vimala Visvanathan, Public Representative (upto April 17, 2004)

## SECRETARIAL, LEGAL & COMPLAINE

Shri Dipak K. Shah, Company Secretary

## AUDIT COMMITTEE

Prof. V. R. Iyer, Chairman (Upto June 25, 2005)  
Shri R. M. Joshi, Public Representative  
Shri M. W. Deshmukh, Public Representative (Upto January 22, 2005)  
Dr. S. D. Israni, Public Representative  
Dr. M. Y. Khan, Public Representative  
Prof. P.V. Narasimham, Public Representative (Co-opted w.e.f. June 25, 2005)

## STATUTORY AUDITORS

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

## INTERNAL AUDITORS

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  
Shri J. J. Bhatt, Advocates  
M/s. S. D. Israni & Co., Company Secretaries

## BANKERS

HDFC Bank Limited  
The ING Vysya Bank Limited

## REGISTERED OFFICE

International Infotech Park  
Tower 7, 5<sup>th</sup> Floor, Sector 30

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or: I E (Rs. Cr.)
Indonext (Rs. Cr.)
(Rs. Lakh)
Senior Fees from Traders
Subscription from :
Members.
Traders
Dealers
or Bank Deposits
Fees
from DP Operations
from Rent
Commission Charges
Payment by ISS for usage
Commission Fees for Additional Tr
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Commission Fees for Additional Tr
Income
Expenditure (Rs. Lakh)
Employee Cost
Admin & Ops Cost
Net
Expenditure on DP
Commission
Expenditure
(Profit/Loss) before Taxation (f
Capital Structure (Rs. Lakh)
Equity Capital
Reserves & Surplus
Borrowed Loan
Fixed Assets
Investments
Current Assets
Net Worth Analysis (Rs. Lakh)
Equity Capital
Reserves & Surplus
Borrowed Funds
Profit & Loss (Dr.)
Net Worth

**PERFORMANCE AT A GLANCE**

(all figures in Rs. lakh)

	Financial Performance				
	2004-05	2003-04	2002-03	2001-02	2000-01
Net Income (Rs. Cr.)	-	0.03	26.56	143.00	233.00
Interest Income (Rs. Cr.)	-	-	-	-	-
Net Income (Rs. Lakh)					
Revenue					
Fees from Traders	0.45	0.50	0.80	0.65	3.55
Subscription from:					
Members	2.50	7.00	6.50	6.50	7.50
Traders	2.07	2.18	1.77	2.71	2.82
Dealers	45.34	43.00	82.50	80.50	74.50
Interest on Bank Deposits	48.46	36.12	38.74	61.30	106.35
Fees	1.36	0.89	1.16	1.70	0.95
Income from DP Operations	38.88	14.80	-	-	-
Office Rent	27.02	16.19	-	-	-
Commission Charges	-	-	0.35	0.82	2.20
Contribution by ISS for usage of ISE Assets	41.86	35.49	23.69	39.24	21.70
Cash Fees for Additional Trading Rights - Dealers	99.60	85.58	-	-	-
Cash Fees for Additional Trading Rights-Phase I	-	51.00	-	-	-
Cash Fees for Additional Trading Rights-Phase I	3.75	-	-	-	-
Cash Fees for Additional Trading Rights-Phase I	9.37	-	-	-	-
Cash Fees for Additional Trading Rights-Phase II	41.60	-	-	-	-
Net Income	362.26	292.75	155.51	193.42	219.57
Expenditure (Rs. Lakh)					
Employee Cost	57.87	48.23	39.48	49.71	80.11
Admin & Ops Cost	134.74	77.94	99.67	288.99	237.30
Interest	-	-	1.91	65.92	24.96
Expenditure on DP	20.95	11.58	-	-	-
Depreciation	142.53	143.59	142.70	180.89	187.09
Net Expenditure	356.09	281.34	283.76	585.51	529.46
Profit/(Loss) before Taxation (Rs. Lakh)	6.17	11.41	(128.25)	(392.09)	(309.89)

Balance Sheet Structure (Rs. Lakh)					
Equity Capital	-	-	-	-	-
Reserves & Surplus	2,685.29	2,823.19	2,790.87	2,714.15	2,642.39
Borrowed Loan	-	-	-	23.52	-
Fixed Assets	484.44	778.85	977.24	1,179.45	1,522.17
Investments	550.00	550.00	550.00	450.00	250.00
Current Assets	717.55	479.58	147.54	6.62	49.55

Net Worth Analysis (Rs. Lakh)					
	2004-05	2003-04	2002-03	2001-02	2000-01
Equity Capital	-	-	-	-	-
Reserves & Surplus	2,685.29	2,823.19	2,790.87	2,714.15	2,642.39
Borrowed Funds	-	-	-	23.52	-
Profit & Loss (Dr.)	1,371.29	1,377.45	1,388.87	1,260.61	868.50
Net Worth	1,314.00	1,445.74	1,402.00	1,453.54	1,773.89

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**PERFORMANCE AT A GLANCE**

(all figures in Rs. lakh)

	Financial Performance				
	2004-05	2003-04	2002-03	2001-02	2000-01
Income from ISE (Rs. Cr.)	-	0.03	26.56	143.00	233.00
Income from Irdonext (Rs. Cr.)	-	-	-	-	-
Income (Rs. Lakh)					
Subscription Fees from Traders	0.45	0.50	0.80	0.65	3.55
Subscription from:					
Members	2.50	7.00	6.50	6.50	7.50
Traders	2.07	2.18	1.77	2.71	2.82
Dealers	45.34	43.00	82.50	80.50	74.50
Interest on Bank Deposits	48.46	36.12	38.74	61.30	106.35
Other Fees	1.36	0.89	1.16	1.70	0.95
Income from DP Operations	38.88	14.80	-	-	-
Income from Rent	27.02	16.19	-	-	-
Transaction Charges	-	-	0.35	0.82	2.20
Contribution by ISS for usage of ISE Assets	99.60	85.58	-	-	-
Commission Fees for Additional Trading Rights - Dealers	-	51.00	-	-	-
Commission Fees for Additional Trading Rights-Phase I	3.75	-	-	-	-
Commission Fees for Additional Trading Rights-Phase I	9.37	-	-	-	-
Commission Fees for Additional Trading Rights-Phase II	41.60	-	-	-	-
<b>Income</b>	<b>362.26</b>	<b>292.75</b>	<b>155.51</b>	<b>193.42</b>	<b>219.57</b>
Expenditure (Rs. Lakh)					
Employee Cost	57.87	48.23	39.48	49.71	80.11
Depreciation & Ops Cost	134.74	77.94	99.67	288.99	237.30
Interest	-	-	1.91	65.92	24.96
Expenditure on DP	20.95	11.58	-	-	-
Depreciation	142.53	143.59	142.70	180.89	187.09
<b>Expenditure</b>	<b>356.09</b>	<b>281.34</b>	<b>283.76</b>	<b>585.51</b>	<b>529.46</b>
<b>Profit/(Loss) before Taxation (Rs. Lakh)</b>	<b>6.17</b>	<b>11.41</b>	<b>(128.25)</b>	<b>(392.09)</b>	<b>(309.89)</b>

Balance Sheet Structure (Rs. Lakh)					
Share Capital	-	-	-	-	-
Reserves & Surplus	2,655.29	2,823.19	2,790.87	2,714.15	2,642.39
Borrowed Loan	-	-	-	23.52	-
Fixed Assets	484.44	778.85	977.24	1,179.45	1,522.17
Investments	550.00	550.00	550.00	450.00	250.00
Current Assets	717.55	479.58	147.54	6.62	49.55

Net Worth Analysis (Rs. Lakh)					
	2004-05	2003-04	2002-03	2001-02	2000-01
Share Capital	-	-	-	-	-
Reserves & Surplus	2,685.29	2,823.19	2,790.87	2,714.15	2,642.39
<b>Total</b>	<b>2,685.29</b>	<b>2,823.19</b>	<b>2,790.87</b>	<b>2,714.15</b>	<b>2,642.39</b>
Borrowed Funds	-	-	-	23.52	-
Profit & Loss (Dr.)	1,371.29	1,377.45	1,388.87	1,260.61	868.50
<b>Net Worth</b>	<b>1,314.00</b>	<b>1,445.74</b>	<b>1,402.00</b>	<b>1,453.54</b>	<b>1,773.89</b>

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# INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

## DIRECTORS' REPORT

Board of Directors of Inter-connected Stock Exchange of India Ltd. (ISE) are pleased to present the Seventh Annual Report for the year ended March 31, 2005, together with the Auditors' Report and Audited Accounts for the financial year 2004-05.

### **MACROECONOMIC BACKGROUND**

Indian economy witnessed yet another year of high growth. The growth of the real domestic product (GDP) for the year 2004-05 was 6.9%, according to advanced estimates of the Central Statistical Organisation (CSO). This is, however, lower than the growth recorded in the previous financial year. The major contributor to the decline in the GDP growth was the agriculture sector, whose performance dipped on account of unfavourable monsoon to 1.1% in 2004-05 from the 9.6% achieved in the previous year. The industrial sector, on the other hand, registered a smart rise from 5.5% in 2003-04 to 8.3% in 2004-05. The growth rate in the services sector remained more or less the same at 8.5% in the year under review compared to the previous year's figure of 8.9%. With the economy expanding at more than 6.5% in the first three years of the Tenth Plan period (2002-05), India is one of the fastest growing economies in the world today.

According to CSO estimates, the gross domestic saving (GDS) as a proportion of GDP increased from 26.1% in 2002-03 to 28.1% in 2003-04. This was despite the soft interest rates prevailing in the financial markets. The contribution of household savings to GDS was more than the savings of the corporate sector. Enhancement in personal disposable incomes, manageable inflation rate and uncertainty in the financial markets contributed to the savings growth in the case of the household sector and improvement in the financial performance in the case of the corporate sector. Further analysis reveals that deposits accounted for 39.4% of the total household saving in financial assets, contractual saving (life insurance, provident fund and pension fund) for 26.3%, claims on government (small savings) for 24%, and currency accounted for 9.2%. The contribution of shares and debentures was just 1.1% of the total household saving in financial assets in 2004-05, much of it being in mutual funds.

### **PRIMARY MARKET**

There was heightened activity in the primary segment of the capital market during 2004-05. Strong economic fundamentals, excellent corporate results and buoyant secondary market resulted in several successful issues, both mega as well as small offerings. The response to the public issues was mostly from FIIs and other institutional investors, with retail investors accounting for very small portion.

The total capital raised during 2004-05 through public and rights issues (including offer for sale) was Rs.28,256 crore, compared to Rs.23,272 crore in 2003-04, representing an increase of Rs.4,984 crore or 21.42%. If offer of sale is taken out of these figures, the amount mobilized in 2004-05 at Rs.25,056 crore was more than three times the amount of Rs.8,023 crore raised during the previous year. The number of issues was marginally higher at 60 (previous year: 57). National Thermal Power Corporation Limited (Rs.5,368 crore), TCS Ltd. (Rs.4,713 crore), ICICI Bank Ltd. (Rs.5,300 crore)

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## **SECONDARY**

### (i) Indices

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## INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

### DIRECTORS' REPORT

and Punjab National Bank (Rs.3,120 crore) were some of the large issues which came to the market during the year under review.

Banking / financial institution sector was at the top in mobilizing capital and also in terms of the number of issues made. This sector accounted for 40% of the total capital raised from the market, followed by power at 21% and information technology at 18%. Eight issues above Rs.500 crore mopped up 83% of the resources mobilized, 17 issues in the Rs.100 - 500 crore range raised 13% and the remaining 35 issues with size upto Rs.100 crore accounted for a share of 4%.

### 3. SECONDARY MARKET

#### (i) Indices

The momentum gathered by the stock market in 2003-04 intensified in 2004-05, except for a temporary phase of nervousness exhibited in the quarter April - June 2004. In fact, the stock market went into a tailspin between May 2004 to August, 2004, with the BSE Sensex plummeting by over 793 points on intra-day basis and by 565 points on an end-of-day basis on the Black Monday, May 17, 2004. This large fall was triggered by fears over the economic policy direction of the Congress-led United Progressive Alliance, which depended on the Left for support. These fears were short-lived, as fuelled by strong economic fundamentals, excellent corporate results and substantial portfolio investments by foreign institutional investors (FIIs), the stock market registered a continuous upward surge. The hardening of the oil prices and the rise in US interest rates did not dampen the overall bullish sentiment.

The Bombay Stock Exchange (BSE) Sensex opened at 5599 on April 1, 2004, crashed to 4227 on May 17, 2004, crossed the 6000-mark on November 17, 2004, reached an all-time high of 6915.05 on March 8, 2005, before closing at 6492.82 on March 31, 2005. On a point-to-point basis, the BSE Sensex posted a return of 16.1% in 2004-05, which is on top of a gain of 83.4% realized during 2003-04. Likewise, the S&P CNX Nifty appreciated by 14.9% in the year under review, over and above the increase of 81.2% posted in the previous year.

On the international front, the stock markets exhibited a somewhat muted trend, as is evidenced by the respective stock indices. During 2004-05, the Dow Jones index of NYSE rose by 3.09%, Nasdaq Composite of NASDAQ by 3.19%, FTSE of London Stock Exchange by 11.58%, CAC40 of Deutsche Bourse by 12.22%, Hang Seng of Hong Kong Stock Exchange by 6.58%, Straits Times of Singapore Stock Exchange by 15.16%, whereas Nikkei of Tokyo Stock Exchange declined by 5.26%.

DIRECTORS' REPORT

(ii) Turnover

The total turnover recorded by all stock exchanges was Rs.16,66,896 crore during 2004-05, as compared to Rs.16,20,497 crore in 2003-04. The turnover in the year under review is higher than that in the previous year by 2.86%, with Mumbai /Thane region accounting for a lion's share of the total turnover at 56% (Rs.9,33,119 crore). The other major centres were Delhi/Ghaziabad at 11% (Rs.1,85,994 crore), Kolkata / Howrah at 9% (Rs.1,46,939 crore), Ahmedabad at 3% (Rs.49,257 crore) and Chennai at 2% (Rs.34,916 crore).

(iii) Market Capitalization

One of the indicators denoting the size of the capital market is market capitalization. The market capitalization of BSE-listed companies showed an increase of 41.39% for the year ended March 31, 2005, as compared to that on the same date of the previous year. The market capitalization as on March 31, 2005 was Rs.16.98 lakh crore (previous year: Rs.12.01 lakh crore), whereas it was Rs.12.01 lakh crore on March 31, 2004. A similar appreciation of 41.44% was witnessed on NSE – Rs.15.86 lakh crore on March 31, 2005 compared to Rs.11.21 lakh crore on March 31, 2004.

Certain ratios based on market capitalization, such as market capitalization to GDP (m-cap ratio), traded value to GDP (traded value ratio) and price to earnings per share (P/E ratio), provide additional perspective about the capital market. The m-cap ratio increased from 43.5% in 2003-04 to 54.6% in 2004-05. The traded value ratio in the cash segment, however, declined marginally from 58.7% in 2003-04 to 53.6% in 2004-05. On the other hand, the turnover in the derivatives segment as a percentage of GDP rose to 82.5% in 2004-05 from 76.6% in 2003-04. Following the international trend, the P/E ratios relating to the BSE Sensex and S&P CNX Nifty declined. Such a drop in P/E ratios is normal during a phase of economic growth, for it indicates a faster rate of growth of earnings as compared to the prices. As compared to the values of 18.57 in the case of BSE Sensex and 20.70 in the case of S&P CNX Nifty for the year 2003-04, the P/E ratios for these two indices were 15.61 and 14.60 respectively in 2004-05.

**DEMATERIALIZATION**

The growth recorded in the previous years in the area of dematerialization of securities continued even during 2004-05. The number of beneficiary accounts spurted to 63.01 lakh in the case of NSDL and 10.05 in the case of CDSL as on March 31, 2005, which were much higher than the figures of 52.03 lakh and 6.29 during the corresponding period of the previous year. The number of companies, which had signed up with NSDL, increased from 5,216 in 2003-04 to 5,537 in 2004-05 and for CDSL, from 4,810 to 5,068 during the same period.

INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

DIRECTORS' REPORT

The reach of NSDL in terms of depository participants (DPs) also went up smartly from 241 cities in 2003-04 to 340 cities in 2004-05, while in the case of CDSL, the increase was from 108 to 124.

The process of dematerialization of bonds and commercial papers too gained ground, with an increase of 13.3% posted in the year 2004-05 as far as the value of dematerialized bonds at NSDL is concerned. The total value of bonds dematerialized as at the end of 2004-05 was Rs.2,81,205 crore.

**5. DERIVATIVES**

The instruments available in the derivatives segment of the stock market are index futures, index options, stock options, single stock futures and interest rate futures. There is very little trading in interest rate futures. The situation, however, is different in the case of index and stock derivatives. During 2004-05, the combined turnover in the derivatives segments of NSE and BSE increased by 19.6% over the previous year. The total number of derivatives contracts traded on NSE and BSE rose from 5.73 crore in 2003-04 to 7.75 crore in 2004-05, marking an increase of 35.4%. NSE has a market share of 99.3% in this segment and its derivatives turnover was 2.23 times of that recorded in its cash market during 2004-05.

Product-wise, single stock futures continued to be the most popular derivatives product accounting for roughly 60% of the total derivatives turnover, followed by index futures at 30%, stock options at 7% and index options at 3%.

An important indicator used by market intermediaries to gauge market movements is the put-call ratio (PCR). The PCR for index derivatives was in the range of 51 to 99 during the financial year 2004-05, signifying that the number of calls were greater than the number of puts. The PCR for stock derivatives was much lower and was in the range of 23 to 39%.

**6. FOREIGN INSTITUTIONAL INVESTORS**

The Indian economy at present exhibits strong macro-economic resilience. There are other positive factors too, like good corporate results, low rate of inflation, abolishing long-term capital gains tax etc. These factors taken together have influenced the investment perceptions of the foreign institutional investors (FIIs). The net investment, including debt instruments, was Rs.45,881 crore in 2004-05, which is the same as in the previous year (Rs.45,765 crore). In US dollar terms, the net investment by FIIs in the year under review was USD 10.15 billion, which is the highest ever investment on a net basis by FIIs in any year, since the time they were allowed to invest in Indian securities in 1992-93. The cumulative FII investment as on March 31, 2005 was USD 35.93 billion.

FIIs were permitted to participate in the derivatives market since February 2002. As at the end of March 2005, the open interest position of FIIs in single stock futures was 59%, index futures 29.7%, index options 10.9% and stock options 0.4%.

DIRECTORS' REPORT

**7. OPERATIONS OF THE EXCHANGE**

**(i) Membership**

During the year 2004-05, there was no change in the membership of your Exchange. Bangalore, Bhubaneshwar, Cochin, Coimbatore, Hyderabad, Jaipur, Madras, Madhya Pradesh, Magadh, Mangalore, Saurashtra Kutch, Uttar Pradesh and Vadodara Stock Exchanges continue as members of your Exchange.

**(ii) Trader / Dealer Registration**

With the objective of expanding the base of trading members, your Exchange had come up with the scheme of granting a right of one additional trading right of the Exchange to every eligible Dealer in November 2003. Similarly, based on the initial, non-refundable contributions made by the Promoter Exchanges towards the infrastructure development fund of your Exchange, a scheme for offering 15 or 8 trading rights to them was formulated in November 2003.

Acceding to the requests received from the Dealers and the promoter Exchanges, the last date for subscribing for the said rights had been extended into the financial year 2004-05. Your Exchange is pleased to inform you that the response to these schemes has been very favorable, as can be observed from the following table:

Sr. No.	Entity	Additional trading rights subscribed	
		2004-05	2003-04
1	Dealers	263	207
2	Bhubaneshwar Stock Exchange	9	-
3	Cochin Stock Exchange	11	-
4	Coimbatore Stock Exchange	15	-
5	Gauhati Stock Exchange	15	-
6	Madras Stock Exchange	8	-
7	Magadh Stock Exchange	15	-
8	Mangalore Stock Exchange	15	-
9	Saurashtra Kutch Stock Exchange	6	-
10	Uttar Pradesh Stock Exchange	15	-
	<b>Total</b>	<b>372</b>	<b>207</b>

# INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

## DIRECTORS' REPORT

As a result of the concerted efforts made by your Exchange, there has been a good improvement in the number of trading members registered with it. The following table presents the position in this regard:

Category	As on 31.3.2004	Fresh registration	Resignation	Transfer	Default	Expulsion	As on 31.3.2005	Change
Traders	203	10	2	0	1	3	207	+ 4
Dealers	342	53	3	1	6	2	383	+ 41
Total	545	63	5	1	7	5	590	+ 45

The geographical distribution of Traders and Dealers across the different region of the country as on March 31, 2005 is given below:

Sr. No.	Region	States	Traders	Dealers	Total
1.	West	Goa, Gujarat, Maharashtra	35	206	241
2.	North	Haryana, Jammu & Kashmir, New Delhi, Punjab, Rajasthan, Uttaranchal and Uttar Pradesh	12	75	87
3.	East	Assam, Bihar, Jharkhand, Orissa and West Bengal	73	82	155
4.	South	Andhra Pradesh, Karnataka, Kerala and Tamil Nadu	76	12	88
5.	Central	Chattisgarh and Madhya Pradesh	11	8	19
	Total		207	383	590

### (iii) Listing

During the financial year 2004-05, 2 companies were listed on your Exchange and no company had applied for voluntary delisting of their securities in accordance with the provisions of the SEBI (Delisting of Securities) Guidelines, 2003. As at the end of March 2005, there were 12 companies listed on your Exchange, having a market capitalization of Rs.749 crore (previous year: Rs.749 crore). In addition to these companies, your Exchange has permitted trading in an additional 168 securities under the category of permitted securities.

### (iv) Settlement Guarantee Fund

Your Exchange maintains a Settlement Guarantee Fund (SGF) as stipulated by SEBI. The corpus of the SGF has grown from Rs.19.21 crore as at March 2004 to Rs.20.72 crore as at March 31, 2005.

The break-up

Sr. No.	
1	C
2	E
3	S
4	T
5	B
6	in
	B
	in
	B
	ur
	E
	In
	S
	T

### (v) Invest

Your Exchange Fund (ISF) as below:

Particulars
Opening balance
Accretion due
Closing balance

Particulars
Opening balance
Accretion due
(Less) Expenses
Awareness Fund
Closing balance

### (vi) Invest

The Investor against Trade followed up on conciliation matter. Where the parties are

DIRECTORS' REPORT

The break-up of the Settlement Guarantee Fund is given below:

*(Figures in Rs. Crore)*

Sr. No.	Item	As on 31.3.2005	As on 31.3.2004
1	Cash contribution from promoter Exchanges	1.30	1.30
2	SGF admission fees paid in cash by Traders and Dealers	3.89	1.20
3	BMC of Traders and Dealers maintained in the form of cash	4.93	4.54
4	BMC of Traders and Dealers maintained in the form of FDRs/ BGs/ securities	3.85	5.58
5	BMC of Traders maintained in the form of undertakings from the promoter Exchanges	3.23	4.77
6	Interest accrued on cash component of SGF	3.82	3.46
	<b>Total corpus</b>	<b>21.02</b>	<b>19.21</b>

**(v) Investor Protection Fund and Investor Services Fund**

Your Exchange maintains Investor Protection Fund (IPF) and Investor Services Fund (ISF) as per the requirements of SEBI. Details of these funds are given below :

Particulars	IPF	
	2004-05	2003-04
Opening balance	93,369	93,367
Accretion during the year	1,300	2
<b>Closing balance as on March 31<sup>st</sup></b>	<b>94,669</b>	<b>93,369</b>

Particulars	ISF	
	2004-05	2003-04
Opening balance	43,277	1,19,475
Accretion during the year	6,98,317	23,802
(Less) Expenses incurred on Investor Awareness Programmes	55,887	1,00,000
<b>Closing balance as on March 31<sup>st</sup></b>	<b>6,85,707</b>	<b>43,277</b>

**(vi) Investors' Grievance Cell**

The Investors' Grievance Cell attends to all complaints lodged by the investors against Traders and Dealers, as well as against companies. Every complaint is followed up promptly by your Exchange with the concerned respondent and conciliation meetings are arranged between the parties, if required, to resolve the matter. Where such conciliation effort does not lead to an amicable settlement, the parties are advised to refer the matter to arbitration.

## INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

### DIRECTORS' REPORT

The status with regard to complaints received and resolved during the financial year 2004-05, along with the comparative position for the previous year, is given below:

Period	Pending at the beginning of the year	Received during the year	Resolved during the year	Closed during the year	Pending at the end of the year
2003-04	5	11	6	4	6
2004-05	6	Nil	Nil	1	5

With the objective of providing convenient service to investors, your Exchange operates an Investor Point kiosk on the ground floor of the Vashi Railway Station complex and at Borivli, Mumbai. Similar kiosks are proposed to be set up at other important locations in Mumbai and other cities.

The Investors' Services Committee of your Exchange monitors the status of investor grievances and takes appropriate action for resolving the cases expeditiously.

#### (vii) DP Operations

There has been a significant increase in the depository participant (DP) operations handled by your Exchange during the year 2004-05. Your Exchange is registered as a clearing house DP with National Securities Depository Ltd. (NSDL) and a commercial DP with Central Depository Services (India) Ltd. (CDSL). Your Exchange has received approval from NSDL extending its registration for a further period of 5 years, i.e. upto March 8, 2009. The registration with CDSL is valid until February 26, 2006.

New branches were opened at Delhi, Kolkata, Coimbatore and Tirunelveli during the fiscal year under review. An Investor Point was opened at Borivli during this period. To take care of the growing needs of the clients who have opened their demat accounts with your Exchange, procedures and systems were overhauled and a new software (CROSS from Acer e Solutions Pvt. Ltd.) having comprehensive functionality was implemented in May 2005.



DIRECTORS' REPORT

As a result of these measures, the DP business of your Exchange has grown by a remarkable extent in the year 2004-05. The following table provides the salient details about the DP operations of your Exchange:

Sr. No.	Particulars	2004-05	2003-04
1	No. of demat accounts	4,291	2,464
2	No. of NSDL instructions processed	5,80,024	2,92,092
3	No. of CDSL instructions processed	2,00,400	94,075
4	No. of demat request forms processed	7159	778
5	No. of branches	5	1
6	No. of Investor Points	3	-
7	Gross income from DP operations (Rs. lakh)	38.85	14.8

(viii) Training & Research Centre

Awareness Programmes

The ISE Training & Research Centre (ISE TRC) has been conducting training programmes on different subjects related to the capital market, as part of its effort to spread knowledge and awareness to a wide cross section of people – investors, intermediaries, issuers and general public – in Mumbai, as well as at other cities. Such programmes were also held in 2004-05, some of which were done under the aegis of the Securities Market Awareness Campaign launched by SEBI. All these programmes have been well received by the participants. Details of these programmes are given below:

Date	Place	Programme
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	Stock Market Operations (Investor Education Series)
May 29, 2004	Vashi, Navi Mumbai	Investment Opportunities
June 26, 2004	Indian Institute of Capital Market, Vashi	Investment Opportunities - Shares, Mutual Funds and Other Investments (jointly with Rotary Club of Millennium City, Navi Mumbai)
July 24, 2004	Vashi, Navi Mumbai	Role of Financial Planning
October 10, 2004	Vashi, Navi Mumbai	Derivatives (Refresher Programme)
December 18, 2004	Vashi, Navi Mumbai	ODIN trading system

# INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

## DIRECTORS' REPORT

### 10. CORPORATISATION AND DEMUTUALISATION

As advised by SEBI, your Exchange has submitted a revised scheme for corporatisation and demutualisation, in tune with the provisions of the Securities Laws (Amendment) Act, 2004 and on similar lines as the scheme of BSE, which has been approved by SEBI. The approval of SEBI for the scheme submitted by your Exchange is expected to be received shortly.

Under the revised scheme of corporatisation and demutualization, your Exchange would be converted into a "for profit" share capital company having an authorized capital of Rs.20 lakh. Promoter Exchanges which have contributed Rs.70 lakh each to the infrastructure development of your Exchange would be entitled to subscribe to 70,000 equity shares of your institution upon its conversion into a share capital company, while the Exchanges which have paid Rs.30 lakh and Rs.40 lakh would be entitled to proportionate number of shares. The scheme also envisages restructuring of your Exchange within a period of one year in such a manner that atleast 51% of the shareholding is with persons / entities other than stock brokers and Promoter Exchanges.

Your Exchange is also amending its Memorandum of Association, Articles of Association and Rules, so as to make them consistent with the corporatisation and demutualization scheme and the Model Rules framed by SEBI for the stock exchanges. Approval of SEBI is awaited for the same.

### 11. INDONEXT

The Federation of Indian Stock Exchanges (FiSE), of which your Exchange is a member, and BSE have presented a joint proposal to SEBI for creating a common trading platform for small and medium-cap companies having paid-up capital upto Rs.2 crore. SEBI has accorded in-principle approval to this proposal.

Shri P. Chidambaram, Honourable Union Finance Minister, inaugurated the first phase of the IndoNext project on January 7, 2005. With the commissioning of the first phase all trading members of BSE, including exchange subsidiaries, are able to trade in the securities grouped under the separate segment created on the BOLT system by BSE which also includes some securities listed exclusively on the regional stock exchanges.

In the second phase, members of all the participating exchanges would be able to trade in the securities grouped under the IndoNext segment and issue contract notes of their respective stock exchanges. Thus mode of functioning has become possible because of the enactment of the Securities Laws (Amendment) Act, 2004 in January 2005 with retrospective effect from October 2004, which has amended the Securities Contracts (Regulation) Act, 1956.

DIRECTORS' REPORT

For the purpose of overseeing the implementation of the IndoNext project and for establishing the policy framework for this market, an IndoNext Council consisting of six representatives from BSE and five from the FISE exchanges has been constituted. The Managing Director of your Exchange is a member of the IndoNext Council.

IndoNext is expected to revive the trading and clearing activities on your Exchange, as its trading members would be able to participate in the national order book created on the BOLT system for the securities of the small and medium enterprise (SME) companies. Your Exchange is also hopeful that this development would in time attract listing by SMEs.

**12. SUBSIDIARY OPERATIONS**

The operations of the subsidiary of your Exchange, namely, ISE Securities & Services Ltd. (ISS), have expanded in terms of the cities covered in 2004-05, though this was not accompanied by a matching increase in the total turnover recorded, as compared to the previous year.

While the number of cities covered by ISS has grown from 54 spanning over 18 states of the 2003-04 to 73 cities spanning in 17 states in 2004-05, the total trading turnover recorded by the subsidiary declined from Rs.33,937 crore in the previous year to Rs.31,451 crore in the year under review. The gross income of ISS has, however, risen by 11%, from Rs.587.79 crore in 2003-04 to Rs.652.66 crore in 2004-05, mainly on account of improved earnings on interest and other income. The total expenditure, inclusive of depreciation and deferred revenue expenses, moved up from Rs.423.03 crore in the previous year to Rs.494.76 crore in the year under review, leaving a net profit of Rs.1.09 crore in 2004-05 (previous year: Rs.1.06 crore).

The peak daily turnover in the capital market segment was Rs.138 crore, which was recorded on January 5, 2005, while for the futures & options segment, the highest turnover of Rs.70.45 crore was achieved on February 28, 2005.

**13. FINANCIAL HIGHLIGHTS**

The process of improving the financial position of your Exchange, initiated a few years ago, gained further strength during 2004-05. The gross income of your Exchange has gone up from Rs.292.75 crore in 2003-04 to Rs.362.26 crore in 2004-05, mainly on account of improved performance of the DP business and better fund management. These efforts resulted in a 24% growth in the top-line compared to that of the previous year. The total expenses, excluding depreciation, have shown an increase of 55% in the year under review, up from Rs.137.75 crore to Rs.213.56 crore. The printing & stationery, repairs & maintenance, postage & courier and bank charges were the heads accounting for increase in the year under review. After taking into account the depreciation charge, which has not changed significantly, the net profit of your Exchange for the year ended March 31, 2005 was Rs.6.17 lakh (previous year: Rs.11.41 lakh).

# INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

## DIRECTORS' REPORT

The comparative performance of your Exchange during the last 5 years is given below:

(Figures in Rs. lakh)

Head	2004-05	2003-04	2002-03	2001-02	2000-01
Total Income	362.26	292.75	155.51	193.42	219.58
Employee Cost	57.87	48.23	39.48	49.71	80.11
Administrative & Operative Costs (excluding Deferred Revenue Expenses)	155.69	89.52	72.96	262.29	210.60
Interest	0.00	0.00	1.90	65.92	24.96
Total Expenses	213.56	137.75	114.34	377.92	315.67
Cash Profit/(Loss)	148.70	155.00	41.17	(184.50)	(96.09)
Depreciation	142.53	143.59	142.70	180.89	187.09
Deferred Revenue Expenses (charged to Profit & Loss)	0.00	0.00	26.71	26.71	26.71
Total Expenditure	356.09	281.34	283.75	585.52	529.46
Excess of Income over Revenue (carried forward to the Balance Sheet)	6.17	11.41	(128.25)	(392.11)	(309.89)

Your Exchange expects to generate a healthy net profit in the year 2005-06.

### 14. FUTURE PROSPECTS

The DP business of your Exchange is expected to be one of its mainstays, contributing to a significant share of the gross income. Growth in the future will be on account of expansion of the branch network, increase in the number of demat accounts handled and rise in the number of instructions processed. With the streamlining of the procedures consequent to the implementation of the new CROSS software, your Exchange is well-equipped to meet the growing needs of the future. With a view to offering the complete suite of DP services, your Exchange proposes to add NSDL to its product range. The DP operations will receive a further boost when physical settlement is permitted on the commodities exchanges, as this would entail handling of demat warehouse receipts. In this regard, your Exchange has registered itself with the National Commodity Derivatives Exchange (NCDEX) for handling settlement of demat warehouse receipts.

The small beginning made by the ISE TRC in conducting certificate courses on various subjects related to the financial markets will gain further momentum in the times to come. Not only would the ISE TRC ensure that the courseware for the certificate programmes currently handled be kept upto date, but also new areas would be introduced, depending upon the demand. Your Exchange has a vision to develop training on financial market subjects as one of its core competencies.

INTE

The assiduous work of the IndoNext platform will help in the revitalization of the Exchange. The value added throughout the country. The cost-effectiveness of the mechanism, it is at the full spectrum of manner.

### 15. INFRASTRUCTURE

The registered office of International Infotech is set up at Delhi (North Zone) and South Zone). In addition, investors, are functioning registered office, regional offices of the Trader and communication systems.

### 16. INSURANCE

All assets and properties of Investor Points are adequately insured.

### 17. DIRECTORS' REPORT

Pursuant to the provisions of the Companies Act, 1956, the directors confirm that the accounts for the year ended March 31, 2005 are true and correct.

The applicable provisions of the Companies Act, 1956, have been followed in the preparation of the accounts. The directors have made judicious use of the provisions of the Act to give a true and fair view of the financial position of the Exchange for the year 2005 and Profit and Loss account. The accounts are proper and sufficient for the purpose of accounting records and for the purposes of the Act, 1956, for safeguarding the interests of the shareholders and for detecting frauds and errors in the annual accounts.

DIRECTORS' REPORT

The assiduous work being put in by BSE and your Exchange for implementing the IndoNext platform for SMEs would bear fruit in 2005-06 and 2006-07. This project would help in the revitalization of both the primary and secondary market functions of your Exchange. The vast network of registered intermediaries of your Exchange spread throughout the country would serve as convenient points of service for retail investors. The cost-effectiveness and technological sophistication of your Exchange's distribution mechanism, it is anticipated, would generate much greater interest from investors for the full spectrum of services provided by the trading members in a safe and speedy manner.

15. **INFRASTRUCTURE**

The registered office of your Exchange, which is also its head office, is located at International Infotech Park, Vashi, Navi Mumbai and four regional offices have been set up at Delhi (North Zone), Kolkata (East Zone), Nagpur (Central Zone) and Coimbatore (South Zone). In addition, Investor Points, acting as frontline interfaces for the investors, are functioning from Vashi, Borivli and R.S. Purum (Tamilnadu). The registered office, regional offices and the Investor Points are well connected to the offices of the Traders and Dealers across the country through state-of-the-art computer and communication systems. The infrastructure of your Exchange allows instantaneous communication across the network through efficient electronic message delivery systems.

16. **INSURANCE**

All assets and properties of your Exchange at the head office, branch offices and the Investor Points are adequately covered by insurance.

17. **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 31, 2005:

- the applicable accounting standards have been followed and no material departures 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 your Exchange as at March 31, 2005 and Profit & Loss Account for the year ended March 31, 2005;
- 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 your Exchange and for preventing and detecting frauds and other irregularities, and;
- the annual accounts have been prepared on a going-concern basis.

**INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.**

**DIRECTORS' REPORT**

**18. BOARD OF DIRECTORS**

From April 1, 2004 till date, nine meetings of the Board of Directors were held, as detailed below:

Meeting No.	Date
50	April 17, 2004
51	June 19, 2004
52	August 21, 2004
53	September 28, 2004
54	November 3, 2004
55	November 27, 2004
56	January 22, 2005
57	April 02, 2005
58	June 25, 2005

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

Sr. No.	Name of Director	Particulars	Date of appointment/ resignation/ retirement
1	Shri M. R. Mayya	Ceased to be Public Representative Director (and also the Chairman of your Exchange), on completion of term	April 17, 2004
2.	Justice (Retd.) A. D. Tated	Ceased to be Public Representative Director	April 17, 2004
3.	Ms. Vimala Visvanathan	Ceased to be Public Representative Director	April 17, 2004
4.	Dr. S. D. Israni	Appointed as Public Representative Director	April 17, 2004
5.	Shri Sandeep H. Junnarkar	Appointed as Public Representative Director	April 17, 2004
6.	Dr. M. Y. Khan	Appointed as Public Representative Director	April 17, 2004
7.	Shri Ashish M. Parikh	Ceased to be Trading Member Director	September 28, 2004
8.	Shri Bimal Kumar Nahata	Ceased to be Trading Member Director	September 28, 2004

DIRECTORS' REPORT

Sr. No.	Name of Director	Particulars	Date of appointment / resignation/ retirement
9.	Shri R. H. Sarma	Appointed as Public Representative Director	January 22, 2005
10.	Shri M. W. Deshmukh	Ceased to be Public Representative Director	January 22, 2005
11.	Shri S. Anantharaman	Appointed as Trading Member Director	April 2, 2005
12.	Dr. K. Sabapathy	Ceased to be Trading Member Director	April 2, 2005
13.	Prof. V. R. Iyer	Resigned as Public Representative Director	June 25, 2005

**CONSTITUTION OF STATUTORY AND OPERATIONAL COMMITTEES**

Our Exchange has constituted the various Statutory and Operational Committees, as required by SEBI. Details of the composition of these Committees for the year 2004-05, as well as for the previous year, are given below.

**Central Arbitration Panel**

Sr. No.	2004-05		2003-04	
	Name	Category	Name	Category
1	Shri J. J. Bhatt	Non-trading member	Justice (Retd.) A. D. Tated	Non-trading member, Chairman
2	Dr. P. Asthana	Non-trading member	Shri V. H. Pandya	Non-trading member
3	Shri Kirit P. Mehta	Non-trading member	Smt. S. M. Rege	Non-trading member
4	Dr. Shailendra Narain	Non-trading member	Shri B. S. Hegde	Non-trading member
5	Shri Suraj Bajaj	Trading member	Shri Sunil Dalal	Non-trading member
6	Shri K. Sriram	Trading member	Dr. Sailendra Narain	Non-trading member
7	Shri Ganesh Shanbhag	Trading member	Shri Suraj Bajaj	Trading member
8	Shri Dhiraj Gala	Trading member	Shri K. Sriram	Trading member
9			Shri Ganesh Shanbhag	Trading member

**INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.**

**DIRECTORS' REPORT**

Sr. No.	2004-05		2003-04	
	Name	Category	Name	Category
10			Shri Dhiraj Gala	Trading member

**Defaults Committee**

Sr. No.	2004-05		2003-04	
	Name	Category	Name	Category
1	Dr. P. Asthana	Non-trading member	Dr. D. K. Bhatia	Non-trading member, Chairman
2	Dr. Sailendra Narain	Non-trading member	Dr. Sailendra Narain	Non-trading member
3	Shri G. D. Mundra	Trading member	Smt. S. M. Rege	Non-trading member
4	Shri Yatin Shah	Trading member	Shri G. D. Mundra	Trading member
5	Shri V. Shankar	Managing Director	Shri Yatin Shah	Trading member
6			Shri V. Shankar	Managing Director

**Disciplinary Action Committee**

Sr. No.	2004-05		2003-04	
	Name	Category	Name	Category
1	Shri J. J. Bhatt	Non-trading member	Justice (Retd.) A. D. Tated	Non-trading member, Chairman
2	Dr. Bindi Mehta	Non-trading member	Shri B. S. Hegde	Non-trading member
3	Shri Jayant Vidwans	Trading member	Shri Sunil Dalal	Non-trading member
4	Shri Sanjeev Khemani	Trading member	Shri Jayant Vidwans	Trading member
5	Shri V. Shankar	Managing Director	Shri Sanjeev Khemani	Trading member
6			Shri V. Shankar	Managing Director



**INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.**

**DIRECTORS' REPORT**

**Screening (i.e. Membership Selection) Committee**

Sr. No.	2004-05		2003-04	
	Name	Category	Name	Category
1	Shri R. M. Joshi	Public Representative, Chairman	Shri R. M. Joshi	Public Representative, Chairman
2	Prof. V. R. Iyer	Public Representative (ceased to be a Committee Member w.e.f. June 25, 2005)	Prof. V. R. Iyer	Public Representative
3	Shri V. Shankar	Managing Director	Shri M. W. Deshmukh	Public Representative
4	Prof. P. V. Narasimham	Co-opted as a Committee Member w.e.f. June 25, 2005	Shri V. Shankar	Managing Director

**Audit Committee**

Sr. No.	2004-05		2003-04	
	Name	Category	Name	Category
1	Prof. V. R. Iyer	Public Representative, Chairman (ceased to be a Committee Member w.e.f. June 25, 2005)	Prof. V. R. Iyer	Public Representative, Chairman
2	Shri R. M. Joshi	Public Representative	Shri R. M. Joshi	Public Representative
3	Dr. S. D. Israni	Public Representative	Shri M. W. Deshmukh	Public Representative
4	Dr. M. Y. Khan	Public Representative	Dr. S. D. Israni	Public Representative
			Dr. M. Y. Khan	Public Representative

**INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.**

**DIRECTORS' REPORT**

**Ethics Committee**

Sr. No.	2004-05		2003-04	
	Name	Category	Name	Category
1	Prof. P. V. Narasimham	Public Representative, Chairman	Prof. P. V. Narasimham	Public Representative Chairman
2	Shri Sandeep H. Junnarkar	Public Representative	Shri Sandeep H. Junnarkar	Public Representative
3	Shri V. Shankar	Managing Director	Shri Ashish M. Parikh	Trading mem
4			Shri V. Shankar	Managing Director

**Investors Services Committee**

Sr. No.	2004-05		2003-04	
	Name	Category	Name	Category
1	Dr. M. Y. Khan	Public Representative, Chairman	Dr. M. Y. Khan	Public Representative Chairman
2	Prof. P. V. Narasimham	Public Representative	Prof. P. V. Narasimham	Public Representative
3	Dr. S. D. Israni	Public Representative	Dr. S. D. Israni	Public Representative
4	Shri V. Shankar	Managing Director	Shri V. Shankar	Managing Director

**20. INSPECTION OF THE STOCK EXCHANGE BY SEBI**

SEBI conducted an inspection of your Exchange for the period April 2002 to April 2004 between May 26, 2004 and June 1, 2004 and submitted the inspection report in August 2004.

Your Exchange is taking appropriate action in response to the observations made in the inspection report and the corrective actions taken are reported to SEBI on a quarterly basis.

**21. RENEWAL OF RECOGNITION**

As required under Section 3 of the Securities Contracts (Regulation) Act, 1956 and Rule 7 of the Securities Contracts (Regulation) Rules, 1957, your Exchange had filed its application for renewal of recognition to SEBI. SEBI has renewed the recognition of your Exchange for a further period of 2 years from November 18, 2004 to November 17, 2006.

# INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

## DIRECTORS' REPORT

### PARTICULARS OF SUBSIDIARY COMPANY

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, 2005, Report of the Board of Directors and the Report of the Auditors for the year ended March 31, 2005 for Securities & Services Ltd., the wholly-owned subsidiary of your Exchange. The statement of the holding company's interest in the subsidiary company as specified in sub-section (3) of Section 212 of the Companies Act, 1956 also forms part of this Annual Report.

Your Exchange has invested Rs.5.5 crore towards the share capital of the subsidiary. There has been no change in the share capital of the subsidiary during the year 2004-05.

### AUDITORS

G. C. Chokshi & Co., Chartered Accountants, were appointed by the Members of your Exchange in the Sixth Annual General Meeting as statutory auditors of your Exchange to hold office till the conclusion of the Seventh Annual General Meeting.

The Auditors' Report does not contain any dis-qualification.

### PARTICULARS OF EMPLOYEES

In the light of the enhancement in the limits relating to payment of remuneration, the disclosure on 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 79 as on March 31, 2005, consisting of both permanent employees, as well as those who were on contract or temporary basis. Out of the total strength, 44 have been deputed to your Exchange's subsidiary, ISS, on full-time basis.

### STATUTORY DISCLOSURE OF PARTICULARS

The disclosure required 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 disclosures have been provided.

### CORPORATE GOVERNANCE

Your Exchange is committed to following good corporate governance practices. The Board of Directors, Chairman, Managing Director and the entire staff working for your

**INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.**

**DIRECTORS' REPORT**

Exchange and its Subsidiary are aware of the importance of adhering to good financial standards. Accordingly, their actions reflect this commitment.

**PUBLIC DEPOSIT**

Exchange has not accepted any deposit from the public.

**KNOWLEDGEMENT**

Board of Directors of your Exchange wish to place on record their deep sense of gratitude to Shri M. Damodaran, Chairman, SEBI, Shri Madhukar and Shri G. Anantharaman, Whole-time members, SEBI, as well as other officers of SEBI for the support and encouragement extended to your Exchange. The Board of Directors also thank all the Promoter Exchanges, Traders, Dealers, officials of the Ministry of Finance, Government of India, officials of the Government of Maharashtra, Mahanagar Telephone Nigam Ltd., Bharat Sanchar Nigam Ltd. and other agencies for their co-operation.

Your Exchange also expresses its heartfelt appreciation for the invaluable contribution rendered by Shri M. R. Mayya, the first Chairman, Justice (Retd.) A. D. Tated, Ms. Anjala Visvanathan, Shri M. W. Deshmukh, Prof. V. R. Iyer, Public Representative, Directors and Shri Ashish M. Parikh, Shri Bimal Kumar Nahata and Dr. K. Sabapathy, Consulting Member Directors.

Sincere thanks are also due to the officers and staff 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 of these two organisations.

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

By order of the Board of Directors

Sd/-

**P. V. NARASIMHAM**  
Chairman

**V. SHANKAR**  
Managing Director

Date: August 31, 2005  
Place: Vashi, Navi Mumbai

Details

Name of the Director  
status

Prof. P. V. Narasimham  
Public Representative  
(till April 17, 2004)

Shri M. W. Deshmukh  
Public Representative  
(upto January 22, 2005)

Prof. V. R. Iyer  
Public Representative  
(upto June 25, 2005)

Shri R. M. Joshi  
Public Representative

Shri Sandeep H. Junn  
Public Representative

Dr. B. D. Israni  
Public Representative

Dr. M. Y. Khan  
Public Representative

Shri V. A. Vijayan Men  
SEBI Nominee

Shri Ashish M. Parikh  
Consulting Member Nomin

Bangalore Stock Excha  
(upto September 28, 20

Shri Bimal Kumar Nah  
Consulting Member Nomin

Mumbai Stock Exchang  
(upto September 28, 20

Shri Rameshwar Nath  
Consulting Member Nomin

Mumbai Stock Exchang

Dr. Asha Manjari Mis  
Consulting Member Nomin

Bangalore Stock Exch

Dr. K. Sabapathy  
Consulting Member Nomin

Bangalore Stock Exch  
(upto April 2, 2005)

Dr. R. H. Barma  
Public Representative

Dr. S. Anantharaman  
Consulting Member Nomin

Bangalore Stock Exch  
(upto April 2, 2005)

Dr. V. Shankar  
Managing Director

**Details of Attendance of the Directors in the Board Meetings**

Name of the Director and status	No. of Meetings held during the tenure	No. of Meetings Present	Status at 6 <sup>th</sup> Annual General Meeting held on September 28, 2004
Prof. P. V. Narasimham Public Representative Chairman (wef April 17, 2004)	9	8	Present
Shri M. W. Deshmukh Public Representative (upto January 22, 2005)	7	7	Present
Prof. V. R. Iyer Public Representative (upto June 25, 2005)	8	8	Present
Shri R. M. Joshi Public Representative	9	6	Present
Shri Sandeep H. Junnarkar Public Representative	9	4	Present
Dr. B. D. Israni Public Representative	9	8	Absent
Dr. M. Y. Khan Public Representative	9	9	Present
Shri V. A. Vijayan Menon EIL Nominee	9	2	Absent
Shri Ashish M. Parikh Leading Member Nominee, Bangalore Stock Exchange (upto September 28, 2004)	3	2	Present
Shri Bimal Kumar Nahata Leading Member Nominee, Lucknow Stock Exchange (upto September 28, 2004)	3	0	Absent
Shri Rameshwar Nath Pandey Leading Member Nominee, Lucknow Stock Exchange	9	3	Absent
Shri. Asha Manjari Mishra Leading Member Nominee, Lucknow Stock Exchange	9	2	Absent
Shri K. Sabapathy Leading Member Nominee, Chennai Stock Exchange (upto April 2, 2005)	7	2	Absent
Shri R. H. Barma Public Representative	3	1	Not Applicable
Shri B. Anantharaman Leading Member Nominee, Chennai Stock Exchange (upto April 2, 2005)	1	1	Not Applicable
Shri V. Shankar Managing Director	9	9	Present

**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, 2004 to March 31, 2005	
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).
		===== 55,00,000	Equity Shares of Rs. 10/- each fully paid-up
4.	Extent of Shareholding	As on March 31, 2005, the Holding Company held the entire share capital consisting of 55,00,000 equity shares of Rs. 10/- each fully paid-up in the subsidiary company.	
5.	Net aggregate amount of Profit 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, 2005:		
	(i) For the financial year mentioned in 2 above.	Rs.1,09,03,257	
	(ii) For the previous financial year.	Rs.1,06,01,985	

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, 2005:  (i) For the financial year mentioned in 2 above.  (ii) For the previous financial year.	Nil

By order of the Board of Directors

Sd/-

**P. V. NARASIMHAM**  
Chairman

**V. SHANKAR**  
Managing Director

Date: August 31, 2005

Place: Vashi Navi Mumbai

## 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. 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> Annual General Meeting of the Company, were held as per details given below.

No. of the Annual General Meeting	Date on which the Meeting was held	Place of the Meeting
4 <sup>th</sup>	September 30, 2002	Registered Office the Company
5 <sup>th</sup>	September 29, 2003	Registered Office the Company
6 <sup>th</sup>	September 28, 2004	Indian Merchants' Chamber, Opp. Churchgate Station, Mumbai - 400020.

### 2. Extra-ordinary General Meetings (EGMs):

Subsequent to the issue of Notice for the 6<sup>th</sup> Annual General Meeting and before the holding of the 7<sup>th</sup> Annual General Meeting, two Extra-ordinary General Meetings of the Members of the Company were held.

The first EGM was held on September 11, 2004 at Hotel Inder Residency, Ahmedabad. In this meeting, the Special Business relating to amendment in Article 15.1 of the Articles of Association to take care of the trading rights of Traders attached to an Exchange which has been de-recognised by SEBI, was transacted.

The second EGM was held on January 22, 2005 at the Registered Office of the Company. In this meeting, the Special Businesses relating to the approval of the scheme for corporatisation and demutualisation of the Exchange and approval for the Memorandum of Association, Articles of Association and Rules of ISE (limited by share capital) were transacted.

By order of the Board of Directors

Sd/-

**P. V. NARASIMHAM**  
Chairman

**V. SHANKAR**  
Managing Director

Date: August 31, 2005  
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 31<sup>st</sup> March, 2005 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 enclose 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 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;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2005 from being

appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

- f) Without qualifying our opinion, we draw attention to Note 14 in Schedule 13 regarding accounts of the Company being prepared on a going concern basis.
- g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with 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 31<sup>st</sup> March, 2005;
  - 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

Mumbāi, Dated: June 25, 2005

A. B. Jani  
Partner  
Membership No. 46488

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 year have been such that clauses (ii), (viii), (xiii) and (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- ii) In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) All the fixed assets have been physically verified by the management during the year. According to the information and explanations given to us no material discrepancies were noticed on such verification.
  - (c) The Company has not disposed off substantial part of fixed assets during the year.
- 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), (d), (e), (f) and (g) of clause (iii) are not applicable to the company.
- iv) In our opinion, and according to the information and explanations given to us, there is an internal control system commensurate with the size of the Company and nature of its business for the purchase of fixed assets and for the sale of services. The activities of the Company do not involve Purchase of inventory and Sale of goods. 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 contract or arrangements 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
- viii) According to information and explanations given to us in respect of statutory and other dues:
- (a) The company has generally been regular in depositing undisputed statutory dues in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, cess and any other material statutory dues with the appropriate authorities during the year.
- (b) According to information and explanations given to us there are no dues of sales tax / income-tax / customs duty / wealth tax / service tax/ excise duty and cess, which have not been deposited with the appropriate authorities 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 financial year covered by our audit and 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 information and explanations given to us and on an overall examination of the balance sheet of the Company, funds raised on short-term basis have, prima facie, not been used during the year for long-term investment (fixed assets, etc.)

xv) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.

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

xvii) The Company has not raised any money by way of public issues during the year.

xviii) According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

Mumbai, Dated: June 25, 2005

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

A. B. Jani  
Partner  
Membership No. 46488

**Inter-connected Stock Exchange of India Ltd.**

**Balance Sheet as at March 31, 2005**

	Schedule	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Sources of funds</b>			
<b>Shareholders' funds</b>			
Share Capital (Company Limited by Guarantee)		Nil	Nil
Admission Fees/Contribution towards Infrastructure Development	1	91,800,000	91,750,000
Advance towards Share Capital on demutualisation (Refer note 18 of Schedule 13)		310,000	
Reserves and Surplus	2	220,217,890	226,005,088
<b>Total</b>		<b>312,327,890</b>	<b>317,755,088</b>
<b>Application of funds</b>			
<b>Fixed assets</b>			
Gross block	3	139,458,493	164,920,418
Less: Depreciation		94,053,754	91,276,451
Net block		45,404,739	73,643,967
Capital work-in-progress		3,039,182	3,589,132
		48,443,921	77,233,099
Investments	4	55,000,000	55,000,000
<b>Current Assets, Loans and Advances</b>			
<b>Current Assets</b>			
Cash and Bank Balances	5	198,796,419	161,736,304
Sundry Debtors	6	2,714,003	3,824,522
Loans and Advances	7	12,036,666	10,506,073
		213,547,088	176,066,899
<b>Less: Current Liabilities and Provisions</b>			
Current liabilities	8	141,687,855	127,760,270
Deferred Payment Liabilities	9	104,393	530,344
		141,792,248	128,290,614
Net Current Assets		71,754,840	47,776,285
Profit and Loss Account		137,129,129	137,745,704
<b>Total</b>		<b>312,327,890</b>	<b>317,755,088</b>
Significant Accounting Policies and Notes forming part of the Accounts	13		

As per our attached Report of even date

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

For and on behalf of the Board of Directors

s/d  
A. B. Jani  
Partner

s/d  
P. V. Narasimham  
Chairman

s/d  
V. Shankar  
Managing Director

s/d  
Dipak K. Shah  
Company Secretary  
Mumbai

Mumbai  
Dated: June 25, 2005

Dated: June 25, 2005

**Inter-connected Stock Exchange of India Ltd.**  
**Profit and Loss Account for the period ended March 31, 2005**

	Schedule	Period ended March 31, 2005 (Rupees)	Year ended March 31, 2004 (Rupees)
<b>Income</b>	10	36,225,981	29,275,208
<b>Total</b>		36,225,981	29,275,208
<b>Expenditure</b>			
Employee Costs	11	5,787,243	4,823,031
Administration and Operational Expenses	12	15,569,065	8,952,125
Depreciation		20,795,259	20,638,953
Less: Adjusted against Capital Reserve (Refer Note 1 and Note 9 of Schedule 13)		6,542,161	6,279,749
<b>Total</b>		14,253,098	14,359,204
		35,609,406	28,134,360
<b>Profit for the year</b>		616,575	1,140,848
Balance brought forward from previous year		(137,745,704)	(138,886,552)
<b>Balance carried to the Balance sheet</b>		<b>(137,129,129)</b>	<b>(137,745,704)</b>
Significant Accounting Policies and Notes forming part of the Accounts	13		

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

For and on behalf of the Board of Directors

s/d  
 A. B. Jani  
 Partner

s/d  
 P. V. Narasimham  
 Chairman

s/d  
 V. Shankar  
 Managing Director

s/d  
 Dipak K. Shah  
 Company Secretary  
 Mumbai

Dated: June 25, 2005

Mumbai  
 Dated: June 25, 2005

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

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
Schedule 1 : Admission Fees/ Contribution towards Infrastructure development		
Member's Admission Fees	7,650,000	7,650,000
Contribution towards Infrastructure Development (Refer Note 4 of Schedule 13)	84,150,000	84,100,000
Total	91,800,000	91,750,000



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

		As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 2 : Reserves and Surplus</b>			
<b>Capital Reserve</b>			
<b>(I) Networking Equipment Contributions</b>			
Balance as per last Balance Sheet	18,557,167		23,575,541
Add: Received during the year	429,764		1,742,310
Less: Adjustment towards Networking Equipments written off (Refer Note 9 of Schedule 13)			480,335
Less: Adjustment towards Networking Equipments transferred to Dealers/Traders	9,039,326		
Appropriation towards Depreciation (Refer Note 9 of Schedule 13)	6,542,151		6,279,749
		3,408,444	16,557,157
<b>(II) Dealer Admission Fees</b>			
Balance as per Balance Sheet	172,011,111		163,751,111
Add: Received during the year (Refer Note 10 of Schedule 13)	2,500,000		10,780,000
Less: Repaid during the year	1,500,000		2,500,000
		173,011,111	172,011,111
<b>Other Reserves</b>			
<b>(I) Settlement Guarantee Fund</b>			
(From initial contribution from Traders and Dealers and accretions by way of levy of charges on transactions during the year)			
(Including Rs 6,464,324/- (Previous year Rs 8,090,150/-) 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	35,300,164		27,064,990
Add: Additions during the year (including Rs 916,471/- on transfer of credit balances of defaulter Dealers/Traders As per Bye-laws)	7,720,795		6,235,174
		43,020,959	33,300,164
<b>(II) Investor Protection Fund</b>			
(From accretions by way of levy of charges on transactions and fines during the year)			
Balance as per last Balance Sheet	93,369		93,367
Add: Additions during the year	1,300		2
		94,669	93,369
<b>(III) Investor Service Fund</b>			
(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	43,277		119,475
Add: Additions during the year (including Rs 661,757/- on transfer of credit balances of expelled Dealers/Traders As per Bye-laws)	698,317		23,802
Less: Expenses incurred on Investor Awareness Programme	55,887		100,000
		685,707	43,277
<b>Total</b>		<b>220,217,890</b>	<b>226,005,048</b>

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

(in Rupees)

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	As at 01.04.2004	Additions	Deductions	As at 31-03-2005	Upto 31-03-2004	For the year	Deductions	Upto 31-03-2005	As at 31-03-2005	As at 31-03-2004
	Leasehold Land	870,526	-	-	870,526	76,363	14,151	-	90,514	780,072
Leasehold Premises	32,585,962	-	-	32,585,962	3,402,786	531,151	-	3,933,937	28,652,025	29,183,176
Machinery and Electrical	4,214,912	91,425	420,810	4,214,912	1,024,191	200,209	250,579	1,224,400	2,990,512	3,190,721
Equipments	4,982,003	216,350	180,359	5,073,428	1,759,853	372,034	60,473	2,131,887	2,941,541	3,222,150
Furniture and Fixtures	841,619	224,707	26,670,933	420,809	427,865	76,623	17,631,007	253,909	166,900	413,754
Vehicles	2,380,922	1,367,695	90,000	2,416,913	612,029	138,838	75,297	690,394	1,726,519	1,768,893
Office Equipments	42,547,242	224,707	26,670,933	16,101,016	22,779,068	6,929,001	17,631,007	12,076,462	4,024,554	19,768,174
Networking Equipment	76,497,132	1,900,177	27,362,102	77,774,827	61,194,296	12,533,212	18,017,956	73,652,211	4,122,616	15,302,836
Computers	164,920,418	1,642,426	777,249	139,458,493	91,276,451	20,795,259	408,814	94,053,754	45,404,739	73,643,967
<b>Total</b>	<b>164,055,241</b>	<b>1,642,426</b>	<b>777,249</b>	<b>164,920,418</b>	<b>71,046,312</b>	<b>20,638,953</b>	<b>408,814</b>	<b>91,275,451</b>	<b>3,039,162</b>	<b>3,589,132</b>
<b>Previous Year</b>								<b>Total</b>	<b>48,443,921</b>	<b>77,233,099</b>

Capital Work in Progress (Networking equipment pending installation)

Note: 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 a Lease Deed has been executed.

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

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 4 : Investments</b>		
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, 2005 (Rupees)	As at March 31, 2004 Rupees
<b>Schedule 5 : Cash and Bank balances</b>		
Cash-on-hand		
<u>Bank Balances:</u>		
<u>with Scheduled Banks</u>		
- In Current Accounts (including Rs.132,144/- (Previous year Rs.146,054/-) in earmarked funds account)	436,888	1,212,930
- In Deposit Accounts (including Rs.102,563,924/- (Previous year Rs.97,412,745/-) in earmarked funds account)  (includes interest accrued Rs.8,114,011/- (Previous year Rs.3,886,612/-))	157,359,531	160,523,374
Total	198,796,419	161,736,304

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

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 6 : Sundry Debtors</b>		
(Unsecured)	1,873,738	3,958,427
Debt outstanding for a period exceeding six months	887,145	197,020
Other Debts	2,760,883	4,155,447
Less: Provision (Refer Note 12 of Schedule 13)	46,880	330,925
Total	2,714,003	3,824,522
Note :		
Considered Good	2,714,003	3,824,522
Considered Doubtful	46,880	330,925
	2,760,883	4,155,447
<b>Schedule 7 : Loans and Advances</b>		
	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
(Unsecured)	3,279,129	1,224,110
Advances given to the subsidiary company	4,020,878	4,466,384
Advances recoverable in cash or kind or for value to be received *	4,960,123	5,039,043
Tax Deducted at Source	12,250,130	10,729,537
	223,464	223,464
Less: Provision	12,036,666	10,506,073
Total		
Note :	12,036,666	10,506,073
(1) Considered Good	223,464	223,464
Considered Doubtful	12,260,130	10,729,537
Total		
(2)* includes Rs.1,053,482/- (Previous year Rs.1,620,560/-) receivable from Promoter Exchanges towards Annual Subscriptions, etc.		

Inter-connected Stock  
Schedules forming part

Schedule 8 : Current
Sundry Creditors*
Total outstanding due to
Total outstanding due to
undertakings
Other Current Liabilities
Deposits **
Contribution towards
Contribution towards
Contributions received
* The above information is available with the C
** Refundable as per
*** Advance contribution by the Traders/Dealers pending registration
Schedule 9 : Deferred
Liabilities to Suppliers

**Inter-connected Stock Exchange of India Ltd.**  
Schedules forming part of the Accounts

	(Rupees)	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 8 : Current Liabilities</b>			
<b>Sundry Creditors*</b>			
Total outstanding dues of Small Scale Industrial undertakings			
Total outstanding dues of creditors other than Small Scale Industrial undertakings	5,886,336	5,886,336	4,623,036
Other Current Liabilities		1,278,200	1,690,700
<b>Deposits **</b>			
Contribution towards Base Minimum Capital of Traders and Dealers		49,288,950	45,417,888
Contribution towards Settlement Stabilisation Fund		13,000,000	13,000,000
Contributions received in Advance ***		72,234,359	63,028,646
<b>Total</b>		<b>141,687,855</b>	<b>127,760,270</b>
* 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, etc pending registration / approval of SEBI.			

		As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 9 : Deferred Payment Liabilities</b>			
Dues to Suppliers towards Capital Goods		104,393	530,344
<b>Total</b>		<b>104,393</b>	<b>530,344</b>

ter-connected Stock Exchange of India Ltd.  
 schedules forming part of the Accounts

Schedule 10 : Income	(Rupees)	For the period ended March 31, 2005 (Rupees)	For the year ended March 31, 2004 (Rupees)
Admission Fees from Traders		45,000	50,000
Annual Subscription received			700,000
- From Promoter Exchanges	250,000		218,000
- From Traders	207,000		4,300,000
- From Dealers (Refer note 21 of Schedule 13)	4,534,375	4,991,375	5,218,000
Income from Depository Participant (DP) Operations		3,888,492	1,480,200
Interest on Bank Deposits, etc.	11,310,355		11,701,906
(TDS Rs. 1,908,058/-, previous year : Rs.2,115,184/-)			
Less : Interest earned on Earmarked Funds	6,464,324		8,090,150
		4,846,031	3,611,756
Interest on short-term loan to subsidiary		19,720	-
Interest on others		548,309	477,482
Interest on Income-tax refund		165,163	763,376
Income from Rent (TDS Rs.561,690/-, previous year Rs 331,979/-)		2,701,851	1,619,400
Application Fees for Additional Trading Rights (Refer Note 15 of Schedule 13)		4,160,000	5,100,000
Reimbursement of Expenses		3,660,618	2,258,140
Charges for use of facilities		6,300,000	6,300,000
Listing Fees		136,200	89,250
Sub-broker Annual Fees		5,000	-
Transaction Charges		-	50,000
Excess provision for doubtful debts written back		330,925	-
Excess provision for earlier years written back		489,393	1,350,630
Admission Fees for Additional Trading Rights (Refer Note 10 of Schedule 13)		240,000	-
Miscellaneous Income		1,686,907	554,650
Recovery of Insurance on Securities (Refer Note 17 of Schedule 13)		1,520,285	220,740
Sundry credit balances written back		490,706	181,510
<b>Total</b>		<b>36,225,981</b>	<b>29,275,200</b>

Schedule 11 : Employee Cost		For the year ended March 31, 2005 (Rupees)	For the year ended March 31, 2004 (Rupees)
Salaries [Net of recovery : Rs. 5,154,815/- (Previous year Rs. 5,131,375/-)]		4,981,730	3,966,440
Contribution to Provident and Other Funds [Net of recovery : Rs.440,475/- (Previous year Rs.449,576/-)]		389,278	318,740
Gratuity [Net of recovery : Rs.460,955/- (Previous year Rs.554,871/-)]		60,678	380,600
Staff Welfare		355,557	182,500
<b>Total</b>		<b>5,787,243</b>	<b>4,848,380</b>

connected Stock Exchange of India Ltd.  
Schedules forming part of the Accounts

ended 2004 s)	Schedule 12 : Administration and Operational Expenses	For the period ended March 31, 2005 (Rupees)	For the year ended March 31, 2004 (Rupees)
	Telephone and Fax Expenses	283,015	121,135
	Internet Subscription	5,899	41,970
50,000	Printing and Stationery	1,150,764	403,627
	Legal and Professional Charges	1,992,479	1,196,383
700,000	Electricity Expenses	1,451,405	1,252,348
218,000	Water Consumption Charges	34,485	75,083
300,000	Repairs and Taxes	844,670	316,656
218,000	Repairs and Maintenance - Leasehold Premises	414,404	436,176
480,200	Repairs and Maintenance - Others	1,306,053	854,157
701,905	Depreciation	347,204	281,766
	Stamp and Courier Expenses	903,653	320,436
3,090,150	Security Expenses	300,730	245,239
3,611,756	Insurance	178,937	303,067
	Charges for hiring computers, projectors etc	60,476	3,000
477,482	Security Expenses	576,940	116,384
753,376	Newspapers and Periodicals	28,031	31,951
1,619,400	Books and References	6,763	4,796
5,100,000	Printing Expenses	640,055	481,851
	Advertising Expenses	271,819	205,041
2,258,140	Travel Expenses	232,566	195,937
6,300,000	Membership and Subscription Charges	55,050	132,000
89,250	Contingencies Expenses	656,173	501,723
	Stocks written off	549,389	60,000
	Loans written off	141,082	-
1,350,630	Provision for Doubtful Debts	46,680	179,925
	Losses on OP Operations	2,095,781	1,158,709
	Fixed Assets written off	257,532	-
554,650	Loss on sale of Fixed Assets	110,231	-
220,740	Charges (including Rs 618,633 - (Previous year Rs Nil) for premature termination of Fixed Assets)	626,299	15,393
181,510			
29,275,200	<b>Total:</b>	<b>15,569,065</b>	<b>8,926,797</b>

For the year ended  
March 31, 2004  
(Rupees)

3,966,440  
318,740  
380,600  
182,500  
4,848,380

42

43

Schedule 13 : Significant Accounting Policies and Notes forming part of the Accounts

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 Contribution in the proportion of the total capital cost incurred and the amounts recovered from Dealers/Traders (Refer Note 9).

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.

Inter-connected S  
Schedule 13 : Sig  
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Dealers' A  
The Dealer  
acquiring t  
contribution  
Networking  
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To the Man  
Salaries  
Contribution  
Perquisites  
Total  
Excludes Rs. 26



**Schedule 13 : Significant Accounting Policies and Notes forming part of the Accounts**

**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, is credited to the funds, in accordance with the Rules and Bye-laws of the Company.

**Settlement Transactions**

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

**Dealers' Admission Fees**

The Dealers Admission Fees, which are one-time admission fees paid by the Dealers for acquiring the right to trade on the Company (i.e. Exchange), are considered as capital contributions and classified accordingly (Refer Note 10)

**Networking Equipment Contributions**

The recoveries made by the Company from Dealers/Traders towards the networking cost 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 Reserves (Refer Note 9).

**1. Gross Managerial Remuneration \***

	31 <sup>st</sup> March 2005 (Rupees)	31 <sup>st</sup> March 2004 (Rupees)
<b>To the Managing Director/s</b>		
Salaries	857,036	764,097
Contribution to Provident Fund and other Funds	109,878	101,334
Perquisites in cash or in kind	Nil	Nil
<b>Total</b>	<b>966,914</b>	<b>865,431</b>

\* Excludes Rs. 26,064 - (Previous year : Nil) ex-gratia payable to the former Managing Director.

**Schedule 13 : Significant Accounting Policies and Notes forming part of the Accounts****3. Payments to Auditors**

	31 <sup>st</sup> March 2005	31 <sup>st</sup> March 2004
	(Rupees)	(Rupees)
<b>As Auditors</b>		
-For Statutory Audit	200,000	150,000
-For Tax Audit	40,000	25,000
-Service Tax	24,480	14,000
<b>Total</b>	<b>264,480</b>	<b>189,000</b>

4. Contributions towards Members Admission Fees and Infrastructure Development aggregating to Rs.91,800,000/- represent non-refundable amounts received from fourteen Promoter Exchanges towards the cost of setting up the Company. The Company proposes to issue Equity shares in proportion to the respective contributions received as part of its corporatisation and demutualisation scheme, on receiving the approval from SEBI (Refer Note 18).
5. Since SEBI is the final authority for registration of Traders/Dealers, the admission fees, annual fee and contribution towards the Settlement Guarantee Fund are accounted on the basis of the date of grant of registration certificate by SEBI, as it signifies the conclusive point of entry of the Traders/Dealers into the Company (i.e. Exchange).
6. 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 collateral securities, and accordingly, have not been accounted in the books of the Company.
7. Sundry Debtors include an amount of Rs.5,000/- (Previous year Rs.35,000) recoverable from Traders/Dealers towards their contribution to the Settlement Guarantee Fund. Steps are being taken to recover the same. The same amount has been accounted and earmarked.
8. 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 stock broker after complying with the required procedures prescribed thereunder, including obtaining No Objection Certificates (NOCs) from SEBI. 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.2,731,026/-, (Previous year : Rs.1,090,000/-) in cash, excluding bank guarantees / fixed deposit receipts / securities which have been returned to such Traders/Dealers. The Base Minimum Capital for such Traders/Dealers, after the refund of excess Base Minimum Capital, 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 Promoter Exchanges, as permitted by SEBI.

9. During the year Rs. 1,742,310/- collected is (During the year proportionate and also discl

During the year Dealers/Trade as at March 9,039,326/- re

10. During the year Rs.10,750,000/- trade on the B the Balance S

However, the received from were sold by t the previous Governing Bo

11. Balances with aggregating to Rs.8,114,011/- per Schedules which has bee

12. Sundry Debtors various charg considered go Dealers Trade Company, as available depts respect thereo accounts

Schedule 13 : Significant Accounting Policies and Notes forming part of the Accounts

9. During the year, the Company has received an amount aggregating to Rs.429,764/- (Previous year Rs. 1,742,310/-) from Dealers/Traders towards Networking Equipment Contribution. The amount so collected is considered as Capital Reserves and is classified in the Balance Sheet accordingly. During the year, an amount of Rs. 6,542,161 - (Previous year : Rs. 6,279,749/-) 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 transferred the networking equipments installed at the premises of Dealers/Traders to the respective Dealers/Traders at the written down values of the individual assets as at March 31, 2005. Accordingly, the Company has adjusted amounts aggregating to Rs. 9,039,326/- representing the written down values of the equipments transferred as aforesaid.

10. During the year, the Company has received an amount aggregating to Rs.2,500,000/- (Previous year Rs.10,750,000/-) as one-time Admission Fees from the Dealers for acquiring the transferable right to trade on the Exchange. The amount so collected is considered as Capital Reserve and classified in the Balance Sheet accordingly.

However, the Dealers Admission Fees (@ Rs.5,000/- per Dealer) aggregating to Rs. 2,40,000/- received from the person to whom the Additional Trading Rights (ATRs) (i.e. dealership rights) were sold by the original purchasers of the ATR, as per the scheme launched by the Company during the previous year, have been accounted as income by the Company as per the decision of the Governing Board.

11. Balances with bank current accounts and deposit accounts (refer schedule 5) include amount aggregating to Rs. 102,563,924/- (Previous year : Rs. 97,558,799/-) [including accrued interest Rs.8,114,011/- (Previous year : Rs. 3,886,612/-)] which is earmarked against the funds received as per Schedules 2 and 8, except for an amount of Rs. 18,330,324/- (Previous year : Rs. 3,321,422/-) which has been subsequently transferred to the earmarked accounts.

12.undry Debtors (Schedule 6) include Rs. 1,873,738 - (Previous year : Rs.3,911,508/-) 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 as doubtful and a provision in respect thereof aggregating to Rs. 46,880 - (Previous year Rs.179,925/-) has been made in the accounts.

**Schedule 13 : Significant Accounting Policies and Notes forming part of the Accounts**

## Schedule 13 : Sign

13. The details of the earmarked funds are as given hereunder :

**i) Settlement Guarantee Fund**

(Cash component including accretions)

	As on 31.03.2005 (Rs.)	As on 31.03.2004 (Rs.)
<b>Settlement Guarantee Fund</b>		
Settlement Guarantee Fund (including accretions from levy on transactions)	4,915,819	3,659,349
Settlement Stabilisation Contribution from Member Exchanges	13,000,000	13,000,000
Contributions towards Base Minimum Capital (Cash component)	49,288,950	45,417,888
Contributions towards SGF/BMC received in advance	14,971,231	4,070,000
Other receipts *	123,513	2,946,115
Interest accrued on above	38,105,140	31,640,815
<b>Total</b>	<b>120,404,653</b>	<b>100,734,167</b>

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

Earmarked.	102,074,329	97,412,745
In Fixed Deposit		
Amount yet to be transferred as at year end	18,330,324*	3,321,422
* subsequently transferred		

The balances as on 31.3.2005 in the Settlement Guarantee Fund 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 31.03.2005 (Rs.)	As on 31.03.2004 (Rs.)
Bank Guarantees from Traders and Dealers	900,000	3,300,000
Fixed Deposits under lien	10,879,202	10,638,682
Securities pledged (market value)*	26,675,226	41,849,545
Undertakings given by Promoter Exchanges on behalf of Traders of their Exchanges	32,275,000	47,700,000
<b>Total Non-Cash Component</b>	<b>70,729,428</b>	<b>1,03,488,227</b>

\* The market value of the securities deposited by the Dealers/Traders towards their base minimum and additional capital, which forms part of the Settlement Guarantee Fund, has been computed after applying the appropriate margin on the stock prices prevailing at NSE on the last day of the financial year.

(i) Investo

Investor

Received

Earmarked

(ii) Investo

Investor

Received

Earmarked

Amount

\* subseq

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With the obje during the last all the eligibl prescribed app year.

During the ye year Rs. 51.0 Additional T Company.

Schedule 13 : Significant Accounting Policies and Notes forming part of the Accountsii) Investor Protection Fund

Investor Protection Fund	As on 31.03.2005 (Rs.)	As on 31.03.2004 (Rs.)
Received as levy on transactions, etc.	94,669	93,369
Earmarked in Current Bank Accounts and Fixed Deposits	601,337	101,285

iii) Investor Service Fund

Investor Service Fund	As on 31.03.2005 (Rs.)	As on 31.03.2004 (Rs.)
Received as levy on transactions, etc.	685,707	43,277
Earmarked in Current Bank Accounts	20,402	44,769
Amount yet to be transferred as at year end * subsequently transferred	665,305*	Nil

14. During the year, the Company has expanded its Depository Participant (DP) operations significantly. The Company intends to further develop the DP business by opening branch offices at many important cities/locations, which is expected to increase the income quite significantly. The Company would also be venturing into training activities in a major way in the coming year, which is also expected to generate additional revenues. As a result, the Company expects increase in revenue resulting in improved profitability and consequently improvement in its networth. Accordingly, the accounts have been prepared on a going concern basis.

With the objective of expanding the base of trading members, the Company has launched a scheme during the last year, under which Additional Trading Rights (i.e. dealership rights) were offered to all the eligible Dealers, subject to their fulfilling certain terms and conditions and payment of the prescribed application fees. The scheme has been extended to the Promoter Exchanges during the year.

During the year, the Company has received an amount aggregating to Rs. 41,60,000/- (Previous year Rs. 51,00,000/-) from Dealers and the Promoter Exchanges towards Application Fees for the Additional Trading Rights (ATRs) offered and the same has been accounted as income by the Company.

Schedule 13 : Significant Accounting Policies and Notes forming part of the Accounts

16. During the year, the Company has waived the Annual Subscription fees receivable for the current year from the Promoter Exchanges aggregating to Rs. 4,50,000/-, as per the decision taken in the Governing Board Meeting.
17. During the year, the Company reconciled amounts received from Dealers/Traders on account of Insurance charges on Securities. Arising from the said reconciliation and verification of the approval received from SEBI for such Dealers/Traders, the Company has transferred an amount aggregating to Rs.15,20,285/- relating to the aforesaid charges received over a period of years (Rs. 35,700/- is received during the year) to the Profit and Loss Account.
18. During the year, the Exchange has filed the ISE (Corporatisation and Demutualisation) Scheme, 2005 with SEBI. SEBI has reviewed the Scheme and has requested the Exchange to file a revised scheme based on the scheme approved for the Bombay Stock Exchange (BSE). The Exchange has filed the revised Scheme with SEBI. In the meantime, the Exchange has received amounts from five Promoter Stock Exchanges aggregating to Rs. 310,000/- as on March 31, 2005 as Advance towards Share Capital to be issued on completion of the demutualization process under the aforesaid Scheme, which has been disclosed in the Balance Sheet. Shares will be issued to the Promoter Stock Exchanges after approval of the Scheme by SEBI.
19. During the year, SEBI has de-recognised Mangalore Stock Exchange, one of the Promoter Stock Exchanges and Mangalore Stock Exchange has filed an appeal against the SEBI order in the Securities Appellate Tribunal (SAT). The order of SAT is awaited. The members of the Mangalore Stock Exchange, who were registered as Traders of ISE and who had applied for conversion as Dealers have been classified as "Deemed Dealers" in accordance with the decision taken in the Extra-ordinary General Meeting, which has been duly approved by SEBI.
20. During the year, the Company has encashed the fixed deposits/bank guarantees/securities of defaulters/expelled Dealers/Traders and the surplus arising after adjustment of their respective dues have been transferred thus : amount aggregating to Rs. 916,471/- to the Settlement Guarantee Fund in the case of defaulter Dealers/Traders and amount aggregating to Rs. 661,767/- to the Investor Services Fund in the case of expelled Dealers/Traders, as per the Rules, Bye-laws and Regulations of the Company.
21. Hitherto, the Annual Subscription Fees received from new Dealers were accounted as income for the year on completion of the SEBI Registration process. However, from the current year for the said fees, such fees are accounted on a pro-rata basis. Due to this change in accounting, the profit for the year is lower by Rs.290,625/-.
22. Related party transactions:

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

**Schedule 13 : Significant Accounting Policies and Notes forming part of the Accounts**

**Related Parties**

The Company has entered into transactions with the following related parties

Sr. No.	Name of the Related Parties	Country
1	Subsidiaries ISE Securities & Services Ltd..	India
2	Key Managerial Personnel Mr. V. Shankar - Managing Director	

Transactions with related parties are:

(Amount in Rupees)

Nature of Transactions	Subsidiaries	Key Management Personnel	Total
1) Finance (Including loans and equity contributions in cash or in kind)			
a) Loans Given (Including Interest)			1,224,110
Balance as at April 1, 2004	1,224,110 (1,035,225)		(1,035,225)
Fresh Loans During the year	45,326,249 (20,279,132)		45,326,249 (20,279,132)
Repaid / Adjusted during the Year	43,271,230 (20,090,246)		43,271,230 (20,090,246)
Balance as at March 31, 2005	3,279,129 (1,224,110)		3,279,129 (1,224,110)
b) Investment in Equity (including share application money)			55,000,000
Balance as at April 1, 2004	55,000,000 (55,000,000)		(55,000,000)
Purchased During the year	Nil (Nil)		Nil (Nil)
Sold During the year	Nil (Nil)		Nil (Nil)
Provision for diminution in value of Investment	Nil (Nil)		Nil (Nil)
Balance as at March 31, 2005	55,000,000 (55,000,000)		55,000,000 (55,000,000)
2) Interest Income	19,726 (Nil)		19,726 (Nil)
3) Managerial Remuneration		966,914 (865,431)	966,914 (865,431)

**Schedule 13 : Significant Accounting Policies and Notes forming part of the Accounts**

Out of the above items, transactions with the subsidiary and key management personnel in excess of 10% of the total related-party transactions are as given below :

Transaction	(Amount in Rupees)	
	For the year ended 31-05-2005	For the year ended 31-03-2004
a) Loans & advances		
Subsidiaries		
Granted during the year		
- ISE Securities & Services Ltd.	45,326,249	20,279,132
Repaid / adjusted during the year		
- ISE Securities & Services Ltd.	43,271,230	20,090,246
b) Expenditure		
Remuneration		
Key Management Personnel		
- Mr. V. Shankar	966,914	865,431
c) Income		
Interest received		
Subsidiaries		
- ISE Securities & Services Ltd.	19,726	Nil

Notes:

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



**Schedule 13 : Significant Accounting Policies and Notes forming part of the Accounts**

**23. Balance Sheet Abstract And Company's General Business Profile**

**I. Registration details**

Registration no.

1 1 3 1 4 7

Balance sheet date

3 1 0 3 0 5

State code

1 1

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

Public issue

N I L

Bonus issue

N I L

Rights issue

N I L

Private placement

N I L

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

Total liabilities

4 5 4 1 2 0

Total assets

4 5 4 1 2 0

Sources of funds

Admission Fees Contribution  
towards Infrastructure Development  
(From Members)

9 1 8 0 0

Reserves and Surplus

2 2 0 2 1 8

Advance towards Share Capital on  
demutualisation

3 1 0

Secured loans

N I L

Unsecured loans

N I L

Application of funds

Net fixed assets

4 8 4 4 4

Investments

5 5 0 0

Net current assets

7 1 7 5 5

Miscellaneous  
expenditure

N I L

Accumulated losses

1 3 7 1 2 9

IV. Performance

Turnover

+ (-)

Earnings

V. Generic n

Item code

24. Figure

curren

25. The n

rupee

**Schedule 13 : Significant Accounting Policies and Notes forming part of the Accounts**

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

Turnover (including other income)

				3	6	2	2	6	

+ (-) Profit/ (loss) before tax

						6	1	7	

Earnings per share (Rupees)

								N	A

Total expenditure

						3	5	6	0
								9	

+ (-) Profit/ (loss) after tax

								0	1
									7

Dividend Rate

									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

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

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

**Signatures to schedules 1 to 13**

As per our attached Report of even date

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

s/d  
(A. B. Jani)  
Partner

For and on behalf of the Board of Directors,

S/d  
(P. V. Narasimham)  
Chairman

s/d  
(V. Shankar)  
Managing Director

S/d  
(Dipak K. Shah)  
Company Secretary

Mumbai  
Dated: June 25, 2005

Mumbai  
Dated: June 25, 2005

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2005

Particulars	31.03.2005		31.03.2004	
	(Rupees)		(Rupees)	
<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>				
Profit before tax	616,575		1,140,848	
Adjustments for :				
Depreciation (Net)	14,253,098		14,359,204	
Interest received on bank deposits	(3,039,114)		(2,878,307)	
Interest on advances given to subsidiary	(19,726)		(763,376)	
Interest on income tax refund	(165,163)			
Losses on sale of fixed assets	110,231			
Fixed Assets written off	257,532			
Operating Profit before working capital changes	12,013,433		11,858,369	
Adjustments for :				
Increase / Decrease in Trade and other receivables	(498,994)		2,450,589	
Increase / (Decrease) in Trade payables	13,927,582		(6,369,674)	
Cash generated from Operations	25,442,025		17,879,284	
Direct Tax paid (net of refunds)	(14,583)		(4,31,262)	
Net cash generated from operating activities		25,427,442		12,674,346
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
Additions to fixed assets	(1,175,175)		(1,426,820)	
Sale of fixed assets	60,000		292,972	
Capital work-in-progress written off	(122,944)		1,261,375	
Additions to Networking Equipment Contribution Reserve (net)	429,764		2,878,307	
Interest received	3,039,114			
Net cash generated from investing activities		1,629,755		3,015,834
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>				
<b>Change in Funds</b>				
Settlement Guarantee Fund	7,720,795		8,235,174	
Investor Protection Fund	1,300		2	
Investor Service Fund	542,430		75,198	
Contribution by Dealers towards Administrative Fund	8,354,525		8,115,978	
Contribution by members towards Administrative Fund	1,000,000		8,25,000	
Contribution by members towards Administrative Fund	50,000			
Advance towards Share Capital (net of interest)	(11,000)			
Interest received	(9,700)			
Net cash generated from financing activities		17,442,227		16,408,978
Net increase in cash and cash equivalents		37,060,115		32,099,158
Cash and cash equivalents at beginning of the year		161,736,304		129,637,146
Cash and cash equivalents at end of the year		198,796,419		161,736,304

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

Sd/-  
A. B. Jani  
Partner

For and on behalf of the Board of Directors

Sd/-  
P. V. Narasimham  
Chairman

Sd/-  
V. Shankar  
Managing Director

Sd/-  
Dipak K. Shah  
Company Secretary  
Mumbai  
Dated: June 25, 2005

Mumbai  
Dated: June 25, 2005

Notes of Ass

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Changes required in the  
Articles of Association of Inter-connected Stock Exchange of India Ltd.  
(Company limited by Share Capital)

Subject	Original provision(s) as per AOA approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
<p><b>Proposed Changes</b></p> <p>The following global changes are proposed in the Articles of Association already approved by the Company on January 22, 2005 to make the document consistent with the ISE (Corporatisation and Re-organisation) Scheme 2005:</p> <p>Instead of the word "ISE", the words "ISE Ltd." would be substituted.</p> <p>Instead of referring to "Traders" and "Dealers" separately, the term "Trading Members" would be used.</p> <p>Appropriate re-numbering of the Article would be made.</p>		
<p><b>DEFINITIONS AND INTERPRETATIONS</b></p>		
"Dealer"	<p>"Dealer" means any person admitted as a "Dealer" with the Company in accordance with these Articles, Rules, Bye-laws and Regulations. [Explanation: There may be more than one class of Trading Members registered with the Company as may be determined by the Board from time to time].</p>	Article deleted.
"Inter-Connected Market System"	<p>"Inter-Connected Market System" or "ICMS" shall mean the infrastructure and other facilities established by ISE to facilitate trading in securities by and between Traders and Trading Members and other users and all matters consequential or incidental thereto or connected therewith and includes facilities set up by the Participating Stock Exchanges to enable Traders and Trading Members and other users to participate in the facilities of ISE.</p>	Article deleted.
"Member or Member of the Company"	<p>"Member" or "Member of the Company" or "Member of ISE" shall mean the duly registered holder for the time being of the shares of the Company. All these terms are used interchangeably. A Member of ISE shall be entitled</p>	<p>The following clause is inserted at the end of the exiting definition:</p> <p>"A Member of the Company may or may not be a Trading Member".</p>

Subject	Original provision(s) as per AOA approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
	to exercise rights and enjoy privileges as a Member of the Company only if he/it is in good standing in terms of compliance with the provisions of the Companies Act, 1956 or Memorandum of Association, Articles of Association and Rules of ISE or such other terms and conditions as may be prescribed by the Relevant Authority from time to time.	
"Regulations"	"Regulations" mean Regulations of the Company for the time being in force and unless the context indicates otherwise, includes business rules, code of conduct and such other procedures, circulars, directives, orders, notices and regulations specified and issued by the Board or any other relevant authority from time to time for the operation of ICMS and these shall be subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992 and the Rules and Regulations made there under.	The words "Automated Trading System" would substitute the word "ICMS".
1.47	"Trader" means a stock broker of a Participating Stock Exchange admitted as a Trader by the Company in accordance with these Articles, Rules, Bye-laws and Regulations. [Explanation: There may be more than one class of Traders admitted by the Company, as may be determined by the Board from time to time.]	Article deleted.
1.48	"Trading Member" or "Trading Member of ISE Ltd." shall mean a stock broker who is registered as such by the Company, subject to the provisions of the Securities	"Trading Member" or "Trading Member of ISE Ltd." means a stock broker or trading member or clearing member of any segment of ISE Ltd. and

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Subject	Original provision(s) as per AOA approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
	<p>Contracts (Regulation) Act, 1956 and the Rules made hereunder, the Securities and Exchange Board of India Act, 1992 and the Rules made there under and the Articles of Association, Rules, Bye-laws and Regulations of the Company. Traders and Dealers are the Trading Members of ISE. [Explanation: There may be more than one class of Trading Members registered with the Company, as may be determined by the Board from time to time].</p>	<p>registered with SEBI as such under the SEBI (Stock Brokers &amp; Sub-brokers) Regulations, 1992;</p> <p>Provided that ISE Ltd. shall not have clearing members after the clearing function is transferred to a recognized clearing corporation under clause 13 of the Scheme.</p> <p>A Trading Member may or may not be a Member of the Company.</p>
<p>ISE (Corporatisation &amp; Demutualisation Scheme), 2005" or "Scheme"</p>	<p>-----</p>	<p>"ISE (Corporatisation &amp; Demutualisation Scheme), 2005" or "Scheme" means the ISE (Corporatisation &amp; Demutualisation) Scheme, 2005 as approved and notified by SEBI. These two terms are used interchangeably.</p>
<p>"User" or "User of ICMS" or "User of ISE system"</p>	<p>"User" or "User of ICMS" or "User of ISE system" shall mean a person approved by the Company in accordance with its Regulations. These three terms may be used interchangeably with the term "Approved User".</p>	<p>Instead of the term "User of ICMS", the term "User of ATS" would be substituted.</p>
<p>Number of votes to which every Member is entitled</p>	<p>Subject to the provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares, for the time being forming part of the capital of the Company, every Member not disqualified under these Articles, shall be entitled to be present and to speak and vote at such meeting, and on a show of hands every Member present in person shall have one vote and, upon a poll every member present in person shall have the right to vote in proportion to his share of</p>	<p>Subject to the provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares, for the time being forming part of the capital of the Company, every Member not disqualified under these Articles, shall be entitled to be present and to speak and vote at such meeting, and on a show of hands every Member present in person shall have one vote and, upon a poll every member present in person shall have</p>

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Subject	Original provision(s) as per AOA approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
	<p>the paid-up equity capital of the Company, subject to such ceiling on the voting right as may be prescribed by the Members of the Company from time to time for such category of Members, in accordance with the provisions of the applicable law; provided, however, if any preference shareholders be present at any meeting of the Company, save as provided in the Act, he shall have a right to vote only on resolutions placed before the meeting which directly affect his rights attached to his preference shares.</p>	<p>the right to vote in proportion to his share of the paid-up equity capital of the Company, in accordance with the provisions of applicable law;</p> <p>Provided, however, if any preference shareholders be present at any meeting of the Company, save as provided in the Act, he shall have a right to vote only on resolutions placed before the meeting which directly affect his rights attached to his preference shares.</p> <p>Provided that no Member of the Company who is a Trading Member shall have voting rights (taken together with the voting rights held by him and by persons acting in concert with him) exceeding 5% of the voting rights in the Company</p>
to TRADERS	<p>134. Only stock brokers of the Participating Stock Exchanges registered with SEBI shall be eligible to be admitted as Traders of the Company and they shall be required to be registered with SEBI as stock brokers of the Company under the applicable provisions of the SEBI Act, 1992 and the Rules and Regulations made thereunder.</p> <p>135. A person shall not be admitted as a Trader except on recommendation in the specified manner by the Participating Stock Exchange of which he is a stock broker</p>	Articles deleted

Article  
No. (a) Subject

Article no.(s)	Subject	Original provision(s) as per AOA approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
		<p>136. A person shall be admitted and registered as a Trader in the manner specified in these Articles, Rules, Bye-laws and Regulations as may be in force from time to time. Traders shall at all times abide by these Articles, Rules, Bye-laws and Regulations of the Company as may be in force from time to time.</p> <p>137. Admission and registration of a Trader as a stock broker of the Company by SEBI shall constitute a permission granted by the Company to the Trader to exercise certain rights and privileges attached thereto, subject to the Rules, Bye-laws and Regulations of the Company.</p> <p>138. Traders shall be admitted by the Board or any specific Committee constituted by the Board thereof. The Board or the Committee may in its absolute discretion admit a Trader or reject the application for admission as Trader without assigning any reason or may admit a Trader by imposing such terms and conditions, as it may deem fit.</p> <p>139. A Trader may be declared as a defaulter or be suspended or expelled under such circumstances as are specified in the Rules, Bye-laws and Regulations of the</p>	



Subject	Original provision(s) as per AOA approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
	<p>Company.</p> <p>140. A Trader shall be required to pay such admission, annual and other fees and charges and deposits as may be specified by the Board from time to time.</p> <p>141. A Trader shall not assign, mortgage, pledge, hypothecate or charge his rights as a Trader or any rights or privileges attached thereto and no such attempted assignment, mortgage, pledge, hypothecation or charge shall be effective against the Company for any purpose.</p>	
DEALERS	<p>142. Only such persons as are specified by the Board from time to time shall be eligible to be admitted as Dealers of the Company.</p> <p>143. A person shall be admitted and registered as a Dealer in the manner specified in these Articles, Rules, Bye-laws and Regulations as may be in force from time to time. Dealers shall at all times abide by these Articles, Rules, Bye-laws and Regulations of the Company as may be in force from time to time.</p> <p>144. Dealers shall be admitted by the Board or any specific Committee constituted by the Board therefor. The Board or the Committee may in its absolute discretion admit a</p>	Articles deleted

Subject

Sl. No.	Subject	Original provision(s) as per AOA approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
		<p>Dealer or reject the application for admission as Dealer without assigning any reason or may admit a Dealer by imposing such terms and conditions, as it may deem fit.</p> <p>145. Admission and registration of a Dealer as a stock broker of the Company by SEBI shall constitute a permission granted by the Company to the Dealer to exercise certain rights and privileges attached thereto, subject to these Articles, Rules, Bye-laws and Regulations of the Company.</p> <p>146. A Dealer may be declared as a defaulter or be suspended or expelled under such circumstances as are specified in the Rules, Bye-laws and Regulations of the Company.</p> <p>147. A Dealer shall be required to pay such admission, annual and other fees and charges and deposits as may be specified by the Board from time to time.</p> <p>148. A Dealer shall not assign, mortgage, pledge, hypothecate or charge his rights as a Dealer or any rights or privileges attached thereto and no such attempted assignment, mortgage, pledge, hypothecation or charge shall be effective against the Company for any</p>	<p>Regulations of the Company shall be subject to the provisions of the Regulations of the Company as amended from time to time.</p> <p>(iii) The Board may, subject to the approval of the Board, constitute a committee consisting of members of the Board to exercise the powers conferred on the Board by these Articles, Rules, Bye-laws and Regulations of the Company in relation to the admission, registration, suspension or expulsion of a Trading Member and to exercise the powers conferred on the Board by these Articles, Rules, Bye-laws and Regulations of the Company in relation to the admission, registration, suspension or expulsion of a Trading Member.</p> <p>(iv) Admission and registration of a Trading Member shall constitute a permission granted by the Company to the Trading Member to exercise certain rights and privileges attached thereto, subject to these Articles, Rules, Bye-laws and Regulations of the Company.</p> <p>A Trading Member may be declared as a defaulter or be suspended or expelled under such circumstances as are specified in the Rules, Bye-laws and Regulations of the Company.</p>

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Subject	Original provision(s) as per AOA approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005	Article No. (s)	Subject
	purpose.			
TRADING MEMBERS		<p>The following Articles would be inserted :</p> <p>(i) Only such persons as are specified by the Board from time to time shall be eligible to be admitted as Trading Members of the Company.</p> <p>(ii) A person shall be admitted and registered as a Trading Member in the manner specified in these Articles, Rules, Bye-laws and Regulations as may be in force from time to time. Trading Members shall at all times abide</p>		

Article No. (s)	Subject	Original provision(s) as per AOA approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
			<p>by these Articles, Rules, Bye-laws and Regulations of the Company as may be in force from time to time.</p> <p>(iii) Trading Members shall be admitted by the Board or any specific Committee constituted by the Board therefore. The Board or the Committee may in its absolute discretion admit a Trading Member or reject the application for admission as Trading Member without assigning any reason or may admit a Trading Member by imposing such terms and conditions, as it may deem fit.</p> <p>(iv) Admission and registration of a Trading Member as a stock broker of the Company by SEBI shall constitute a permission granted by the Company to the Trading Member to exercise certain rights and privileges attached thereto, subject to these Articles, Rules, Bye-laws and Regulations of the Company.</p> <p>(v) A Trading Member may be declared as a defaulter or be</p>

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Subject	Original provision(s) as per AOA approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005	Article no.(s)	Subject
		<p>suspended or expelled under such circumstances as are specified in the Rules, Bye-laws and Regulations of the Company.</p> <p>(vi) A Trading Member shall be required to pay such admission, annual and other fees and charges and deposits as may be specified by the Board from time to time.</p> <p>(vii) A Trading Member shall not assign, mortgage, pledge, hypothecate or charge his rights as a Trading Member or any rights or privileges attached thereto and no such attempted assignment, mortgage, pledge, hypothecation or charge shall be effective against the Company for any purpose.</p>		
50	First Directors of the Company	Blank	103	Appointment Tenure Removal
51	Constitution of the Board	<p>The Board of Directors of the Company shall consist of:</p> <p>(a) Six Independent Directors appointed by the Board of Directors from the panel constituted by SEBI and approved by the shareholders in general meeting, one of whom shall</p>	151.1	<p>151.1 The Board of Directors of the Company shall consist of:</p> <p>(a) Six Independent Directors appointed by the Board of Directors in the manner as may be specified by SEBI from time to time, one of</p> <p>104 Appointment Tenure and Removal</p> <p>100 ROTATION DIRECTORS</p>

Article no.(s)	Subject	Original provision(s) as per AOA approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
		<p>be the non-executive Chairman</p> <p>(b) Five representatives elected by the shareholders in a general meeting, subject to the condition that out of them, subject to the condition that at no time, the number of stock brokers shall exceed 2. The Directors so elected shall be termed Elected Directors,</p> <p>(c) One Managing Director.</p>	<p>whom shall be the non-executive Chairman</p> <p>(b) Five representatives elected by the shareholders in a general meeting, subject to the condition that out of them, subject to the condition that at no time, the number of stock brokers shall exceed 2. The Directors so elected shall be termed Elected Directors,</p> <p>(c) One Managing Director.</p> <p>151.2 Notwithstanding anything contained in Article 151.1, SEBI may nominate directors on the Board of Directors of the Company as and when deemed fit.</p>
153	Appointment, Tenure and Removal	The Board shall finalise the names of persons proposed to be appointed as Independent Directors from out of the panel constituted by SEBI for this purpose. The Members of the Company may, if they so desire, propose any other name from the panel constituted by SEBI in substitution of any of names proposed by the Board in this regard.	Article deleted
154	Appointment, Tenure and Removal	The Members of the Company shall approve the appointment of the Independent Directors on the Board of the Company in general meeting.	Article deleted
155	ROTATION OF DIRECTORS	At every annual general meeting of the Company other than the first annual general meeting, one-half of the Independent Directors and Elected Directors	At every annual general meeting of the Company other than the first annual general meeting, one-half of the Elected Directors for the time

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Subject	Original provision(s) as per AOA approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
	for the time being as are liable to retire by rotation or if their number is less than two, or if not in multiple of two, then the number nearest to one-half, shall retire from office	being as are liable to retire by rotation shall retire from office, subject, however, to the condition that no Elected Director shall hold office for a term exceeding two years at a time.

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**Changes required in the Rules of  
Inter-connected Stock Exchange of India Ltd. (Company limited by Share Capital)**

Chapter no./ Rule no(s)	Subject	Original provision(s) as per Rules approved in EGM on January 22, 2005.	Amendment proposed in AGM on September 24, 2005
<b>Global Changes</b>			
Following global changes are proposed in the Rules already approved by the EGM on January 22, 2005 to make the document consistent with the ISE (Corporatisation and Demutualisation) Scheme 2005:			
<ol style="list-style-type: none"> <li>1. Instead of the word "ISE", the words "ISE Ltd." would be substituted.</li> <li>2. Instead of referring to "Traders" and "Dealers" separately, the term "Trading Members" would be used.</li> <li>3. Appropriate re-numbering of the Rule would be made.</li> </ol>			
<b>DEFINITIONS</b>			
15	" Dealer"	<p>"Dealer" means any person admitted as a "Dealer" with the Company in accordance with the Articles of Association, Rules, By-laws and Regulations of the Company.</p> <p>[Explanation: There may be more than one class of Dealers registered with the Exchange as may be determined by the Board of Directors from time to time.]</p>	Rule deleted.
21	"Inter-Connected Market System"	<p>"inter-Connected Market System" or "ICMS" shall mean the infrastructure and other facilities established by ISE to facilitate trading in securities by and between Traders and Dealers and other users and all matters consequential or incidental thereto or connected therewith and includes facilities set up by the Participating Stock Exchanges to enable Traders and Dealers and other users to participate in the facilities of ISE.</p>	Rule deleted.



Chapter no./ Rule no(s)	Subject	Original provision(s) as per Rules approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
New	"ISE"		"ISE" means Inter-connected Stock Exchange Ltd., a company incorporated u/s 12 of the Companies Act, 1956 as a guarantee company and which was recognized by the Securities and Exchange Board of India as a stock exchange u/s 4 of the Securities Contracts (Regulation) Act, 1956.
New	"ISE Ltd."		"ISE Ltd." means the company registered u/s 32 of the Companies Act, 1956 as a successor of ISE in pursuance of "ISE (Corporatisation & Demutualisation Scheme), 2005", for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities as a recognized stock exchange.
New	"ISE (Corporatisation & Demutualisation Scheme), 2005" or "Scheme"		"ISE (Corporatisation & Demutualisation Scheme), 2005" or "Scheme" means the ISE (Corporatisation & Demutualisation) Scheme, 2005 as approved and notified by SEBI. These two terms are used interchangeably.

Chapter no./ Rule no(s)	Subject	Original provision(s) as per Rules approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
27	"Member or Member of the Company or Member of the Exchange"	"Member" or "Member of the Company" or "Member of the Exchange" shall mean the duly registered holder for the time being of the shares of the Company. All these terms are used interchangeably. A Member of ISE shall be entitled to exercise rights and enjoy privileges as a Member of the Company only if he/it is in good standing in terms of compliance with the provisions of the Companies Act, 1956 or Memorandum of Association, Articles of Association and Rules of ISE or such other terms and conditions as may be prescribed by the Relevant Authority from time to time.	The following sentence is inserted at the end of the exiting definition:  "A Member of the Company may or may not be a Trading Member."
22	"Participating Stock Exchange" or "Participating Exchange"	"Participating Stock Exchange" or "Participating Exchange" means a recognized stock exchange in India admitted as Member of Inter-connected Stock Exchange of India Limited in accordance with the Articles of Association, Rules, Bye-laws and Regulations subject to such terms and conditions as may be prescribed from time to time by the relevant authority. These two terms are used interchangeably.	"Participating Stock Exchange" or "Participating Exchange" means a recognised stock exchange in India which has promoted ISE in accordance with the Articles of Association, Rules, Bye-laws and Regulations of ISE. These two terms are used interchangeably.

Order no./ no(s)	Subject	Original provision(s) as per Rules approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
	"Rules, Bye-laws and Regulations of ISE "		"Rules, Bye-laws and Regulations of ISE" mean the Rules, Bye-laws and Regulations of ISE on the day preceding the Due Date as determined by the Governing Board of ISE, pursuant to the Scheme.
2.50	"Rules, Bye-laws and Regulations of ISE Ltd."		"Rules, Bye-laws and Regulations of ISE Ltd." mean the Memorandum of Association, Articles of Association, Rules, Bye-laws and Regulations of ISE Ltd., including the Rules, Bye-laws and Regulations of any segment of ISE Ltd. Rule deleted.
2.50	"Trader"	"Trader" means a stock broker of a Participating Stock Exchange admitted as a Trader by the Company in accordance with these Articles, Rules, Bye-laws and Regulations. [Explanation: There may be more than one class of Traders admitted by the Company, as may be determined by the Board from time to time.]	

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Chapter no./ Rule no(s)	Subject	Original provision(s) as per Rules approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
51	"Trading Member"	"Trading Member" means an individual or a partnership firm or a company (as defined under the Companies Act) or a body corporate carrying on the business of stock broking on ISE and shall include a Trader and Dealer.	<p>"Trading Member" or "Trading Member of ISE Ltd." means a stock broker or trading member or clearing member of any segment of ISE Ltd. and registered with SEBI as such under the SEBI (Stock Brokers &amp; Sub-brokers) Regulations, 1992;</p> <p>Provided that ISE Ltd. shall not have clearing members after the clearing function is transferred to a recognized clearing corporation under clause 13 of the Scheme.</p> <p>A Trading Member may or may not be a Member of the Company.</p>
<b>FUNCTIONARIES</b>			

Chapter no./ Rule no(s)	Subject	Original provision(s) as per Rules approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
4.2	Board of Directors	<p>There shall be a Board of Directors of the Exchange for overall management of the affairs of the Exchange and for discharging functions assigned to it by or under the Articles of Association, Rules, Bye-laws and Regulations of the Exchange and it shall consist of:</p> <ul style="list-style-type: none"> <li>a) Six Independent Directors appointed by the Board of Directors from the panel constituted by SEBI and approved by the shareholders in general meeting, one of whom shall be the non-executive Chairman,</li> <li>b) Five representatives elected by the shareholders in a general meeting, subject to the condition that out of them, at no time, the number of stock brokers shall exceed 2. The Directors so elected shall be termed Elected Directors,</li> <li>c) One Managing Director.</li> </ul>	<p><b>4.2 "Board of Directors"</b></p> <p><b>4.2.1 Composition</b> The Board of Directors of the Company shall consist of:</p> <ul style="list-style-type: none"> <li>(a) Six Independent Directors appointed by the Board of Directors in the manner as may be specified by SEBI from time to time, one of whom shall be the non-executive Chairman</li> <li>(b) Five representatives elected by the shareholders in a general meeting, subject to the condition that out of them, subject to the condition that at no time, the number of stock brokers shall exceed 2. The Directors so elected shall be termed Elected Directors.</li> <li>(c) One Managing Director.</li> </ul> <p><b>4.2.2 Power of SEBI to appoint Directors</b></p> <p>Notwithstanding anything contained in Rule 4.2.1, SEBI may nominate directors on the Board of Directors and when deemed fit when deemed fit.</p>

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Chapter no./ Rule no(s)	Subject	Original provision(s) as per Rules approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
9	<b>ELECTION, NOMINATION AND APPOINTMENT OF MEMBERS OF THE BOARD OF DIRECTORS, VACANCIES IN THE BOARD OF DIRECTORS AND ADMINISTRATIVE SET-UP</b>		
9.3.1	<b>Qualifications</b>		
9.3.1.1	An Independent Director shall be a person		
9.3.1.1.1		who is on the panel constituted by SEBI for this purpose, comprising academics, professionals, industry representatives, public figures, nominees of investors' associations.	of public eminence having necessary professional competence and experience in the areas related to the securities market like industry, commerce, economics, finance, accounts, law etc.
9.3.3	<b>Appointment</b>		
9.3.3.1		The Board shall finalise the names of persons proposed to be appointed as Independent Directors from out of the panel constituted by SEBI for this purpose. The Members of the Company may, if they so desire, propose any other name from the panel constituted by SEBI in substitution of any of names proposed by the Board in this regard	The Board shall appointment suitable persons as independent Directors in the manner as may be specified by SEBI from time to time.
9.3.3.2		The Members of the Company shall approve the appointment of the Independent Directors on the Board of the Company in general meeting.	Rule deleted.
3.5	<b>Removal</b>		
9.3.5.2		Upon the office of Director who is an Independent Director falling vacant for any reason, the Board or the Company shall appoint any eligible person as Independent Director with the approval of the Company in general meeting from out of the panel constituted by SEBI.	Upon the office of Director who is an Independent Director falling vacant for any reason, the Board or Company shall appoint any eligible person as Independent Director in the manner as may be specified by SEBI from time to time.

Chapter no./ Rule no(s)	Subject	Original provision(s) as per Rules approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
7	Retirement of Independent and Elected Directors	<p>All Independent and Elected Directors shall be subject to retirement by rotation and they shall have a tenure on the Board of Directors not exceeding two years at a time.</p> <p>Further, in the case of an Elected Director being a trading member, which is a partnership firm or company / body corporate, the term of two years shall be reckoned with respect to the total tenure on the Board of Directors served by any or all of its designated partners or designated directors / nominees of the company / body corporate, as the case may be taken together.</p>	<p><b>Retirement of Elected Directors</b></p> <p>All Elected Directors shall be subject to retirement by rotation and they shall have a tenure on the Board of Directors not exceeding two years at a time.</p> <p>Further, in the case of an Elected Director being a trading member, which is a partnership firm or company / body corporate, the term of two years shall be reckoned with respect to the total tenure on the Board of Directors served by any or all of its designated partners or designated directors / nominees of the company / body corporate, as the case may be taken together.</p>
9.9	Retirement		

Chapter no Rule no(s)
9.9.1
9.9.2

Chapter no./ Rule no(s)	Subject	Original provision(s) as per Rules approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
9.9.1		At every Annual General Meeting of the Exchange, one-half of the Independent Directors and Elected Directors, appointed or elected to the Governing Board under Rule 4.2 and if their number is not a multiple of two, then the number nearest to one-half, shall retire from the office. The members appointed or elected to the Governing Board who are liable to retire each year by rotation at every Annual General Meeting, shall be those who have been longest in office or those who have completed two years in office since their last appointment or election, whichever is earlier, but as between persons who became members of the Governing Board on the same day, those who are liable to retire shall, in default of, and subject to, any agreement made, be determined by lot.	At every Annual General Meeting of the Exchange, one-half of the Elected Directors, appointed or elected to the Governing Board under Rule 4.2.1 shall retire from office. The members appointed or elected to the Governing Board who are liable to retire each year by rotation at every Annual General Meeting, shall be those who have been longest in office or those who have completed two years in office since their last appointment or election, whichever is earlier, but as between persons who became members of the Governing Board on the same day, those who are liable to retire shall, in default of, and subject to, any agreement made, be determined by lot.
9.9.2		The Exchange shall in every Annual General Meeting (other than the First Annual General Meeting) held in the relevant month of every year in the manner hereinafter provided appoint or elect one-half of the Independent Directors or Elected Directors, as the case may be, of the Governing Board in place of those who retire as aforesaid.	The Exchange shall in every Annual General Meeting (other than the First Annual General Meeting) held in the relevant month of every year in the manner hereinafter provided appoint or elect one-half of the Elected Directors of the Governing Board in place of those who retire as aforesaid.



Chapter no./ Rule no(s)	Subject	Original provision(s) as per Rules approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
9.15	Filling up of Casual Vacancies – Independent Directors and Elected Directors	<p>If a casual vacancy arises in the office of the member of the Governing Board who may be an Independent Director or Elected Director by reason of death, resignation, removal, expulsion or absence or any other reason mentioned herein, such vacancy may be filled up by the Governing Board by co-option of a duly eligible and qualified person, if the period of office remaining vacant of vacancy till the date the concerned Independent Director or Elected Director, who has ceased to be a member of the Governing Board, is less than twelve months, and if the period of office remaining is twelve months or more, such vacancy shall be filled up by the Exchange in the general meeting for the specific vacancy, as provided in the Rules of the Exchange.</p>	<p>If a casual vacancy arises in the office of the member of the Governing Board who may be an Independent Director or Elected Director by reason of death, resignation, removal, expulsion or absence or any other reason mentioned herein, such vacancy may be filled up by the Governing Board by co-option of a duly eligible and qualified person, if the period of office remaining vacant reckoned from the date of occurrence of vacancy till the date the concerned Independent Director or Elected Director, who has ceased to be a member, may have continued as a member of the Governing Board, is less than twelve months, and if the period of office remaining is twelve months or more, such vacancy shall be filled up by the Exchange in the general meeting in the case of Elected Directors and in the manner specified by SEBI in the case of Independent Directors as provided in the Rules of the Exchange.</p>
.J	MEETINGS		

Chapter no./ Rule no(s)	Subject	Original provision(s) as per Rules approved in EGM on January 22, 2005	Amendment proposed in AGM on September 24, 2005
10.1.4.9	Voting	<p>A Member present in person at a general meeting shall have a right to vote in proportion to his share in the paid-up equity capital of the Exchange, subject to the ceiling/limit on the voting rights prescribed for the different classes of Members. Votes shall be taken by a show of hands unless a poll be (before or on the declaration of the result on the show of hands) ordered to be taken by the Chairman of the meeting or be demanded in writing by Members present in person or by proxy and holding either not less than 1/10th of the total voting power or holding shares on which at least Rs.50,000/- have been paid up. A declaration by the Chairman of the meeting that a resolution has, on a show of hands, been carried or carried unanimously or carried by a particular majority or lost, and an entry to that effect in the minutes book of the Exchange shall be deemed conclusive evidence of the fact that such resolution was so carried or lost and no further proof of the number or proportion of the votes recorded for or against such resolution shall be necessary.</p>	<p>Subject to the provisions of these Rules and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares, for the time being forming part of the capital of the Company, every Member not disqualified under these Rules shall be entitled to be present and to speak and vote at such meeting, and on a show of hands every Member present in person shall have one vote and, upon a poll every member present in person shall have the right to vote in proportion to his share of the paid-up equity capital of the Company, in accordance with the provisions of applicable law;</p> <p>Provided, however, if any preference shareholders be present at any meeting of the Company, save as provided in the Act, he shall have a right to vote only on resolutions placed before the meeting which directly affect his rights attached to his preference shares.</p> <p>Provided that no Member of the Company who is a Trading Member shall have voting rights (taken together with the voting rights held by him and by persons acting in concert with him) exceeding 5% of the voting rights in the Company.</p>

INTER-CONNECTED STOCK EXCHANGE OF INDIA LTD.

ISE (CORPORATISATION & DEMUTUALISATION) SCHEME, 2005

JUNE 25, 2005

ISE (CORPORATISATION & DEMUTUALISATION) SCHEME, 2005

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# The ISE (Corporatisation & Demutualisation) Scheme, 2005

## Title and Commencement

- 1.1 This Scheme shall be called the ISE (Corporatisation & Demutualisation) Scheme, 2005 (hereinafter referred to as "this Scheme").
- 1.2 This Scheme shall come into force on the date it is published under sub-section (4) of section 4B of the Securities Contracts (Regulation) Act, 1956.
- 1.3 ISE shall be corporatised and demutualised in accordance with this Scheme on and from the appointed date as may be notified by the Securities and Exchange Board of India (SEBI) in respect of ISE under section 4A of the Securities Contracts (Regulation) Act, 1956.

Provided that the activities specified in the respective clauses of this Scheme shall be implemented as per the time schedule specified in these clauses.

## 2. Definitions

In this Scheme, unless the context otherwise requires:

- 2.1 "Due Date" means the date, as may be determined by the Governing Board of ISE, which shall not be later than 3 months from the date of publication of the order under sub-section (7) of section 4B of the Securities Contracts (Regulation) Act, 1956.
- 2.2 "First Shareholders" means the Participating Stock Exchanges, selected by the Governing Board of ISE, which subscribe to the Memorandum of Association and Articles of Association of ISE Ltd. for the purpose of registering ISE Ltd. as a share capital company to succeed ISE, in pursuance of this Scheme.
- 2.3 "Governing Board" means the Board of Directors of ISE Ltd.
- 2.4 "ISE" means Inter-connected Stock Exchange of India Ltd., a company incorporated u/s 12 of the Companies Act, 1956 as a guarantee company and which is recognized by the Securities and Exchange Board of India as a stock exchange u/s 4 of the Securities Contracts (Regulation) Act, 1956.
- 2.5 "ISE Ltd." means the company registered u/s 32 of the Companies Act, 1956 as a successor of ISE in pursuance of this Scheme, for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities as a recognized stock exchange.
- 2.6 "Record Date" means the date, prior to the Due Date, fixed by the Governing Board of ISE for determining the shareholders who will be entitled to the equity shares of ISE Ltd., pursuant to sub-clause 3.3 of this Scheme.
- 2.7 "Rules, Bye-laws and Regulations of ISE" means the Rules, Bye-laws and Regulations of ISE on the day preceding the Due Date.
- 2.8 "Rules, Bye-laws and Regulations of ISE Ltd." means the Memorandum of Association, Articles of Association, Rules, Bye-laws and Regulations of ISE Ltd., including the Rules, Bye-laws and Regulations of any segment of ISE Ltd.

- 2.9 "Shareholder" means a person who holds any equity share(s) of ISE Ltd.
- 2.10 "Trading Member" means a stock broker or trading member or clearing member of any segment of ISE Ltd. and registered with SEBI as such under the SEBI (Stock Brokers & Sub-brokers) Regulations, 1992:  
 Provided that ISE Ltd. shall not have clearing members after the clearing function is transferred to a recognized clearing corporation under clause 13 of this Scheme.
- 2.11 Words and expressions used and not defined in this Scheme but defined in the Securities and Exchange Board of India Act, 1992, the Depositories Act, 1996, the Securities Contracts (Regulation) Act, 1956, the Companies Act, 1956, the rules and regulations made under these Acts and the Rules, Bye-laws and Regulations of ISE shall have the same meanings respectively assigned to them in the above mentioned acts, rules, bye-laws and regulations.

3. Registration of ISE Ltd. and allotment of equity shares

- 3.1 The First Shareholders shall register ISE as a public company limited by shares u/s 32 of the Companies Act, 1956 in the name and style of "Inter-connected Stock Exchange of India Ltd. – Company limited by Share Capital".
- 3.2 The First Shareholders shall each subscribe to and pay for fully paid-up equity shares of ISE Ltd. of the face value of Re.1/- each for cash at par in the following manner:

Name of the Participating Stock Exchange	No. of shares subscribed	Total value of shares subscribed
Bangalore Stock Exchange Ltd.	70,000	Rs.70,000/-
Cochin Stock Exchange Ltd.	70,000	Rs.70,000/-
Coimbatore Stock Exchange Ltd.	70,000	Rs.70,000/-
Gauhati Stock Exchange Ltd.	70,000	Rs.70,000/-
Jaipur Stock Exchange Ltd.	40,000	Rs.40,000/-
Madras Stock Exchange Ltd.	30,000	Rs.30,000/-
Magadh Stock Exchange Association	70,000	Rs.70,000/-
Mangalore Stock Exchange	70,000	Rs.70,000/-
Saurashtra Kutch Stock Exchange Ltd.	70,000	Rs.70,000/-
Uttar Pradesh Stock Exchange Association Ltd.	70,000	Rs.70,000/-
<b>Total</b>	<b>6,30,000</b>	<b>Rs.6,30,000/-</b>

- 3.3 The Participating Stock Exchanges other than the First Shareholders shall each be entitled to subscribe for and be allotted upto 70,000 fully paid-up equity share of Re.1/- each of ISE Ltd. against payment of subscription amount in cash by the Record Date.
- 3.4 ISE Ltd. shall allot the equity shares to the Participating Stock Exchanges who are so entitled by the Due Date.

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4. Governing Board of ISE Ltd.

4.1 The first Governing Board shall comprise of such of the members of the Governing Board of ISE on the date of registration of ISE Ltd. as are named as first directors in the Articles of Association of ISE Ltd., subject to the condition that the stock brokers do not exceed one-fourth of the total strength of the Governing Board.

4.2 The first Governing Board may hold office till the Due Date.

4.3 The Governing Board, on or after the Due Date, shall be constituted in accordance with the provisions of the Articles of Association of ISE Ltd. in force from time to time, provided that

(i) the representation of stock brokers, trading members or clearing members of any stock exchange or clearing corporation does not exceed one-fourth of the total strength of the Governing Board, and the remaining directors are appointed in the manner as may be specified by SEBI from time to time, and ;

(ii) the Chief Executive, by whatever name called, is an ex-officio director.

4.4 Notwithstanding anything contained in sub-clause 4.3, SEBI may nominate directors on the Governing Board as and when deemed fit.

5. Listing of Shares of ISE Ltd.

ISE Ltd. may at any time list its securities on any recognized stock exchange.

6. Transfer to ISE Ltd.

Pursuant to this Scheme, on and from the Due Date:

6.1 all assets, properties, undertakings, segments, businesses, books, records, registers, funds, reserves, rights (including, in particular, intellectual property rights, leasehold rights, tenancy rights, if any, and all rights of nomination of former Traders or Dealers which have vested in ISE), powers, authorities, interests, privileges, exemptions, permissions, licenses, registrations and recognitions [including, in particular, the recognition of ISE as a recognised stock exchange under the Securities Contracts (Regulation) Act] of or belonging to or in the possession or control of ISE or to which ISE may be entitled, including those held by any trustees in trust for ISE and for the Traders and Dealers of ISE or for the objects and purposes of ISE, and including those vested in or held by any committee of ISE, shall vest in and shall be in the possession or control of and shall become the entitlement of ISE Ltd. and ISE Ltd. shall have the same right, title and interest therein or thereto as ISE and such trustees or committees had immediately prior to the Due Date.

6.2 all obligations and liabilities of ISE shall stand transferred to and become the obligations and liabilities of ISE Ltd.

6.3 ISE Ltd. shall, in place and stead of ISE, become a party to, and shall be bound by and entitled to, all contracts, agreements and other instruments to which ISE is a party or by which ISE is bound or to which ISE is entitled, and the same may be enforced and acted upon by or against ISE Ltd. accordingly.

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- 6.4 all notices, actions, claims and proceedings [including all legal, quasi-legal, revenue, disciplinary and arbitration notices, actions and proceedings and including also disciplinary, suspension, default, delisting and other notices, actions and proceedings by ISE to or against its Traders and Dealers, any companies and others] of, by or against ISE shall not abate and shall be deemed to be made, instituted or continued by or against ISE Ltd. in place and stead of ISE.
- 6.5 the employees of ISE shall become the employees of ISE Ltd. in place and stead of ISE on the same terms and conditions as existing immediately prior to the Due Date.
- 6.6 all resolutions passed, notices and circulars issued and acts done by the Governing Board of ISE shall continue to subsist in relation to ISE Ltd. and shall be deemed to have been passed, issued and done by the Board of Directors of ISE Ltd.
- 6.7 all resolutions passed and acts done by the General Body of Members of ISE shall continue to subsist in relation to ISE Ltd. and shall be deemed to have been passed and done by the General Body of Members of ISE Ltd.

## 7. Trading Rights

- 7.1 A Trader or Dealer of ISE, who is registered as a stock broker on the day preceding the Due Date, shall become a Trading Member of ISE Ltd. on the Due Date.
- 7.2 Traders and Dealers who are not registered as stock brokers on the day preceding the Due Date shall, upon their applications being submitted to SEBI within one month of the Due Date, become Trading Members of ISE Ltd. when and from the date they are registered as stock brokers under the SEBI (Stock Brokers and Sub-brokers) Regulations, 1992.
- 7.3 After the Due Date, a person desirous of becoming a Trading Member of ISE Ltd. shall be admitted if he complies with the requirements and pays the fees and deposits as specified in the Rules, Bye-laws and Regulations of ISE Ltd.
- 7.4 ISE Ltd. shall, for the purpose of admitting any person as a Trading Member of a segment, follow uniform standards in terms of capital adequacy, deposits, fees, etc., irrespective of the mode of acquisition of the trading right by that person:
- Provided that different standards may be followed for admission of a person as a Trading Member who has acquired the trading right by way of transmission;
- Provided further that different standards may be followed for admission of Trading Members in different segments.
- 7.5 A Trading Member may surrender his trading membership of any segment to ISE Ltd. in the manner specified in the Rules, Bye-laws and Regulations of ISE Ltd.
- 7.6 Trading Members of ISE Ltd. shall clear and settle trades till the clearing and settlement functions are transferred to a recognized clearing corporation under clause 13 of this Scheme.



7.7 Irrespective of the date or mode of acquisition of the trading right, the Trading Members in any segment of ISE Ltd. shall have uniform rights and privileges.

Provided that ISE Ltd. may, with the prior approval of SEBI, grant additional privileges to those persons who were admitted as Traders or Dealers of ISE on the day preceding the Due Date.

7.8 Trading Members of ISE Ltd. on the Due Date shall continue to have the same rights and privileges in respect of their clients and constituents and other Trading Members arising out of or under any act, omission or contract or law, notification, order, direction, etc., as had accrued to them while being Traders or Dealers of ISE on or before the Due Date.

7.9 Trading Members of ISE Ltd. shall be bound by all the obligations and liabilities towards their clients and constituents, SEBI, ISE, ISE Securities & Services Ltd. (the subsidiary of ISE) and other authorities or other persons arising out of or under any act, omission or contract or law, notification, order, direction, etc., while being Traders or Dealers of ISE on or before the Due Date.

#### 8. Demutualisation

8.1 A Trading Member may or may not be a shareholder.

8.2 A shareholder may or may not be a Trading Member.

#### 9. Voting Rights

9.1 ISE Ltd. shall ensure that atleast 51% of the equity shares are held by public other than shareholders having trading rights and the Participating Stock Exchanges in the manner and within the period prescribed in sub-section (8) of section 4B of the Securities Contracts (Regulation) Act, 1956.

9.2 On and from the Appointed Date, ISE Ltd. shall ensure that public other than shareholders having trading rights and the Participating Stock Exchanges continuously hold atleast 51% of the equity shares.

9.3 On and from the Due Date, no shareholder, who is a Trading Member, shall have voting rights (taken together with the voting rights held by him and by persons acting in concert with him) exceeding 5% of the voting rights in ISE Ltd.

#### 10. Commencement of business and operations by ISE Ltd.

ISE Ltd. shall commence business and operations from the Due Date and ISE shall cease on and from such date.

#### 11. Rules, Bye-laws and Regulations of ISE Ltd.

11.1 The Rules, Bye-laws and Regulations of ISE on the day preceding the Due Date shall, unless contrary to or inconsistent with or excluded by this Scheme, apply to ISE Ltd. on and from the Due Date.

11.2 ISE Ltd. shall incorporate the provisions of this Scheme appropriately in the "Rules, Bye-laws and Regulations of ISE Ltd." on or before the Due Date.

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- 11.3 The "Rules, Bye-laws and Regulations of ISE Ltd." may be amended after the Due Date in accordance with the applicable laws, provided that no such amendment is inconsistent with any provision of this Scheme.

**12. Utilisation of Assets and Reserves of ISE by ISE Ltd.**

- 12.1 ISE Ltd. shall not do anything contrary to the provisions of section 4B(3) of the Securities Contracts (Regulation) Act, 1956.
- 12.2 Without prejudice to the generality of the provisions in sub-clause 12.1, ISE Ltd. shall not use the assets and reserves (other than current assets) of ISE transferred to it under sub-clause 6.1 of this Scheme or the proceeds from disposal of such assets or the proceeds from disposal of successive species of assets acquired from the proceeds of disposal of such assets for any purpose other than the business operations of the stock exchange.
- 12.3 The Settlement Guarantee Fund, the Investor Protection Fund and the Investor Services Fund of ISE shall, after corporatisation and demutualisation, continue to exist in the same form and be utilised by ISE Ltd. only for the purpose they have been set up for.

**13. Clearing Corporation of ISE Ltd.**

- 13.1 ISE Ltd. shall, within one year of the Due Date, subject to prior approval of SEBI, transfer the duties and functions of the clearing house of ISE Ltd. to a clearing corporation, being a company incorporated under the Companies Act, 1956 and recognized by SEBI as a clearing corporation under the Securities Contracts (Regulation) Act, 1956.
- 13.2 Until the duties and functions of the clearing house are transferred as provided in sub-clause 13.1, the clearing and settlement functions in relation to trading on ISE Ltd. shall be carried out by the clearing and settlement mechanism as used by ISE or in such other manner as the Governing Board of ISE Ltd. may determine.

**14. Compliance with the Scheme**

- 14.1 ISE and ISE Ltd., as the case may be, shall ensure compliance with the provisions of this Scheme at all times and shall not do anything contrary to the provisions of this Scheme.
- 14.2 Without prejudice to the generality of the provisions in sub-clause 14.1, ISE and ISE Ltd., as the case may be, shall continuously comply with the provisions in sub-clauses 4.3, 7.3, 7.4, 7.5, 7.7, 9.2, 9.3, 12.1, 12.2 and 12.3 of this Scheme.
- 14.3 ISE and ISE Ltd., as the case may be, shall report compliance with the provisions of this Scheme in such manner as may be required by SEBI from time to time.

**15. Power to relax provisions of this Scheme**

If any difficulty arises in giving effect to the provisions of this Scheme, SEBI may, at the request of ISE or ISE Ltd., as the case may be, relax any of the provisions of this Scheme.

\* \* \* \* \*

# SIXTH ANNUAL REPORT

2004-05



**ISE SECURITIES & SERVICES LIMITED**

BOARD OF DIRECTORS

Prof. P. V. Narasimham, Chairman, Public Representative  
Shri V. Shankar, Director  
Shri M. Ramalingam, Chief Executive Officer  
Shri Ajay A. Thakkar, Public Representative  
Dr. M. G. Shirahatti, Public Representative  
Shri R. Sadanandam, Public Representative  
Shri A. G. Karkhanis, Public Representative  
Shri A. Lahiri, Public Representative  
Shri V. Arunachalam, Trading Member Representative  
Shri Samrendra Tibarewalla, Trading Member Representative  
Shri Jayant Dhundiraj Vidwans, Trading Member Representative  
Shri Prakash M. Patel, Trading Member Representative

SECRETARIAL AND LEGAL

Ms. V. Vasumathy, Company Secretary

AUDIT COMMITTEE

Shri. Ajay A. Thakkar, Chairman, Public Representative  
Dr. M. G. Shirahatti, Public Representative  
Shri. R. Sadanandam, Public Representative  
Shri. A. Lahiri, 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, 5<sup>th</sup> Floor, Sector 30  
Vashi, Navi Mumbai – 400 703.

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## NOTICE

Notice is hereby given that the Sixth Annual General Meeting of the Members of ISE Securities & Services Limited will be held on Saturday, September 24, 2005 at 3.15 p.m. at the Registered Office of the Company at International Infotech Park, Tower 7, 5<sup>th</sup> Floor, Sector 30, Vashi, Navi Mumbai - 400 703 to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Balance Sheet as at March 31, 2005 and Profit & Loss Account for the year ended March 31, 2005 and the Auditors' Report thereon, and if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT the Balance Sheet as at March 31, 2005 and the Profit & Loss Account for the year ended March 31, 2005 of the Company together with the Auditors' Report thereon, be and are hereby received, approved and adopted."

2. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix the remuneration payable to them.

### SPECIAL BUSINESS:

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

"RESOLVED THAT in accordance with the provisions of Section 31 and all other applicable provisions if any, of the Companies Act, 1956 and subject to the necessary approvals, if any, the existing Article 150 (1) to (8) of the Articles of Association of the Company be and are hereby substituted by the following Article 150 (1) to (8) of the Articles of Association of the Company.

#### *Conditions prescribed by SEBI*

- 150 (1) Inter-connected Stock Exchange of India Limited (ISE) shall maintain such shareholding in the Company as may be prescribed by SEBI from time to time.
- 150 (2) The Traders and Dealers of ISE, who are the registered stock-brokers of ISE, shall register themselves as 'sub-brokers' of the Company to enable them to trade through the Company.
- 150 (3) The Company shall not undertake any dealings in securities on its own account.
- 150 (4) The Company shall register traders and dealers of ISE and other eligible entities, as may be permitted by SEBI.
- 150 (5) The sub-brokers and other eligible entities of the Company shall maintain such deposits with the Company, as may be considered necessary to ensure proper risk management. The Base Minimum Capital deposited by the sub-brokers with ISE shall not be transferred to the Company.
- 150 (6) The trading / exposure limit of the sub-brokers, other eligible entities and their clients may be based on the deposits received by the Company from the sub-brokers, other eligible entities and their clients and these limits shall not exceed the limits as prescribed by the Stock Exchange(s) of which the Company is a member.
- 150 (7) The Company may, based upon its assessment of risk, collect margins from the sub-brokers and other eligible entities affiliated with it, as well as from their clients, towards Initial Margin, Mark-to-Market Margins, Value at Risk Margins

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and such other margins, as may be imposed by the respective Stock Exchange(s) of which the Company is a member.

150 (8) Only Traders and Dealers of ISE who are registered by SEBI and who are eligible to trade on ISE shall be eligible to trade / continue to trade through the Company as sub-brokers of the Company.

RESOLVED FURTHER THAT Shri. V. Shankar, Director, Shri. M. Ramalingam, Chief Executive Officer or Ms. V. Vasumathy, Company Secretary of the Company be and are hereby authorized to do all such acts, deeds, things and to take the necessary actions for obtaining the necessary permissions and approvals and to give effect to this Resolution for the above referred amendments in the Articles of Association of the Company".

BY ORDER OF THE BOARD

  
V. VASUMATHY

COMPANY SECRETARY

Place: Vashi, Navi Mumbai  
Date: September 1, 2005

Notes:

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business to be transacted at the Annual General Meeting is enclosed herewith.
2. A Member entitled to vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a Member of the Company. Proxies, in order to be effective, must be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Annual General Meeting.
3. Members seeking any information or clarification on the Accounts are requested to send in 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.
4. Members / proxies should bring the Attendance Slip sent herewith, duly filled in, along with the Annual Report for attending the Meeting.

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EXPLANATORY STATEMENT IN RESPECT OF ITEM NO. 3 OF THE NOTICE  
PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 3

Members of the Company are hereby informed that in order to be compliant with the provisions of the SEBI (Stock Brokers and Sub-brokers) (Amendment) Regulations, 2003, the Company is required to carry out some amendments in its Articles of Association.

The Board of Directors of the Company, therefore, in its meeting held on June 25, 2005 considered and approved the amendments that are required in the Articles of Association of the Company for the said purpose.

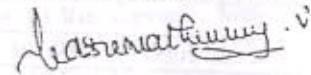
The above-referred SEBI (Stock Brokers and Sub-brokers) (Amendment) Regulations, 2003 and other relevant documents are available for inspection at the Registered Office of the Company on any working day during normal working hours of the Company.

The proposed amendment in the Articles of Association of the Company shall also be subject to the approval of the National Stock Exchange of India Limited (NSE), The Stock Exchange, Mumbai, Securities and Exchange Board of India (SEBI) and such other relevant authorities.

None of the Directors is interested in this resolution.

Your Directors recommend this Resolution for approval by the Members of the Company.

BY ORDER OF THE BOARD



V. VASUMATHY  
COMPANY SECRETARY

Place: Vashi, Navi Mumbai  
Date: September 1, 2005

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**PERFORMANCE AT A GLANCE**

(all figures in Rs. lakh)

	Financial Performance				
	04-05	03-04	02-03	01-02	00-01
(Lakh)					
Net Income	289.26	315.25	110.84	108.77	71.09
Income Tax Refund	167.76	131.17	95.25	109.72	41.92
Recoveries	2.97	1.53			
Other Income	115.08	97.52	110.57	99.87	25.94
Depreciation	18.60	19.76	12.15	11.22	7.80
Amortisation	58.99	22.56	38.01	11.69	1.99
Net Profit (Rs. Lakh)	652.66	587.79	366.82	341.27	148.74
Operating Costs	199.61	186.55	79.82	139.31	18.11
Cost of Sales	110.65	120.80	110.07	105.05	93.64
Administrative Costs	74.34	67.83	68.38	50.09	21.56
Other Costs	7.37	6.43	43.52	50.07	16.02
Provision for ISE assets used				5.19	4.77
Depreciation / Amortisation	108.12	45.81	45.55	33.78	29.82
Other Expenses	2.04	2.04	2.04	2.04	2.04
Provision for Proposed Projects					
Other Expenses	502.13	429.46	349.38	385.53	185.96
Operating Expenditure					
Profit (Loss) before Taxation (Rs. Lakh)	150.53	158.33	17.44	(44.26)	(37.22)
Provision for Current Tax	(46.00)	(23.60)	-	(2.00)	
Provision for (Deferred Tax Expenses)/Savings	4.50	(28.71)	(9.45)	-	
Profit / (Loss) after Taxation (Rs. Lakh)	109.03	106.02	7.99	(46.26)	(37.22)
Equity Structure (Rs. lakh)					
Equity Capital	550.00	550.00	550.00	450.00	250.00
Reserves & Surplus	151.92	40.05	-	-	-
Fixed Assets	142.10	131.48	173.11	150.01	177.77
Current Assets	67.00	67.00	67.00	-	-
Liabilities	509.56	423.98	329.05	755.67	224.57
Current Assets					
Net Worth	701.91	590.05	485.62	366.51	212.78
EPS per share (Rupees)	2.03	1.90	0.18		

The Board of Directors present the Sixth Auditors' Report a

**BACKGROUND**

Fiscal 2004-05 witnessed price and stock index reflection of what the mood in the levels of Foreign indices rose to di 2005, the day of th the toast of the w cheers to the Mark in which companie

The year did not t 2004 resulted in a and supported by fears about the e witnessed in the st historic, with BSE these days being shown a dramatic 2005

The last quarter of of some sorts for n to Rs. 1,950 crore market is concern the bulk of it bein issues. Stocks a appreciating, includ year also saw som

**OPERATIONAL H**

During the year 20 capital market (CM segment. The corre CM segment and F

The peak turnover Company notched highest daily turnc crore.

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## DIRECTORS' REPORT

The Board of Directors of ISE Securities & Services Limited (ISS) are pleased to present the Sixth Annual Report for the year ended March 31, 2005, together with the Auditors' Report and Audited Accounts for the Financial Year 2004-05.

### BACKGROUND

Fiscal 2004-05 was a historic year in more ways than one. The year has seen share prices and stock indices drop to precipitous depths and zoom to dizzying heights in true reflection of what strong investor sentiment and large foreign investment flows can do. The mood in the stock market has dramatically reversed because of the unprecedented levels of Foreign Institutional Investor (FII) fund inflows into the market. The benchmark indices rose to dizzying heights with the NSE NIFTY rising to 2103 on February 28, 2005, the day of the Union Budget and the BSE SENSEX to 6713. India, so to say, was the toast of the world markets. The performance of the corporate sector also brought cheers to the Markets. This was also reflected in ways than one, more so in the manner in which companies lined up to raise equity from the general public.

The year did not begin well for the stock market, as the General Election held in April 2004 resulted in a fractured mandate. The UPA Government led by the Congress party and supported by the Left parties among others assumed charge at the Centre. Major fears about the economic agenda of the new government led to the worst crashes witnessed in the stock market in the recent times. May 14, 2004 and May 17, 2004 were historic, with BSE Sensex losing 339.47 points and 515.73 points respectively with these days being deemed Black Friday and Black Monday. The market has thereafter shown a dramatic turnaround with the BSE Sensex scaling to 6713 on February 28, 2005

The last quarter of 2004-2005 also witnessed the mutual fund industry create a record of some sorts for mobilization of funds. Franklin Templeton Flexi Cap Fund raised close to Rs. 1,950 crore, the largest by any scheme in the country so far. As far as primary market is concerned, Indian companies raised Rs. 28,300 crore during the year, with the bulk of it being equity offering by way of public offers through public and rights issues. Stocks across many sectors of the economy have seen their values appreciating, including industries such as automobile, ITES, banking and pharma. The year also saw some giant public issues from NTPC, TCS, PNB, ICICI Bank and NDTV.

### OPERATIONAL HIGHLIGHTS

During the year 2004-05, your Company recorded a turnover of Rs. 21,870 crore in the capital market (CM) segment and Rs. 9,581 crore in the futures & options (F&O) segment. The corresponding figures for the preceding year were Rs.22,568 crore in the CM segment and Rs.11,369 crore in the F&O segment.

The peak turnover in the CM segment was recorded on January 5, 2005, when your Company notched up a turnover of Rs.138 crore on NSE. In the F&O segment, the highest daily turnover was on February 28, 2005, when the turnover was Rs.70.45 crore.

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

Month	CM Segment									F&O Segment			
	Total Turnover (Rs. Cr.)			No. of Days	Average Turnover per day (Rs. Cr.)			Active Intermediaries		Total Turnover (Rs. Cr.)	No. of Days	Average Turnover per day (Rs. Cr.)	Active Intermediaries
	NSE	BSE	Total		NSE	BSE	Total	NSE	BSE				
April 2004	1942.89	N.A	1942.89	20	97.14	N.A	97.14	214	N.A	813.28	20	40.66	74
May	1878.94	N.A	1878.94	21	89.47	N.A	89.47	216	N.A	603.73	21	28.75	75
June	1667.90	N.A	1667.90	22	75.81	N.A	75.81	217	N.A	606.90	22	27.59	73
July	2018.49	N.A	2018.49	22	91.75	N.A	91.75	221	N.A	767.90	22	34.90	78
August	1702.55	N.A	1702.55	22	77.39	N.A	77.39	219	N.A	740.16	22	33.64	76
September	1701.92	N.A	1701.92	22	77.36	N.A	77.36	215	N.A	753.02	22	34.23	82
October	1409.12	N.A	1409.12	20	70.46	N.A	70.46	212	N.A	735.62	20	36.78	81
November	1507.39	N.A	1507.39	20	75.37	N.A	75.37	212	N.A	820.35	20	41.02	79
December	2181.84	0.93	2182.77	23*	94.86	0.16	95.02	209	5	1048.62	23	45.60	76
January 2005	1800.38	5.86	1806.24	19	94.76	0.31	95.07	210	7	804.90	19	42.36	79
February	2005.42	18.95	2024.37	20	100.27	0.95	101.22	213	9	951.54	20	47.58	78
March	2053.21	33.43	2086.64	22	93.33	1.52	94.85	211	10	935.20	22	42.51	81
Total 2004-05	21870.04	56.82	21926.86	253	86.50	0.74	87.25			9581.42	253	37.97	
Total 2003-04	22567.50	N.A	22567.50	254	88.85	N.A	88.85			11368.53	254	44.76	
Total 2002-03	11528.95	N.A	11528.96	251	45.93	N.A	45.93			737.23	227	3.25	

\* BSE CM Segment was launched on December 24, 2004. Hence, the number of trading days in this segment for the month of December 2004 is 5.

### FINANCIAL PERFORMANCE

The positive mood in the market is also reflected in the good results posted by your Company. 2004-05 is the third year in succession when your Company has posted net profit.

Your Company earned a total income of Rs.652.66 lakh during the year (preceding year: Rs.587.79 lakh). Expenditure (before depreciation, interest and tax) during the year under review stood at Rs.386.64 lakh, compared to Rs.377.22 lakh during the preceding year. After considering interest, finance charges and depreciation, the excess of income over expenditure for the year 2004-05 was Rs.150.53 lakh [as compared to Rs.158.33 lakh for 2003-04]. The net profit after tax for the year 2004-05 was Rs.109.03 lakh, compared to Rs.106.02 lakh for the year 2003-04.

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

(all figures in Rs. lakh)

Particulars	2004-05	2003-04	2002-03	2001-02	2000-01
Income	652.66	587.79	366.82	341.27	148.74
Expenditure before Depreciation, Interest and Tax	386.64	377.22	260.30	301.68	140.12
Profit before Depreciation, Interest and Tax	266.02	210.57	106.52	39.59	8.62
Interest and Finance Charges	7.37	6.43	43.53	50.07	16.02
Depreciation	108.12	45.81	45.55	33.78	29.82
Profit/(Loss) before Tax	150.53	158.33	17.44	(44.26)	(37.22)
Provision for Tax	41.50	52.31	9.45	2.00	-
Profit/(Loss) after Tax	109.03	106.02	7.99	(46.26)	(37.22)

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## TECHNOLOGY AND SYSTEMS

There have been considerable functional improvements in the Technology front as compared to the previous year. A total of 22 new TDMA VSATs were added to the network as compared to 9 TDMA VSATs in 2003-04. Similarly, 18 new Leased Lines (LL) were added to the network as compared to 20 LL in 2003-04. The average down time has also reduced as a result of the conscious efforts in the direction.

During the course of the year an order was placed on Asian Cerc Information Technology Ltd. (ACERC) for providing an internet based trading solution. This solution is expected to be operational during the year 2005-06 when your Company will be dealing directly with end-clients.

The Technology department envisages a considerable improvement in the networking (LAN/WAN), security systems and software performance during the next financial year, due to induction of new hardware, software and introduction of the MPLS technology in the network architecture.

## NEW PRODUCT LAUNCHES IN 2004-05

Your Company launched BSE CM segment with effect from December 24, 2004. The number of registered intermediaries (i.e. sub-brokers) in this segment is 10 as on March 31, 2005 and the activity level is expected to increase quite significantly when more intermediaries are registered by SEBI.

## OUTLOOK FOR THE YEAR 2005-06

Your Company would be required to deal with end-clients directly (i.e. clients of sub-brokers) as SEBI has advised that Exchange subsidiaries too would have to implement the provisions of the SEBI (Stock Broker and Sub-brokers) (Amendment) Regulations, 2003. The new system would replace the present mode of dealing with the sub-brokers, who deal with the clients. This is a challenge and an opportunity.

New cities are expected to be brought into the ISS service map, consequent to new sub-brokers getting registered by SEBI in the year 2004-05.

Your Company also plans to start clearing member services for other trading members in the NSE F&O segment. Plans are also afoot to produce research reports.

## 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.

## 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 2004-05, there were six cases pending against the sub-brokers of ISS. Out of the total of 6 cases, 5 cases were resolved by mutual

consent between the complainant and the sub-broker and one complaint remained pending.

### SHARE CAPITAL

The Share Capital remained the same during the year under review. The present shareholding pattern of your company is as follows:

Sr. No.	Name of the Member	Number of Shares held	Face Value per share Rs.	Amount Paid-up (Rs. In lakh)	% of total
1.	Inter-connected Stock Exchange of India Ltd.	54,97,900	10	5,49,79,000	99.965
2.	Prof. P. V. Narasimham	300*	10	3,000	0.005
3.	Mr. V. Shankar	300*	10	3,000	0.005
4.	Mr. Ajay A Thakkar	300*	10	3,000	0.005
5.	Mr. Ashish M Parikh	300*	10	3,000	0.005
6.	Dr. K Sabapathy	300*	10	3,000	0.005
7.	Mr. Yogendra Kumar Surana	300*	10	3,000	0.005
8.	Mr Has Mukh B Baldev	300*	10	3,000	0.005
	<b>Total</b>	<b>55,00,000</b>		<b>5,50,00,000</b>	<b>100</b>

\* These members are subscribers to the Memorandum and Articles of Association of the Company and they hold respective shares as nominees of ISE.

### BOARD OF DIRECTORS

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

Sr. No.	Name of the Director	Status	Date of First Appointment
1.	Prof. P. V. Narasimham	Chairman; Nominee of Inter-connected Stock Exchange of India Ltd.	April 17, 2004
2.	Shri V. Shankar	Director [Designated]; Nominee of Inter-connected Stock Exchange of India Ltd.	January 18, 2000
3.	Shri M. Ramalingam	Chief Executive Officer and Director [Designated]	June 30, 2004
4.	Shri Ajay A. Thakkar	Public Representative Director	October 1, 2002
5.	Shri A. Lahiri	Public Representative Director	September 28, 2004
6.	Dr. M. G. Shirahatti	Public Representative Director	January 31, 2004
7.	Shri R. Sadanandam	Public Representative Director	January 31, 2004
8.	Shri A.G. Karkhanis	Public Representative Director	September 28, 2004
9.	Shri V. Arunachalam	Trading Member Director, Coimbatore	December 20, 2003
10.	Shri Samrendra Tibarewalla	Trading Member Director, Kolkatta	December 20, 2003
11.	Shri Prakash M. Patel	Trading Member Director, Mumbai	September 28, 2004
12.	Shri Jayant Dhundiraj Vidwans	Trading Member Director, Mumbai	September 28, 2004

Dr. D. K. Bhatia, Shri Ashish M. Parikh and Shri G. D. Mundra ceased to be directors with effect from September 28, 2004. Shri B. S. Hegde ceased to be Additional Director with effect from September 28, 2004.

Shri A. Lahiri and Shri A. G. Karkhanis were appointed as Additional Directors during the year and will continue to hold office as Directors till the Sixth Annual General Meeting of the Company. Shri Prakash M. Patel and Shri Jayant Dhundiraj Vidwans were appointed as directors in the 5<sup>th</sup> AGM held on September 28, 2004 as directors liable to retire by rotation.

Shri Ajay A. Thakkar, Shri Samrendra Tibarewalla, Shri V. Arunachalam, Shri R. Sadanandam, Dr. M. G. Shirahatti and Prof. P.V. Narasimham were appointed as Additional Directors at the 49<sup>th</sup> Board Meeting held on September 28, 2004.

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

Board Meeting No.	Date
46	April 17, 2004
47	June 19, 2004
48	August 21, 2004
49	September 28, 2004
50	November 27, 2004
51	January 22, 2005

### BOARD PROCEDURES

After approval of the Chairman, the Company Secretary prepares the agenda and the detailed notes for the Board Meetings, which are circulated to all the directors and special invitees. Specific note on any subject, as may be required for the Board, is prepared by the concerned department head.

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

### DETAILS OF ATTENDANCE OF THE DIRECTORS IN THE BOARD MEETINGS

During the period April 1, 2004 till March 31, 2005, the Board of Directors met 6 times. The attendance record of the Directors at each Board Meeting and the last Annual General Meeting held on September 28, 2005 is given below:

Sr. No.	Name of Director and Status	No. of Board Meetings held	No. of Board Meetings attended	Status at 5 <sup>th</sup> AGM
1.	Prof. P.V. Narasimham Public Representative Director and Chairman	6	6	Present
2.	Shri V. Shankar Director	6	6	Present
3.	Shri M. Ramalingam Chief Executive Officer	6	6	Present
4.	Shri Ajay A. Thakkar Public Representative Director	6	4	Present
5.	Dr. D.K. Bhatia Public Representative Director	3	2	Absent
6.	Dr. M.G. Shirahatti Public Representative Director	6	4	Present
7.	Shri R. Sadanandam Public Representative Director	6	6	Present
8.	Shri B.S. Hegde Public Representative Director	3	3	Absent

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Sr. No.	Name of Director and Status	No. of Board Meetings held	No. of Board Meetings attended	Status at 5 <sup>th</sup> AGM
9.	Shri A. Lahiri Public Representative Director	3	3	Present
10.	Shri A.G. Karkhanis Public Representative Director	3	1	Absent
11.	Shri Ashish M. Parikh Trading Member Director	3	2	Absent
12.	Shri G.D. Mundra Trading Member Director	3	2	Absent
13.	Shri V. Arunachalam Trading Member Director	6	4	Present
14.	Shri Samrendra Tibarewalla Trading Member Director	6	4	Present
15.	Shri Jayant Dhundiraj Vidwans Trading Member Director	3	3	Present
16.	Shri Prakash M. Patel Trading Member Director	3	2	Present

### GENERAL BODY MEETINGS

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

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

3 <sup>rd</sup> AGM	September 30, 2002
4 <sup>th</sup> AGM	September 29, 2003
5 <sup>th</sup> AGM	September 28, 2004 (held at Indian Merchants' Chamber, Opp. Churchgate Station, Mumbai)

2. Extra-ordinary General Meetings (EGMs):

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

### AUDIT COMMITTEE

The Audit Committee was first constituted in October 2002. The present members of the Committee are Shri. Ajay A. Thakkar (Chairman of the Committee), Shri. R. Sadanandam, Dr. M. G. Shirahatti and Shri. A. Lahiri. The role, powers and functions of the Audit Committee are as stated below:

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

During the period under review, the Audit Committee met 6 times i.e. on June 14, 2004, August 14, 2004, December 20, 2004, January 19, 2005, March 23, 2005 and March

29, 2005. The below:

Sr. No.	
1.	Shri. A.
2.	Shri. B.
3.	Dr. M.
4.	Shri. A.

### AUDITORS

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29, 2005. The attendance record of the members of the Audit Committee is given below:

Sr. No.	Name of the Member	No. of meetings attended
1.	Shri. Ajay A. Thakkar	6
2.	Shri. R. Sadanandam	5
3.	Dr. M. G. Shirahatti	1
4.	Shri. A. Lahiri	4

#### AUDITORS

M/s. A. J. Shah & Co., Chartered Accountants, were appointed by the Members in the Fifth Annual General Meeting as Statutory Auditors to hold office from the conclusion of the Fifth Annual General Meeting till the conclusion of the forthcoming (Sixth) 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 the Company, have been submitting quarterly reports on the functioning of the Company which are placed before the Audit Committee and the Board. Recommendations / suggestions made by the Internal Auditors to streamline and tone up the administrative processes are taken up for implementation.

#### INTERNAL CONTROL SYSTEMS AND ADEQUACIES

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

#### HUMAN RESOURCES AND PARTICULARS OF EMPLOYEES

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

#### STATUTORY DISCLOSURE OF PARTICULARS

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

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

### 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, 2005 and Profit & Loss Account for the year ended March 31, 2005;
- 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 has been able to operate efficiently because of the culture of professionalism and continuous improvement in all functions in order to ensure optimal utilization of resources.

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

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

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

By order of the Board of Directors  
Sd/-

P. V. NARASIMHAM  
Chairman

V. SHANKAR  
Director

M. RAMALINGAM  
Chief Executive Officer

Date: September 1, 2005  
Place: Vashi

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**AUDITORS' REPORT**

The Members,  
ISE Securities And Services Limited.  
Mumbai

- 1 We have audited the attached Balance Sheet of ISE Securities and Services Limited as at 31<sup>st</sup> March, 2005 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.
- a Further to our comments in the annexure referred to above, we report that:
  - i We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - ii In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of these 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 31<sup>st</sup> March, 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.



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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:

a. In the case of Balance Sheet of the state of affairs of the company as at 31<sup>st</sup> March, 2005.

b. In the case of Profit and Loss Account of the profit for the year ended on that date;

and

c. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

FOR A. J. SHAH & COMPANY,  
Chartered Accountants

(Rajesh Shah)  
PARTNER  
Membership No. 31475.

PLACE: MUMBAI

DATE: 25 JUN 2005



With reference to  
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### 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 31<sup>st</sup> March 2005, we report that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets
- (b) The fixed assets have been physically verified by the management during the current financial year. As informed to us, that there were no discrepancies noticed on such verification
- (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 is adequate internal control system commensurate with the size of the Company and nature of its business with regard to purchase and sale of fixed assets and rendering of services.
- (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, Section 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed there under. Hence, clause 4 (vi) of the Order is not applicable.
- (vii) In our opinion, the Company has an adequate internal audit system, which commensurate with the size of the company and nature of its business.
- (viii) According to the information and explanations given to us and on the basis of our audit procedures, the Company is not required to maintain cost records under section 209 (1) (d) of the Companies Act, 1956. Accordingly, clause 4 (viii) of the order is not applicable.



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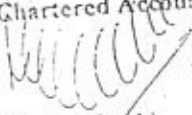
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the books of account, the Company has been generally regular in depositing with appropriate authorities undisputed statutory dues including, Income-tax (TDS), Service Tax, Stamp Duty, Annual SEBI Fees, Cess Tax and other statutory dues wherever applicable. Also, as at 31<sup>st</sup> March 2005, 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, Service Tax and Cess that have not been deposited on account of any dispute.
- (x) The company does not have accumulated losses as at 31<sup>st</sup> March, 2005 and has not incurred cash loss in the financial year or in the financial year preceding financial year.
- (xi) In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayments of the amounts due to banks during the year.
- (xii) Based on our examination of the records and the information and explanations given to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) Clause 4(xiii) of the Order is not applicable to the Company as the Company is not a chit fund company or Nidhi / mutual benefit fund / society
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the order is not applicable to the company
- (xv) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanation given to us and based on our audit procedures, the Company has not raised any term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year.
- (xix) According to the information and explanations given to us and based on our audit procedures, the Company has not issued any debentures. Accordingly, clause 4 (xix) of the order is not applicable



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- (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 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 A. J. SHAH & COMPANY,  
Chartered Accountants

  
(Rajesh Shah)  
PARTNER  
Membership No. 3475.

PLACE: MUMBAI

DATE: 25 JUN 2005



**ISE SECURITIES & SERVICES LIMITED**  
BALANCE SHEET AS ON 31st March, 2005

PARTICULARS	Schedule	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Sources of funds</b>			
<b>Shareholders' funds</b>			
Share Capital	1	55,000,000	55,000,000
Reserves & Surplus	2	15,191,984	4,005,637
<b>Loan Funds</b>			
Secured Loans	3		999,613
Deferred Tax Liability (Net)	4	1,995,404	2,445,102
Total		72,187,388	62,450,352
<b>Application of funds</b>			
<b>Fixed assets</b>			
Gross block	5	40,518,693	28,645,227
Less: Accumulated Depreciation / Amortisation		26,308,497	15,496,938
Net block		14,210,196	13,148,289
Advance for Capital Assets		320,905	
Investments (at cost)	6	6,700,005	6,700,005
<b>Current Assets, Loans and Advances</b>			
<b>Current Assets</b>			
Sundry Debtors	7	1,926,496	1,746,697
Cash and Bank Balances	8	337,799,243	280,790,721
Loans and Advances	9	59,398,051	54,134,170
Less: Current Liabilities and Provisions	10	399,123,790	336,571,888
Current Liabilities		341,207,508	291,913,645
Provisions		6,960,000	2,360,000
Net Current Assets		50,956,282	42,398,243
Miscellaneous Expenditure	11		203,815
Total		72,187,388	62,450,352
Significant Accounting Policies and Notes forming part of the Accounts	12		

As per our attached Report of even date

For A. J. Shah & Co.  
Chartered Accountants

Rajesh Shah  
Partner  
Membership No. 31475  
Mumbai

Date: 25 JUN 2005

For and on behalf of the Board of Directors

*P. V. Narasimham*  
P. V. Narasimham  
Chairman

*V. Shankar*  
V. Shankar  
Director

*M. Ramalingam*  
M. Ramalingam  
CEO

*V. Vasumathy*  
V. Vasumathy  
Company Secretary  
Mumbai

Date: 25 JUN 2005

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As per C

For A. J.

Chartered

Partner

Membership

Mumbai

Date: 2



**ISE SECURITIES & SERVICES LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31st March, 2005**

PARTICULARS	Schedule	Year ended Mar. 31, 2005 (Rupees)	Year ended Mar. 31, 2004 (Rupees)
Income			
Brokerage		28,925,764	31,525,064
Interest		16,776,330	13,117,969
(Tax deducted at source: Rs. 16,26,790 (Previous year: Rs.26,45,302/-))			
Interest on income tax refund		297,021	153,413
Networking recoveries		11,507,511	9,752,077
Annual fees		1,860,000	1,976,000
Other income		5,899,644	2,255,415
<b>Total</b>		<b>65,266,270</b>	<b>60,779,938</b>
<b>Expenditure</b>			
Employee Cost	11	7,433,676	6,783,471
Communication & Networking Expenses	14	11,065,787	12,079,906
Administration and Operational Expenses	13	19,960,770	18,642,713
Finance Costs	15	737,104	642,990
Reduction in the value of securities in hand (Refer Note 4 of Schedule 18 Part C)		-	12,780
Depreciation / Amortisation on Fixed Assets		10,811,559	4,581,730
Preliminary Expenses amortised		203,615	203,616
<b>Total</b>		<b>50,212,711</b>	<b>42,947,406</b>
<b>Profit / (Loss) before Taxation</b>		<b>15,053,559</b>	<b>15,832,532</b>
Provision for Current Tax		(4,600,000)	(2,360,000)
Deferred Tax Expense/Savings		449,698	(2,870,547)
<b>Net Profit / (Loss) after Taxation</b>		<b>10,903,257</b>	<b>10,601,985</b>
Less: Prior Year Adjustment		283,090	(157,992)
Balance brought forward from previous year		4,005,637	(64,38,357)
<b>Balance carried to Balance Sheet</b>		<b>15,191,804</b>	<b>4,005,637</b>
<b>Basic &amp; Diluted Earnings Per Share (In Rupees)</b> (Refer Note 15 of Schedule 18 Part C)		<b>2.03</b>	<b>1.90</b>
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

Rajesh Shah  
Partner  
Membership No. 31473  
Mumbai  
Date: 25 JUN 2005



For and on behalf of the Board of Directors

*(Signature)*  
P. Narasimham V. Shankar A. Ramalingam  
Chairman Director CEO

*(Signature)*  
V. Vasumathy  
Company Secretary  
Mumbai  
Date: 25 JUN 2005

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**ISE SECURITIES & SERVICES LIMITED**

**Schedules forming part of the Balance Sheet**

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 1 : Share Capital</b>		
<b>Authorised</b>		
60,00,000 Equity Shares of Rs. 10/- each	60,000,000	60,000,000
<b>Issued, Subscribed and Fully paid-up</b>		
55,00,000 Equity Shares of Rs. 10/- each fully paid-up in cash (100% held by Inter-connected Stock Exchange of India Ltd., the holding company and its nominees)	55,000,000	55,000,000
<b>Total</b>	<b>55,000,000</b>	<b>55,000,000</b>

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 2 : Reserves &amp; Surplus</b>		
Profit & Loss Account	15,191,984	4,005,637
<b>Total</b>	<b>15,191,984</b>	<b>4,005,637</b>

	As at March 31, 2005 Rupees	As at March 31, 2004 Rupees
<b>Schedule 3 : Secured Loans</b>		
From Banks (Overdraft facility secured by bank fixed deposit receipts.) Refer Note 8 of Schedule 18 Part C)		999,613
<b>Total</b>		<b>999,613</b>

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 4 : Deferred Tax Liability</b>		
Deferred Tax Liability	2,020,648	3,983,740
Less: Deferred Tax Asset	25,244	1,538,638
<b>Net Deferred Tax Liability</b>	<b>1,995,404</b>	<b>2,445,102</b>
(Refer Note 16 Schedule 18 Part C)		



*Handwritten signatures and initials: 'Sam', 'K.M.', and a checkmark.*

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**ISE SECURITIES & SERVICES LIMITED**  
Schedules forming part of the Balance Sheet

Schedule 5: Fixed Assets

PARTICULARS	GROSS BLOCK (At Cost)				DEPRECIATION/AMORTIFICATION			NET BLOCK	
	As at 01-04-2004	Additions	Deductions	As at 31-03-2005	Upto 31-03-2004	For the Year	Deductions	As on 31-03-2005	As at 31-03-2005
									As at 31-03-2004
<b>Tangible Assets</b>									
Computers	22,350,889	4,592,065	-	26,942,974	13,600,317	4,031,153	-	17,631,450	13,148,289
Mobile Phones	23,058	-	-	23,058	23,058	1,916	-	23,058	72,084
Office Equipment	-	74,000	-	74,000	-	-	-	1,916	-
<b>Intangible Assets</b>									
Computer Software	6,271,280	7,207,381	-	13,478,661	1,873,563	6,778,510	-	8,652,074	4,826,587
Total	28,645,227	11,873,466	-	40,518,693	15,496,938	10,811,559	-	26,308,498	14,210,195
2003-04	28,225,377	418,850	-	28,645,227	10,915,208	4,587,730	-	15,496,938	13,148,289



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**ISE SECURITIES & SERVICES LIMITED**  
Schedules forming part of the Balance Sheet

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 6 : Investments</b>		
Long term trade investments (unquoted, at cost) - Stock Exchange, Mumbai. Membership	6,700,005	6,700,005
(Refer Note 5 of Schedule 18 Part C)		
<b>Total</b>	<b>6,700,005</b>	<b>6,700,005</b>

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 7 : Sundry Debtors</b>		
Debts outstanding for a period exceeding six months	1,263,925	1,528,229
Considered good	75,000	7,158,141
Considered doubtful		
Other Debts	662,570	218,468
Considered good		
Considered doubtful		
	2,001,495	8,904,838
Less : Provision for Bad & Doubtful Debts	75,000	7,158,141
(Refer note 6 of Schedule 18 Part C)		
<b>Total</b>	<b>1,926,495</b>	<b>1,746,697</b>

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 8 : Cash and Bank balances</b>		
Cash-on-hand	5,715	4,744
Cheques in hand	48,334	
<b>Bank balances with Scheduled Banks</b>		
- in Current Accounts	10,411,809	3,757,878
Client Designated	8,588,739	5,502,624
Others		
- in Deposit Accounts	318,744,646	271,525,475
(Refer Note 9 & 10 of Schedule 18 Part C)		
<b>Total</b>	<b>337,799,243</b>	<b>280,790,721</b>



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**ISE SECURITIES & SERVICES LIMITED**  
Schedules forming part of the Balance Sheet

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 9 : Loans &amp; Advances</b>		
Advances recoverable in cash or kind for value to be received (Unsecured and considered good)	9,164,111	3,619,269
Interest accrued on bank fixed deposits	1,643,905	4,989,469
Income tax refund receivable/Advance tax	7,352,236	5,757,532
Deposits with Stock Exchanges/Clearing House	39,851,400	38,396,800
Other Deposits (including Rs.12,78,200/- to ISE, Holding Company)	1,386,400	1,371,400
<b>Total</b>	<b>59,398,051</b>	<b>54,134,470</b>

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 10 : Current Liabilities &amp; Provisions</b>		
Total Outstanding dues to Small Scale Industrial Undertakings		
Others		
Settlement Obligations		
Settlement Obligations to Dealers (Cash Segment)	46,002,347	45,918,789
Settlement Obligations to Dealers (F&O Segment)	5,301,142	139,571
Settlement Obligations to NSE		
Settlement Obligations to BSE		
Margin, Base and Additional Capital Deposits		
Margin deposits		
Cash Segment deposits	164,292,820	129,181,709
F & O Segment deposits	106,166,246	105,971,053
VSAT deposit	1,201,207	863,597
Inter-connected Stock Exchange of India Limited (Due to Holding Company)	2,807,667	636,550
ISE Gratuity Payable Account	364,315	495,171
ISE PL Encashment payable Account	427,901	
Creditors for Expenses	9,882,912	5,968,199
Other Liabilities (Refer Note 11 of Schedule 18 Part C)	2,726,748	2,738,996
<b>Total (A)</b>	<b>341,207,508</b>	<b>291,913,645</b>
Provisions		
Provision for Taxation	6,960,000	2,360,000
<b>Total (B)</b>	<b>6,960,000</b>	<b>2,360,000</b>
<b>Total (A + B)</b>	<b>348,167,508</b>	<b>294,273,645</b>



*Accountant*  
*1.8.05*

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**ISE SECURITIES & SERVICES LIMITED**  
 Schedules forming part of the Balance Sheet

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 11 : Miscellaneous Expenditure</b>		
(To the extent not written off or adjusted)		
Preliminary Expenses	-	26,713
Pre-operational Expenses	-	177,102
<b>Total</b>	-	<b>203,815</b>



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**ISE SECURITIES & SERVICES LIMITED**

**Schedules forming part of the Profit & Loss Account**

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 12 : Other income</b>		
Fines & Penalties collected	848,612	591,167
Technology Fees for F&O segment	765,000	560,000
Admission Fees for F&O segment	300,000	455,000
Miscellaneous Income	85,070	18,503
Excess provision w/back / Liability no longer required	151,504	
Provision for Doubtful Debt written back	3,749,058	630,745
<b>Total</b>	<b>5,899,644</b>	<b>2,255,415</b>

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 13 : Employee Cost</b>		
Staff Deputation Cost (Salary, Allowances & Bonus)	7,337,036	6,228,600
Contribution to Gratuity Fund	96,640	554,871
<b>Total</b>	<b>7,433,676</b>	<b>6,783,471</b>

	As at March 31, 2005 (Rupees)	As at March 31, 2004 Rupees
<b>Schedule 14 : Communication &amp; Networking Expenses</b>		
Lease/ISDN Line Charges	3,138,449	3,524,387
VPN Expenses	1,643,694	1,697,730
VSAT Expenses	3,088,916	3,699,597
Annual Maintenance charges for Networking Equipment	2,656,124	2,608,579
Telephone Expenses	538,604	551,518
<b>Total</b>	<b>11,065,787</b>	<b>12,079,905</b>



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**ISE SECURITIES & SERVICES LIMITED**

Schedules forming part of the Profit & Loss Account

Schedule 15 : Administration and Operational Expenses	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
Annual Maintenance Charges	685,656	581,855
Board Meeting Expenses	69,489	10,227
Sitting Fees	54,000	
Re-imbursment of Actual Expenses to ISE (Refer Note 12 of Schedule 18 Part C)	8,863,523	8,558,140
Bad Debts	457,289	245,824
Commission to Authorised Person	3,475,544	4,318,821
Courier Charges	25,521	67,709
Custody Charges		44,261
Insurance	178,569	56,730
Legal & Professional charges	1,495,902	1,666,301
Loss on Sale of Devolved Stocks		76,533
Miscellaneous Expenses	340,182	304,761
Membership & Subscription	374,790	118,000
Printing and Stationery	344,385	325,061
Provision for Doubtful Debts (Refer Note 6 of Schedule 18 Part C)	51,000	57,616
Rates & Taxes	31,595	21,120
Remuneration to Auditors (Refer Note 3 of Schedule 18 Part C)	276,605	165,216
Rent	2,514,351	1,394,525
Repairs & Maintenance- Others	131,983	161,569
Travelling Expenses	103,570	74,743
Donations	50,000	
Fines & Penalties	355,549	120,341
License fees	81,267	272,260
<b>Total</b>	<b>19,960,770</b>	<b>18,642,713</b>



*Amir*  
*1:25*

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**ISE SECURITIES & SERVICES LIMITED**  
Schedules forming part of the Profit & Loss Account

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 16 : Finance Costs</b>		
Bank Charges	16,027	27,334
Bank Guarantee Commission	3,342	371,568
Interest - Other than Fixed Loans	717,730	244,088
<b>Total</b>	<b>737,104</b>	<b>642,990</b>

	As at March 31, 2005 (Rupees)	As at March 31, 2004 (Rupees)
<b>Schedule 17 : Prior Year Adjustment</b>		
Prior Year Expense		157,992
Less: Prior Year Income	283,090	
<b>Total</b>	<b>283,090</b>	<b>157,992</b>



*Handwritten signatures and initials:*  
 One signature appears to be "Anam" and another is "P. Sh." with a horizontal line underneath.

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### Schedule 18

Notes to the Balance Sheet as at March 31, 2005 and Profit and Loss Account for the period ended on that date.

#### A. Background

ISE Securities & Services Limited ("the Company") was incorporated under the Companies Act, 1956 on January 18, 2000. ISE Securities & Services Ltd. (ISS), a wholly - owned subsidiary of Inter-connected Stock Exchange Of India Limited (ISE) is a trading - cum - clearing Member of National Stock Exchange of India Ltd. ISS, by virtue of being a stock exchange subsidiary, cannot trade on its own account and can only allow trading to its sub-brokers and authorised persons, who are required to be stock brokers of the parent stock exchange (ISE). As at March 31, 2005, ISE and its nominees hold 100 percent of the equity share capital of the Company. The Company is an active member of the capital market and futures & options segments of NSE & an active member of the equities segment of BSE.

#### Significant Accounting Policies and Notes to Accounts

#### B. Significant Accounting Policies.

##### a) Fundamental Accounting Assumptions

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

##### b) Method of Accounting

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

##### c) Use of Estimates

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



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d) Revenue recognition

- i) Brokerage income, fines and penalties are recognised for all settlements completed during the year, with respect to funds pay-in and pay-out. Brokerage income includes net transaction charges received from sub-brokers, net of service tax and stamp duty.
- ii) Income from annual fees is accounted for on an accrual basis, however if the same is outstanding for more than six months, the same is not recognised.
- iii) Other incomes are accounted for on an accrual basis.

e) Fixed/Intangible Assets and Depreciation/Amortisation

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

f) Investments

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

g) Securities in hand

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

h) 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.

i) 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.



*Deen P. Sh*  
*Dr*

j) 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.

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

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

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

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



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C. Notes to Accounts

- The Company continues with the method of recognition of brokerage income on settlements, which are completed with respect to funds pay-in and pay-out during the year. In the futures and options segment, the brokerage income is recognized till the last trading day of the financial year.
- As a consequence of Accounting Standard 26 "Accounting for Intangibles" which has become mandatory from 01.04.2004, during the reporting year, the Company has changed its accounting policy in respect of intangible assets. The Company has accordingly recognized expenditure incurred during the financial year 2004-05 on computer software aggregating Rs.72.07 lakh as 'Intangible Assets' under Schedule 5 'Fixed Assets', whereas expenditure on computer software incurred up to March 31, 2004 aggregating to Rs.44 lakh (Gross Rs. 62.71 lakh and accumulated amortization Rs.18.74 lakh) hitherto accounted for as Computer Software under Schedule 5 'Fixed Assets' has been recast as 'Intangible Assets'. Had the change not been made, the profit for the year would have been higher by Rs 22.85 lakh. The amortization of intangible assets amounting to Rs 67.78 lakh has been included in the depreciation for the year in the Profit and Loss Account.

3. Remuneration to Auditors:

Particulars	Year ended 31-3-2005	Year ended 31-3-2004
Audit fees	99,180.00	91,800.00
For tax audit	22,040.00	16,830.00
For other services in respect of:		
- consultancy charges	NIL	NIL
- others (including certification matters)	90,265.00	52,592.00
For taxation matters (to associates concerns)	63,030.00	NIL
Reimbursement of expenses	2,057.00	4,994.00
Total	2,76,605.00	1,66,216.00

- The securities in hand as of March 31, 2005 are valued at Rs. NIL [Previous year Rs. NIL], which is at original cost or market price, whichever is less. The reduction of Rs. NIL [Previous year Rs. 12780], on account of this valuation is written off to Profit and Loss Account.



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5. Investments

The Company has acquired the corporate membership of BSE at a cost of Rs. 67,00,005/-. The Company has received the certificate of registration from SEBI on April 13, 2004. The Company has commenced its operations on BSE from December 27, 2004.

6. 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, 2005. The debtors to the Company are secured by the Company by way of base and additional trading deposits, bank guarantees and fixed deposits.
- (iii) The Company has written off Rs. 36,61,598/- towards the amounts due from two sundry debtors, against whom suits were filed, which were outstanding for more than 3 years and for which the necessary provisions were made in the books of accounts in the earlier years.
- (iv) Sundry debtors include an amount of Rs.9,66,714/- (Previous year Rs.9,83,347/-) on account of various charges recoverable from sub-brokers, which are long outstanding. Out of this, an amount of Rs.1,71,616/- (Previous year Nil) pertaining to expelled/default Sub-brokers has been written off as bad during the year. The balance debts are considered good for recovery by the management in view of the base minimum capital deposited by the sub-brokers with the parent stock exchange (ISE). The deposits available with the parent stock exchange ISE 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 have been considered doubtful and adequate provision in respect thereof aggregating to Rs. 50,997.87 (Previous year Rs.57,616/-) has been made in the Accounts.



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7. (i) The Company has obtained bank guarantees favoring NSE from HDFC Bank Ltd. for an amount of Rs. 2,65,85,000/- [Previous year Rs. 4,00,55,000/- ] towards base capital and margin requirements as of March 31, 2005. These bank guarantees are obtained against the collaterals of:

- (a) Bank guarantees received from sub-brokers favoring the Company towards the same: Rs. 62,00,000/- [Previous year: Rs. 1,80,10,000/-],
- (b) Bank fixed deposits of the sub-brokers amounting to Rs. 88,85,000/- [Previous year: Rs. 1,20,45,000/-] and
- (c) Bank fixed deposits with HDFC Bank Ltd. of the Company amounting to Rs. 1,15,00,000/- excluding interest accrued [Previous year: Rs. 1,00,00,000/-].

(ii) The Company has obtained bank guarantees favoring NSE from IndusInd Bank Ltd. for an amount of Rs. NIL [Previous year: Rs. 5,35,75,000/-] towards base capital and margin requirements as of March 31, 2005. These bank guarantees are obtained against the collaterals of:

- (a) Bank fixed deposits of the sub-brokers amounting to Rs. NIL [Previous year: Rs. 35,75,000/-] and
- (b) Bank fixed deposits with IndusInd Bank Ltd. of the Company amounting to Rs. NIL [Previous year: Rs. 2,50,00,000/-].

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

(i) 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. 2,27,16,046/- [Previous year: Rs. 1,90,55,499/-].

9. The Bank fixed deposits of the Company include deposits amounting to Rs. 28,73,66,046/- [Previous year: Rs. 23,05,55,499/-] which are utilised as collaterals for various trading facilities at NSE as follows:

	Amount in Rupees
(i) Fixed deposits cashed and deposited with NSE towards additional base capital (excluding interest accrued).	24,52,50,000.00
(ii) Collaterals for bank guarantees issued to NSE for margin adjustable base capital (Refer Note 7 above)	2,00,00,000.00
(iii) Collaterals with banks for overdraft facilities. (Refer Note 8 above)	2,27,16,046.00
Total	28,79,66,046.00



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10. The Bank fixed deposits of the Company include deposits amounting to Rs. 13,75,000/- [Previous year: Rs. Nil], which are utilised as collaterals for various trading facilities at BSE as follows:

	Amount in Rupees
(i) Fixed deposits discharged and deposited with BSE towards additional base capital	13,75,000.00
(ii) Collaterals for bank guarantees issued to BSE for margin adjustable base capital (Refer Note 7 above)	Nil
(iii) Collaterals with banks for overdraft facilities. (Refer Note 8 above)	Nil
Total	13,75,000.00

11. 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 was not possible. Current liabilities & provisions include an amount of Rs. 26.77 lakh [Previous year: Rs. 27.28 lakh] under the head "Other Liabilities", representing the sale proceeds of such securities and dividends received thereon. Claims, if any, received from the sub-brokers or their clients will be settled out of this amount, after due verification.

12. The Company and its holding company, ISE, have an agreement, under which the actual expenses incurred by the holding company for supporting the operations of the Company are reimbursed by the Company. Reimbursement of actual expenses by the Company to the Holding Company for the period was Rs. 88,63,523/- [Previous year: Rs. 85,58,140/-].

Entire Employee Cost of Rs. 74,33,676/- (Previous year Rs. 67,83,471/-) represents the cost of the staff deputed by ISE to the Company during the year.

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, of at least equal amounts, at which they are stated in the Balance Sheet.
14. Estimated amounts of contracts remaining to be executed on capital account and not provided for aggregates to Rs. 8,80,141/- (Previous year: Rs. NIL) net of advances
15. Earnings per share:

Particulars	Year ended 31-3-2005	Year ended 31-3-2004
Net Profit/(Loss) after taxation attributable to equity shareholders	1,11,86,347.00	1,04,43,993.00
Weighted average outstanding number of equity shares	55,00,000.00	55,00,000.00
Basic/ diluted earnings per share	2.03	1.90



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16. Deferred Taxation:

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

(Amount in Rs.)

Deferred Tax Assets	As at 31-03-04	Adjustment during period	As at 31-03-05
Others	15,38,638.00	(15,13,394.00)	25,244.00
Total	15,38,638.00	(15,13,394.00)	25,244.00
Deferred Tax Liabilities			
Depreciation	39,83,740.00	(19,63,092.16)	20,20,647.84
Total	39,83,740.00	(19,63,092.16)	20,20,647.84
Net Deferred Tax Liability/(Asset)	24,45,102.00	(4,49,698.16)	19,95,403.84

17. 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 Accountants

*Rajesh Shah*  
Rajesh Shah  
Partner  
Membership No 31475

For and on behalf of the Board

*P. V. Narasimham*  
P. V. Narasimham  
Chairman

*V. Shankar*  
V. Shankar  
Director

*M. Ramalingam*  
M. Ramalingam  
CEO

*V. Vasumathy*  
V. Vasumathy  
Company Secretary

Mumbai  
Date: 25 JUN 2005

Mumbai  
Date: 25 JUN 2005



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**ISE SECURITIES & SERVICES LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2005**

	As at 31.03.2005	As at 31.03.2004
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax	15,053,559	15,832,532
Adjustments for:		
Depreciation	10,811,559	4,581,730
Preliminary expenses written off	203,815	203,816
Reduction in the value of securities		12,780
Interest paid	717,736	244,088
Operating profit before working capital changes	26,786,668	20,874,946
Adjustments for:		
Trade and other receivables	(3,848,676)	(3,776,206)
Trade payables	49,293,863	177,435,045
Cash generated from operations before tax & prior period items	72,231,855	194,533,785
Direct Taxes paid (net of refunds)	(1,594,704)	(733,270)
	70,637,151	193,800,515
Prior period items	283,090	(157,992)
Cash generated from operations (A)	<u>70,920,241</u>	193,642,523
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(11,873,466)	(418,850)
Capital Advance	(320,905)	-
Sale/(Purchase) of Investments	-	-
	(12,194,371)	(418,850)
Net Cash used in investing activities (B)	<u>(12,194,371)</u>	(418,850)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds/(Repayment) from Bank working capital finance	(999,613)	(8,187,910)
Proceeds from issue of shares		
Interest paid	(717,736)	(244,088)
	(1,717,349)	(8,431,998)
Net Cash used in financing activities (C)	<u>(1,717,349)</u>	(8,431,998)
Net increase / decrease in cash & cash equivalents (A+B+C)	57,008,522	184,791,675
Cash & cash equivalents at the beginning of the year	280,790,721	95,999,046
Cash & cash equivalents at the end of the year	<u>337,799,243</u>	280,790,721

**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, fixed deposits placed with Bank (including term deposits) (Refer Schedule 8 forming part of the balance sheet)
- Interest received is treated as income from operating activities.

As per our attached report of even date

For A. J. Shah & Company  
Chartered Accountants

Rajesh Shah

Membership No. : 31475

Date: 25 JUN 2005  
Place: Mumbai



For and on behalf of the Board

*P. V. Narasimham*      *V. Shanker*      *M. Ramalingam*  
Chairman                      Director                      CEO

*V. Vasumathy*

V. Vasumathy  
Company Secretary

Date: 25 JUN 2005  
Place: Mumbai

**ISE Securities & Services Limited**  
**SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2005**

Balance Sheet abstract and Company's general business profile

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

I. Registration Details

Registration No. 123707  
 Balance Sheet Date 31-03-2005

State Code 11

II. Capital Raised during the year

Public Issue  
 Nil

Rights Issue  
 Nil

Bonus Issue  
 Nil

Private Placements  
 Nil

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

Total Liabilities  
 4,20,354

Total Assets  
 4,20,354

Sources of Funds

Paid up Capital  
 55,000

Reserves & Surplus  
 15,191

Secured Loans  
 NIL

Unsecured Loans  
 Nil

Deferred Tax  
 1,995

Application of Funds

Net Fixed Assets  
 14,210

Investments  
 6,700

Net Current Assets  
 50,956

Misc Expenditure  
 Nil

Accumulated Losses  
 Nil

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

Turnover  
 65,266

Total expenditure  
 50,212

Profit before Tax  
 15,053

Profit after Tax  
 11,186

Earnings per share  
 2.03

Dividend Rate  
 Nil

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

Item Code No.  
 NIL

Product Description  
 NIL

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**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 Seventh Annual General Meeting of the Members of Inter-connected Stock Exchange of India Ltd. held on Saturday, September 24, 2005 at 12.15 p.m. at the Registered Office of the Company at International Infotech Park, Tower 7, 5th Floor, Sector 30, Vashi, Navi Mumbai - 400 703.

I, \_\_\_\_\_, record my presence at the Seventh Annual General Meeting of the Members of Inter-connected Stock Exchange of India Ltd., held on Saturday, September 24, 2005 at 12.15 p.m. at the Registered Office of the Company at International Infotech Park, Tower 7, 5th Floor, Sector 30, Vashi, Navi Mumbai - 400 703.

Name	
Representative of	
Signature of the Representative	
Signed this _____ day of September 2005.	

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